

# THE WALL STREET JOURNAL.

## What's News

### Business & Finance

**A federal appeals court** rejected Johnson & Johnson's use of chapter 11 to freeze roughly 40,000 lawsuits linking its talc products to cancer, blunting a strategy J&J and a handful of other profitable companies have used to sidestep jury trials. **A1**

◆ **India's Adani Group** released a 413-page rebuttal to claims made by Hindenburg Research but couldn't stop the free fall in its shares and bonds set off by the U.S. short seller. **A1**

◆ **Ford cut** the price on a key electric-vehicle model as the deep discounts enacted by Tesla ripple through the auto market and spark complaints by some owners of the EV maker's cars. **A1**

◆ **Samsung Electronics'** operating profit slumped as the company's memory-chip and smartphone businesses grappled with a drop-off in demand and high inventories. **B1**

◆ **Major U.S. stock indexes** posted declines, with the S&P 500, Nasdaq and Dow retreating 1.3%, 2% and 0.8%, respectively. **B11**

◆ **FTX's founder attempted** to stall bankruptcy proceedings in the U.S. in order to transfer assets from his crypto exchange to foreign regulators, the DOJ said. **B2**

◆ **Unilever appointed** Hein Schumacher, the head of a European dairy cooperative, to succeed Alan Joje as its chief executive. **B1**

◆ **Nissan and Renault said** they agreed to reorganize their alliance in a deal that includes reducing Renault's stake in Nissan. **B3**

### World-Wide

◆ **The Biden administration** is considering entirely cutting off China's Huawei from U.S. suppliers over national-security concerns by tightening export controls targeting the firm, according to people familiar with the matter. **A3**

◆ **The DOJ declined** to provide Congress with additional information about classified documents found at Biden's home in Delaware and a Washington office he once used. **A4**

◆ **Three Memphis, Tenn.,** emergency medical technicians were fired and two additional police officers have been relieved from duty as investigations continue into the death of Tyre Nichols. **A3**

◆ **Biden will end** a national emergency and public-health emergency declaration for Covid-19 on May 11, the White House said, signaling a shift in the nation's approach to the pandemic. **A3**

◆ **The Manhattan DA's** office is moving to present evidence to a grand jury about hush money Trump allegedly steered to Stormy Daniels, according to people familiar with the matter. **A4**

◆ **Zelensky called for** the West to accelerate deliveries of weapons to Kyiv, as Ukrainian forces battled to keep Russian troops from encircling Bakhmut. **A6**

◆ **Blinken met** with Israel's Netanyahu in Jerusalem and planned to meet with the Palestinian Authority's Abbas on Tuesday. **A7**

◆ **Died: Bobby Hull, 84,** hockey's "Golden Jet." **A12**

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## Suspected Suicide Attack Kills at Least 59 in Pakistan



**SHATTERED:** Rescue workers and bystanders look through the rubble after a suspected suicide blast targeted a mosque in a police compound in Peshawar, Pakistan, on Monday, killing at least 59 people and injuring more than 160. **A16**

## India's Adani Struggles to Stop Slide From Short Seller Claims

A giant Indian conglomerate couldn't stop the free fall in its shares and bonds set off by a U.S. short seller in what has grown into a bitter fight over

By *Weilun Soon, Dave Sebastian and Ben Foldy*

the empire created by one of India's richest and most politically connected businesspeople.

Adani Group, an energy and infrastructure company, released its 413-page rebuttal to the short seller's claims just as

the trading week began in Asia. Investors weren't convinced and dumped shares of the company on Monday, bringing the total value lost to \$64 billion since last week.

The fight could have wide implications for India's power industry and for its transition to clean energy. It has also caused billions of dollars in losses for Indian investors who have helped drive up the company's share price to stratospheric levels.

Investors in Adani are rushing to its aid. One of Adani's

companies was in the midst of selling shares when the short seller report hit. On Monday, International Holding Co., an Abu Dhabi-based conglomerate, said it would purchase \$400 million worth of shares in the public offering. That amounts to about 16% of the total deal. IHC invested \$2 billion last year in three Adani companies, including Adani Enterprises Ltd., the group's flagship.

The company, the namesake of India's richest man, Gautam Adani, looked a lot like the U.S. tech stocks that soared during

the pandemic. Shares of Adani Enterprises rose 3,000% in the past five years, pushing valuations to extreme levels.

"Clearly there's a disconnect between valuations and fundamentals," said James Thom, senior investment director of Asian equities at investment firm Abrdn.

Short seller Hindenburg Research pricked the bubble with claims of stock-market manipulation. *Please turn to page A6*

◆ **Heard on the Street: For India, a credibility test.....** B12

## INSIDE



**JASON GAY**

The Eagles are a slight betting favorite to win the Super Bowl, but don't tell them that. **A12**



**BUSINESS & FINANCE**

Celebrity crypto endorsers named as defendants in suits by burned investors. **B1**

## EV Rivalry Heats Up as Ford Joins Tesla in Cutting Prices

By **NORA ECKERT**

Ford Motor Co. cut the price on a key electric-vehicle model Monday as the deep discounts enacted by Tesla Inc. ripple through the auto market and spark complaints by some owners of the EV maker's cars.

Tesla slashed prices nearly 20% on some vehicles in mid-January, an unusually steep markdown. Chief Executive Elon Musk highlighted last week how demand has surged following the price reductions,

which executives said were aimed at making Teslas more affordable and qualifying some models for a \$7,500 federal tax credit.

The cuts, though, also have sparked a backlash from some customers who bought Teslas in the weeks before the price reductions and paid thousands of dollars more for their vehicles. In addition, Tesla's moves have put pressure on rivals like Ford, which said it was cutting prices of its electric Mustang Mach-E SUV by up to 8.8% on some versions.

The Dearborn, Mich., auto maker said its supply chain for its electric vehicles is coming online and it is seizing on streamlined costs to lower prices. Ford also said the price cuts are a part of the company's plan to keep the vehicle competitive in a rapidly changing market.

"We are not going to cede ground to anyone," said Marin Gajja, chief customer officer of Ford's electric-vehicle business. He said that the company is keeping its pricing. *Please turn to page A4*

## When the Dog Eats Your Apple AirTag

\* \* \*  
Pups are beeping, landing at vets; Luna unperturbed

By **DALVIN BROWN**

Colin Mortimer knew there was trouble when his dog Sassy started beeping.

He'd been trying to locate a lost AirTag, the \$29 Bluetooth device designed by Apple Inc. to help people keep tabs on their keys, luggage and other personal items. This particular AirTag normally attaches to his other dog's collar, letting him keep track of her location.

After looking under the couch and table and enlisting his girlfriend to help search their two-bedroom house in Washington, D.C., Mr. Mortimer turned to his iPhone. *Please turn to page A8*

## U.S. Consumers Start to Slow Down

The end of flush savings accounts and cheap credit bring down spending

By **HARRIET TORRY AND JOE PINSKER**

The engine of the U.S. economy—consumer spending—is starting to sputter.

Retail purchases have fallen in three of the past four months. Spending on services, including rent, haircuts and the bulk of bills, was flat in December, after adjusting for inflation, the worst monthly reading in nearly a year. Sales of existing homes in the U.S. fell last year to their lowest level since 2014 as mortgage rates rose. The auto industry posted its worst sales year in more than a decade.

It's a stark turnaround from the second half of 2020, when Americans lifted

the economy out of a pandemic downturn, helping the U.S. avoid what many economists worried would be a prolonged slump. Consumers snapped up exercise bikes, televisions and laptop computers for schoolchildren during lockdowns. When restrictions were lifted, they rushed back to their favorite restaurants and travel destinations.

And they kept spending, helped by government stimulus, flush savings accounts and cheap credit, even as inflation picked up. Faced with *Please turn to page A8*

◆ **Impact of earlier rate increases weighs on Fed....** A2  
◆ **Banks brace for increase in delinquent loans.....** B10

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# U.S. NEWS

## Impact of Earlier Hikes Weighs on Fed

Key question is how much more will prior rate increases slow economy this year

By Nick Timiraos

Federal Reserve officials' deliberations this week over how much more to raise interest rates will hinge on how much they expect the economy to slow this year.

Key to those discussions at their two-day policy meeting will be estimating how much their previous rate increases will cool growth and inflation over time, or what Nobel Laureate Milton Friedman called the "long and variable" lags of monetary policy.

"There will be a lot of thinking about 'Are the effects we're getting about on the track that we expected? Are they coming sooner, or are they coming bigger?'" said William English, a former senior Fed economist who is a professor at the Yale School of Management.

### Quarter likely this week

Fed officials are lifting rates to lower inflation by restraining growth. They are likely to raise their benchmark federal-funds rate on Wednesday by a quarter percentage point to a range between 4.5% and 4.75%, extending the most rapid adjustment in interest rates since the early 1980s.

If the lags are long, last

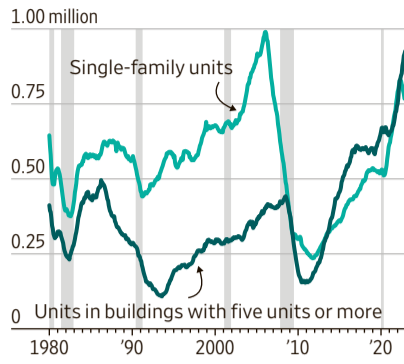
The Fed raised its benchmark rate last year at the most rapid pace since the early 1980s.

Effective federal-funds rate



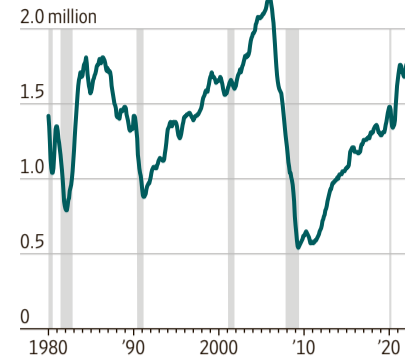
\*Seasonally adjusted †Six-month moving average

Privately owned housing units under construction\*



Sources: Federal Reserve via St. Louis Fed (federal-funds rate); U.S. Census Bureau via St. Louis Fed (units under construction, permits)

New privately owned housing units authorized in permit-issuing places\*



year's rate increases are just beginning to work their way through the economy and will strongly curb economic activity in the year ahead. That implies the Fed doesn't have to raise rates much more or keep them high for very long.

But if the lags are shorter, the previous hikes have largely taken effect already and the central bank could decide it has to raise rates higher or hold them high for longer to achieve the desired effect.

Moderating the pace of rate rises would give the Fed more time to study the effects of its moves. A quarter-point increase this week would slow them for a second consecutive meeting after officials raised rates by a half point last month and by 0.75 point at four consecutive previous meetings.

Many investors think the lags are long: They anticipate the Fed will cut rates later this year and through 2024 because they think it has already lifted them to levels likely to cause a recession. As a result, medium- and longer-term interest rates that are determined by markets, including for most U.S. mortgages, have stopped rising or have fallen even though the Fed has continued raising short-term rates.

Economists at Goldman Sachs see shorter lags. They say markets' pessimism is overdone, and they are among those who think the economy will prove more resilient than anticipated, which could call for a longer period of higher rates.

"While the consensus worries that the lagged effect of rate hikes will cause a recession

this year, our model says the opposite—the drag on [gross domestic product] growth from monetary policy tightening will diminish substantially in 2023," said David Mericle, chief U.S. economist at Goldman Sachs.

Some Fed officials say interest-rate moves influence the economy faster because they communicate their policy intentions far more explicitly than in the past. Thirty years ago, for example, the Fed didn't tell the public whether it had made any rate changes at its meetings.

"I think we're seeing a lot of the impact for monetary policy coming through in the next quarter," Mr. Waller said.

### Economists split on lags

Others say this overlooks important changes that have extended the lags. Even if Fed officials have shortened the time it takes between changing its benchmark rate and influencing financial conditions, they haven't shortened the time it takes financial markets to influence economic activity. Those secondary effects may be taking longer now than in the past because of pandemic-fueled distortions, said Aneta Markowska, chief economist at Jefferies LLC.

In 2020-2021, the government's response to the pandemic—showing cash on

households with stimulus spending and reducing borrowing costs for consumers and businesses—prevented the usual crisis pattern of rising joblessness that amplifies declines in income and spending, triggering a recession. That left private-sector balance sheets in a historically sturdy position.

"We're in a different world from the last several business cycles," said Donald Kohn, a former Fed vice chairman. "The last several cycles haven't had pandemics and land wars in Europe in them."

The Fed's rate moves didn't slow the economy as much last year as might have been anticipated because the economy was still buoyed by fiscal and monetary stimulus that was supporting activity, Fed Vice Chair Lael Brainard said in a speech this month.

"It is likely that the full effect on demand, employment, and inflation of the cumulative tightening that is in the pipeline still lies ahead," she said.

The construction sector offers a clear example. Strong demand for housing during the pandemic, together with ultralow borrowing costs, ignited a building boom. The Fed's rate increases cramped demand, but supply-chain bottlenecks and a burst of apartment-home construction, which is at a 50-year high and takes longer to complete than single-family housing, means the construction industry hasn't had to lay off workers.

## IMF Forecasts a Sunnier 2023 for Global Economy

By Yuka Hayashi

WASHINGTON—Resilient demand, easing inflation and China's reopening should allow the global economy to grow a bit faster than previously expected, the International Monetary Fund said.

In its latest World Economic Outlook, released Monday Washington time, the IMF sees the global economy growing 2.9% this year, up from its October projection of 2.7%. The IMF expects growth to accelerate to 3.1% in 2024, still less than last year's 3.4%.

"The year ahead will still be challenging," said Pierre-Olivier Gourinchas, the IMF's chief economist. "But it could well represent the turning point, with growth bottoming out and inflation declining," he said.

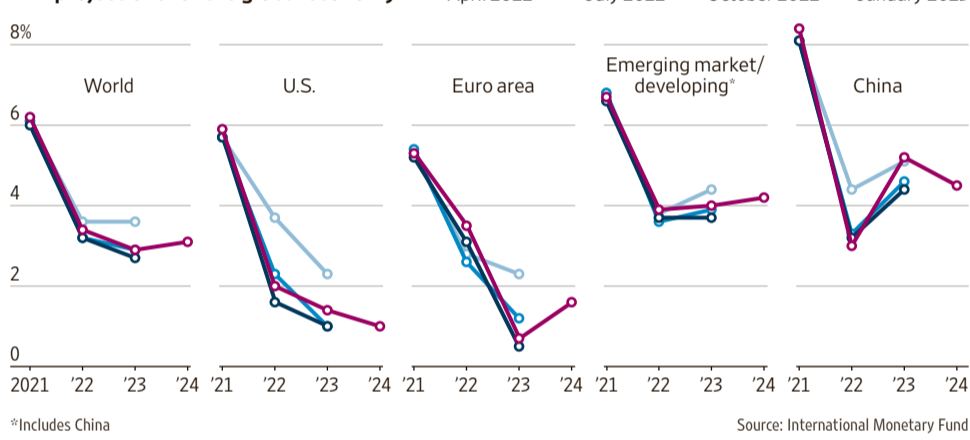
The IMF's view, while still cautious, marks a notable shift in tone from October, when its economists warned global recession was a significant risk.

"With a global growth rate at 2.9%, we are well away from any sort of global recession marker," Mr. Gourinchas said during a press briefing. Nonetheless, he warned of downside risks to the outlook, such as rebounding inflation and the war in Ukraine.

Several developments in the past few months contributed to the shift in the IMF's views, its economists explained. Economic growth proved surprisingly resilient in the third quarter of last year, helped by tight labor markets, stronger-than-expected spending by households and businesses, and Europe's swift adaptation to the energy crisis caused by the war in Ukraine.

Responding to policy tightening by central banks, inflation is beginning to ease around the world, with headline consumer price inflation now declining in many countries, including the U.S.

IMF projections for the global economy



\*Includes China

Source: International Monetary Fund

In 2022, China's economy sagged under ever stricter lockdowns to suppress the spread of Covid-19, which weighed on global growth. Beijing eventually gave up and has largely reopened its economy, which is expected to give a significant boost to global

growth. China's economy is projected to expand 5.2% this year, up from 3% in 2022, and significantly faster than the 4.4% expansion the IMF had projected in October.

As inflation pressures started to ease, so did financial conditions. For instance, long-term interest rates have

dropped, which helped some economic activity such as U.S. new home sales. The dollar's retreat after last year's steep ascent provided some relief to emerging economies by lowering the prices of imported food, fuel and debt payments.

Emerging market and developing economies are leading

the improved global outlook. Their growth is projected at 4% this year and 4.2% in 2024, compared with 3.9% in 2022.

Russia is also expected to be less of a drag this year, with its economy expected to grow 0.3% after contracting 2.2% last year.

Growth in advanced economies will be relatively subdued at 1.2% this year, up 0.1 percentage point from the IMF's October forecast but a slowing from 2.7% for 2022.

U.S. growth is expected to slow from 2% in 2022 to 1.4% this year and 1% next year. Euro-area growth is expected to decelerate from 3.5% last year to 0.7% this year, before rebounding to 1.6% in 2024. The U.K., after putting in solid 4.1% growth last year, will see its economy contract 0.6% this year. It is the only major advanced economy the IMF expects to experience negative growth.

## J&J Can't Freeze Talc Lawsuits

Continued from Page One equitably resolve the talc litigation for current and future injury claimants.

J&J's share price fell 3.7% on Monday, closing at \$162.

The court's decision could mark tougher scrutiny of the legal tactic, which would make it harder for big companies to move past potentially costly and time-consuming personal-injury litigation. For J&J, the ruling means the talc litigation—and the billions of dollars in potential liabilities—could hang over the company for years, even after it hives off the consumer-products business that was home to the baby powder.

Bankruptcy allows companies swamped by lawsuits to drive settlements of legal liabilities through a chapter 11 plan and stop litigation from advancing in the civil justice system. But J&J and others including Georgia-Pacific LLC, U.S. units of Ireland's Trane Technologies PLC and France's Cie. de Saint-Gobain SA have gotten access to those benefits in recent years without filing bankruptcy themselves. They created new subsidiaries with limited operations under Texas law, filled them with tort liabilities and placed them in chapter 11.

Personal injury claimants and other critics have argued these solvent businesses shouldn't get the reprieve from litigation without subjecting their core businesses to bank-



J&J has decided to stop selling baby powder containing talc globally this year.

ruptcy-court oversight. Consumers who have sued J&J celebrated Monday's ruling. Willie Gregory, who said his wife, Sonna Gregory, died in 2021 from ovarian cancer at age 59, said the ruling was a relief because he was worried J&J would be able to use its substantial resources to stop the talc lawsuits and "sweep it under the rug."

"It makes me feel like there is a sense of justice," Mr. Gregory said. "There are a lot of folks just like me who have lost loved ones because of this."

J&J has denied liability in Mr. Gregory's case. J&J, which has long maintained its talc products are safe, can request that all judges on the Third Circuit review Monday's decision, and it could later petition for review by the U.S. Supreme Court.

Unless overturned on fur-

ther appeals, the appellate ruling could pose challenges for J&J as it is preparing to separate the consumer-health business that sells Johnson's Baby Powder into a standalone company to be called Kenvue.

J&J has decided to stop selling baby powder containing talc globally this year, and instead will sell only powder made out of cornstarch. It previously stopped talc powder sales in the U.S. and Canada, citing lower demand amid safety concerns.

After the separation, the remaining J&J, which will consist of pharmaceutical and medical-device units, will retain the talc-related liabilities for products sold in the U.S. and Canada. Kenvue will be responsible for liability arising from products sold outside the U.S. and Canada, according to a Kenvue securities filing. J&J

expects to complete the separation of Kenvue this year.

J.P. Morgan analyst Chris Schott estimates J&J's liabilities for talc could end up in the range of \$8 billion to \$10 billion. Monday's ruling, if upheld, could prolong by several years the time it takes for J&J to resolve the talc litigation

### CORRECTIONS & AMPLIFICATIONS

**Clothing company Tove** is based in the U.K. An Off Duty article on Saturday about white shirts incorrectly called it a Danish label.

Readers can alert The Wall Street Journal to any errors in news articles by emailing [wjscontact@wsj.com](mailto:wjscontact@wsj.com) or by calling 888-410-2667.

because the claims won't be in a consolidated bankruptcy proceeding, Mr. Schott said in a research note.

The court ruling could also affect 3M Co., according to legal observers. The company is using a similar plan to attempt to resolve about 230,000 personal injury claims involving its military earplugs through an affiliate's bankruptcy case. A 3M spokesman said it continues to support its bankrupt earplug unit, Aearo Technologies LLC, in a confidential mediation process.

J&J agreed to fund any settlement reached in LTL's bankruptcy case to resolve claims that Johnson's Baby Powder and Shower to Shower caused ovarian cancer or contained asbestos. Because of that backdrop, the appeals court said the LTL subsidiary wasn't in financial distress, a requirement for accessing the powerful legal tools of chapter 11.

The company has argued that resolving the lawsuits in a chapter 11 plan is more efficient and fair for injury claimants than litigating or settling each claim one by one. The judge overseeing LTL's bankruptcy case agreed last year, saying that the J&J subsidiary acted in good faith

and for a valid purpose when it filed for chapter 11.

Judge Thomas Ambro, writing for the Third Circuit panel, said the evidence showed that LTL was "highly solvent" by virtue of its funding agreement with J&J and had access to enough capital to meet any potential talc liabilities for the foreseeable future. Ignoring the "safety net" of a parent company like J&J "would allow tunnel vision to create a legal blind spot. We will not do so," he said.

Judge Ambro said the funding agreement gave LTL access to as much as \$61.5 billion at the time it filed for chapter 11 as well as direct access to J&J's "exceptionally strong balance sheet." That value far exceeded approximately \$4.5 billion in aggregate costs J&J accumulated in the talc litigation over the past five years, he said.

Judge Ambro, considered a leading authority on bankruptcy law, said the funding agreement meant LTL wasn't in immediate financial distress, which would necessitate a bankruptcy filing. Dismissing the chapter 11 case would ensure that injury claimants' rights to a jury trial "are disrupted only when necessary," he said.

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## U.S. NEWS

# U.S. Weighs Halt of Huawei Exports

By IAN TALLEY  
AND SABRINA SIDDIQUI

WASHINGTON—The Biden administration is considering entirely cutting off Chinese telecommunications giant **Huawei Technologies Co.** from U.S. suppliers over national-security concerns by tightening export controls targeting the company, according to people familiar with the matter.

The proposal—should the administration move forward—would mark the latest salvo in the high-stakes clash between the world's two largest economies as U.S. policy makers seek to counter China's industrial policy, which they say threatens Western interests.

The Trump administration in 2019 added Huawei to the Commerce Department's "Entity List," a roster of foreign companies deemed to be national-security threats. However, the Commerce Department later agreed to grant licenses to U.S. companies allowing them to sell technology to Huawei as long as it wouldn't put national security at risk.

The Biden administration is now considering no longer granting such licenses, although no decision has been made, the people familiar said. The deliberations were previously reported by Bloomberg and the Financial Times.

The U.S. items exempted from the Huawei blacklist include less advanced chips used in the company's lineup of smartphones and computers.

Huawei declined to comment. The company, the world's largest maker of telecom equipment, has said its products aren't a national-security risk.

Officials have signaled to Qualcomm Inc. and Intel Corp., which continue to supply Huawei, that this is a good time to wind down sales to the Chinese company, said one of the people familiar with the matter. Intel and Qualcomm declined to comment.

A Commerce Department spokeswoman said that the department doesn't comment on deliberations about specific companies.

—Dan Strumpf  
and Robert Wall  
contributed to this article.

# Birth Control Curb Targeted

By STEPHANIE ARMOUR

The Biden administration proposed an end to an exemption allowing health plans to exclude coverage of no-cost birth control on moral grounds, part of work to protect access to contraception since *Roe v. Wade* was overturned.

The rule proposed on Monday would retain an exemption allowing private health plans and insurers to exclude contraception coverage based on religious exemptions. The Trump administration in 2018 allowed the exemptions on religious or moral grounds.

"This rule would remove a big potential loophole for contraceptive coverage created by the Trump administration," said Larry Levitt, executive vice president for health policy at the Kaiser Family Foundation.

The rule would set up a new pathway called an individual contraception arrangement for people enrolled in health plans at companies or organizations that object to birth control to receive no-cost contraception through a provider. Organizations and employers that object to contraception on religious grounds wouldn't be involved in directly providing birth control, according to the Centers for Medicare and Medicaid Services, a federal agency.

# EMTs Are Fired in Nichols Death

Two more Memphis officers relieved of duty amid investigation into traffic-stop beating

By SURYATAPA BHATTACHARYA  
AND JOSEPH DE AVILA

Three Memphis, Tenn., emergency medical technicians were fired Monday and two additional police officers have been relieved from duty as officials continue investigations into the death of Tyre Nichols.

The three EMTs were let go after an internal investigation into their actions at the scene of Mr. Nichols's Jan. 7 encounter with police following a traffic stop, the Memphis Fire Department said.

The review showed they "failed to conduct an adequate patient assessment of Mr. Nichols," the department said.

The Memphis Police Department, meanwhile, said Officer Preston Hemphill and a second unnamed officer were relieved from duty. The two officers' actions and inactions continue to be the subject of an internal investigation, it said.

Police said Officer Hemphill and the unnamed officer were relieved from duty at the beginning of the investigation, on the same date that five other officers, who have now been charged in Mr. Nichols's death, were suspended.

Officer Hemphill, who participated in the initial traffic stop and the use of a Taser, will remain on administrative leave pending the outcome of its investigation, the department said. The department declined to say whether Officer Hemphill, who has been on the force since 2018, is being paid.

News of the disciplinary action comes after the release of footage of the Jan. 7 traffic stop that led to the death of Mr. Nichols, a 29-year-old FedEx worker and father.

The footage showed Memphis police officers pulling Mr. Nichols over and forcing him from his car. Though Mr. Nichols appears to be subdued at one point, an officer deploys a Taser on him and a commo-



Sierra Rogers, a friend of Tyre Nichols, on Monday at a Memphis memorial to the motorist. Below: Officer Preston Hemphill, who with a second unnamed officer was relieved of duty in the case; and fired EMTs Lt. Michelle Whitaker, Robert Long and JaMichael Sandridge.



tion ensues. Mr. Nichols breaks free and runs off. After officers catch up to him, several policemen repeatedly hit and kick Mr. Nichols, including while he is lying on the ground and defenseless.

Mr. Nichols died three days after the encounter.

The Memphis Fire Department said its investigation showed the three fired EMTs found Mr. Nichols handcuffed on the ground and leaning against a police vehicle.

EMTs Robert Long and JaMi-

chael Sandridge and Lt. Michelle Whitaker "violated numerous MFD policies and protocols," the department said.

Attempts to reach Lt. Whitaker and Messrs. Long and Sandridge were unsuccessful.

Mr. Nichols's family said he was fatally beaten. The medical examiner's office hasn't released autopsy results.

Memphis police officials fired five officers earlier this month. The men, all of whom are Black, have been charged with second-degree murder,

among other offenses. Mr. Nichols was also Black.

Lee Gerald, a lawyer for Officer Hemphill, said his client was the third officer at the initial stop of Mr. Nichols.

Officer Hemphill was never present at the second scene, Mr. Gerald said. He is cooperating with the investigation, he said.

Ben Crump and Antonio Romanucci, lawyers for Mr. Nichols's family, said the Memphis police owe the public answers regarding Officer Hemphill.

"Why is his identity and the

role he played in Tyre's death just now coming to light?" the lawyers said in a joint statement. "It certainly begs the question why the white officer involved in this brutal attack was shielded and protected from the public eye, and to date, from sufficient discipline and accountability."

The Shelby County District Attorney's office said Monday more charges may be forthcoming in the case.

—Ginger Adams Otis  
contributed to this article.

# May 11 Set as End Date For Pandemic Emergency

By SABRINA SIDDIQUI  
AND MICHELLE HACKMAN

President Biden will end a national emergency and public-health emergency declaration for Covid-19 on May 11, the White House said Monday, signaling a shift in the nation's approach to a pandemic that has claimed more than 1.1 million lives in the U.S.

The public-health emergency was first declared in January 2020, under the Trump administration, and has been renewed by 90 days every time it was due to expire.

The national health emergency and the public-health emergency are now set to expire on March 1 and April 11, respectively, but the White

House said the administration planned to extend the declarations to May 11 and then "end both emergencies on that date."

The announcement comes as House Republicans are poised to vote on a number of pandemic-related measures, including a pair of bills that would terminate both emergency declarations.

Rep. Brett Guthrie (R., Ky.), the author of one of the measures, said legislation was necessary because an end to the emergency was long overdue and the administration's "inaction and lack of transparency on this are unacceptable."

The GOP-led Covid-19 proposals would face an uphill battle in the Senate, which re-

mains under Democratic control.

The White House said the Biden administration "strongly opposes" an abrupt end to the Covid-19 emergency status, and that doing so "would have two highly significant impacts on our nation's health system and government operations."

The public-health-emergency designation allows for certain Covid-19 measures, such as the suspension of eligibility renewals for people on Medicaid and the prescription of controlled substances via telehealth.

Ending the public-health emergency also means that Title 42, the pandemic-era tool that has formed a major pillar of Mr. Biden's enforcement



The public-health emergency that President Biden plans to end was declared under the Trump administration in January 2020.

strategy at the southern border, will end on May 11. Administration lawyers believe removing the underlying basis for the border policy means it must end even despite a pending Supreme Court case on the policy. That case hinges on a technical issue—whether Republican-led states have the right to intervene in a lawsuit over the policy's legality.

The administration has

started planning in earnest for the policy's sunset, moving to begin rapid asylum adjudications at the border that could be completed in a matter of days and preparing to issue a new policy, colloquially known as the transit ban, which would make migrants who cross the border illegally ineligible for asylum if they fail to ask for protection in a country along their journey first.

# Court Rules Drugmakers Can Put Limit on Discounts

Pharmaceutical companies shouldn't have to send federally discounted drugs to an unlimited number of pharma-

By Anna Wilde Mathews,  
Joseph Walker  
and Melanie Evans

cies, a federal appeals court ruled, in a major win for the drugmakers and a blow to hospitals and clinics that receive the low-price medicines.

The ruling Monday, by a three-judge panel of the Philadelphia-based Third Circuit Court of Appeals, would allow pharmaceutical companies to curtail the volume of drugs they must sell at the discounted rates required under the federal program, because they wouldn't have to apply the low prices to medications dispensed by all of the outside pharmacies contracting with hospitals and clinics.

In the cases that led to the

decision, drugmakers **AstraZeneca PLC**, **Sanofi SA** and **Novo Nordisk A/S** had challenged the Health Resources and Services Administration, or HRSA, which oversees the federal drug-discount program known as 340B.

The agency had sought to stop drugmakers from cutting off supplies of discounted drugs to certain outside phar-

**Program requires drugmakers to sell medicines to some at a steep discount.**

macies that contract with the nonprofit hospitals and clinics that qualify for the federally mandated drug markdowns. In blunt language, the court said that HRSA and its parent, the Department of Health and Hu-

man Services, overreached, and that their effort was unlawful.

The federal agency "claims that drugmakers must deliver certain discounted drugs wherever and to whomever a buyer demands," the court said. "But the relevant law says nothing about such duties."

A spokeswoman for HRSA said the agency was reviewing the opinion. The American Hospital Association said it disagreed with the decision and expected two other federal appeals courts to agree with its position.

The decision could potentially be appealed, either to the full circuit court or the Supreme Court.

Under the program, drugmakers must sell their medicines to certain nonprofit hospitals and clinics at a steep discount.

The hospitals and clinics can sell the drugs at a higher price to patients and their insurers.

# Potential Fraud Eyed in \$5 Billion in Covid Aid

By AUSTEN HUFFORD

The U.S. government likely awarded more than \$5 billion in emergency pandemic loans to applicants that used questionable and unverified Social Security numbers, a government watchdog said, in the latest example of potential fraud from Covid-19 relief initiatives.

The Pandemic Response Accountability Committee, an oversight panel that monitors pandemic-related government spending, said Monday that it had identified 69,323 loan receivers who had used Social Security numbers that weren't issued legitimately or didn't match other information.

That is a sign, the panel said in a report, that the government loans might have gone to organizations that didn't deserve them or had requested aid fraudulently, a finding that a House oversight panel might discuss at a Wednesday hearing about waste and fraud in pandemic spending.

The report released on Monday focused on two programs aimed at providing assistance to small businesses.

The Small Business Administration provided nearly \$1.2 trillion in assistance to small businesses and their employees through two efforts, the Economic Injury Disaster Loan program and the Paycheck Protection Program, the watchdog said. Many of the loans don't have to be paid back if certain benchmarks are met, such as keeping workers employed.

The committee worked with the Social Security Administration to analyze Social Security numbers from more than 33 million applicants to the two programs. It found that \$5.4 billion in loans were given to 69,323 applicants whose information didn't match government data. That amounts to 0.45% of the total amount of loans that were given out.

The Small Business Administration said it was committed to tackling identity theft and other types of fraud.



## U.S. NEWS

## House's Document-Probe Request Denied

DOJ says disclosure of records in Biden papers investigation would violate its policy

By C. RYAN BARBER

The Justice Department declined Monday to provide Congress with additional information about classified documents found at President Biden's home in Delaware and a Washington think-tank office he once used, laying the groundwork for expected clashes with House Republicans as they mount a wide-ranging investigation into federal law enforcement.

In a request earlier this month, House Republicans set a Jan. 27 deadline for the department to turn over communications and other records related to the discovery of the documents at the president's residence and an office he once used at the Penn Biden

Center in Washington.

House Judiciary Committee Chairman Rep. Jim Jordan (R., Ohio) also requested records regarding Attorney General Merrick Garland's appointment of a special counsel to oversee an investigation into the classified documents, along with any communications between the White House, Justice Department and Mr. Biden's personal attorneys.

The outside prosecutor, Robert Hur, a former U.S. attorney during the Trump administration, is expected to start work this week. His investigation into how and why classified documents followed Mr. Biden, who was then the vice president, to his home and think-tank office could take months.

On Monday, the Justice Department's top legislative liaison said longstanding policy prevented the disclosure of "non-public information that is central to the ongoing Special Counsel investigation" into the



Special counsel Robert Hur, pictured in 2019, is expected to start work this week on the classified documents probe of President Biden.

handling of those documents.

"Disclosures to Congress about active investigations risk jeopardizing those investigations and creating the appearance that Congress may be exerting improper political pressure or attempting to in-

fluence department decisions in certain cases," wrote Assistant Attorney General Carlos Uriarte, head of the Justice Department's Office of Legislative Affairs. "Judgments about whether and how to pursue a matter are, and must remain,

the exclusive responsibility of the Department."

A copy of Mr. Uriarte's letter was viewed by The Wall Street Journal.

A spokesman for Mr. Jordan, Russell Dye, said it was "concerning, to say the least, that the department is more interested in playing politics than cooperating."

A senior Democratic aide involved in the House investigations described Mr. Jordan's request as a political ploy and suggested the GOP lawmaker should "actually sit down and work with a department that seems willing to give him at least some of the information he has requested."

Mr. Uriarte's letter echoed one he sent days earlier to leaders of the bipartisan Senate Intelligence Committee, the membership of which is evenly divided between the two parties. That committee, led by Sen. Mark Warner (D., Va.), has been pressing the Biden administration to provide the

panel access to classified documents found at the president's home and think-tank office and those discovered at former President Donald Trump's residence in South Florida.

The Justice Department said providing the Senate Intelligence Committee with nonpublic information about the classified materials could complicate the special counsel investigations into the Biden and Trump documents.

Mr. Uriarte's letter to House Republicans on Monday quoted from the speech Mr. Garland gave upon appointing Mr. Hur as special counsel, in which the attorney general said the selection underscored the department's commitment to independence and accountability in particularly sensitive investigations. "The department's policies regarding disclosures of information regarding open investigations serve the same ends," Mr. Uriarte wrote.

—Sadie Gurman contributed to this article.

## N.Y. Grand Jury Will Hear Trump Hush-Money Case

By CORINNE RAMEY

The Manhattan district attorney's office is moving to present evidence to a grand jury about hush money Donald Trump allegedly steered to adult-film actress Stormy Daniels, according to people familiar with the matter, raising the prospect the former president could face criminal charges in New York.

The hush-money investigation began under the prior administration of Cyrus Vance Jr. but went largely dormant before the current district attorney, Alvin Bragg, took office. It gained steam under Mr. Bragg recently after Mr. Trump's family business, the Trump Organization, was convicted of criminal tax fraud and other offenses late last year, The Wall Street Journal has reported.

Mr. Bragg's office is pursuing a separate line of inquiry related to potential insurance fraud by the Trump Organization, according to people familiar with that investigation. The status of that part of the probe couldn't be learned.

A spokeswoman for the district attorney's office and Ronald Fischetti, a lawyer for Mr. Trump, declined to comment. Mr. Trump has denied wrongdoing.

A spokeswoman for the Trump Organization noted that federal prosecutors hadn't charged Mr. Trump after previously examining the hush-money allegations. "This is just the latest act by the Manhattan DA in their never ending, politically motivated witch hunt," the spokeswoman said.

The grand-jury presentation was earlier reported by the New York Times. It couldn't be determined whether the district attorney's office was pursuing charges against Mr. Trump, the company or others involved in

the hush-money payment.

In 2018, Michael Cohen, Mr. Trump's former personal lawyer, pleaded guilty to campaign-finance violations and other offenses, telling a judge that during the 2016 presidential campaign, Mr. Trump directed him to pay off one woman and arrange payment for another who said they had affairs with the former president. Federal prosecutors in 2019 told the judge overseeing the case that they had wrapped up the campaign-finance part of that probe.

Shortly afterward, Mr. Vance, subpoenaed documents from the Trump Organization about the payment to Ms. Daniels involving an alleged sexual encounter with Mr. Trump. He denied the encounter occurred. That aspect of the probe faded as Mr. Vance's office shifted to an examination of whether Mr. Trump and his company falsely valued assets to gain benefits on insurance, taxes and loans.

The district attorney's office hasn't brought a criminal case on that issue, though New York Attorney General Letitia James, a Democrat, brought similar civil charges last year against Mr. Trump, his company and three of his children. They denied wrongdoing.

A former top Manhattan prosecutor, Mark Pomerantz, stepped down last year amid the inaction, saying in a resignation letter that Mr. Bragg instructed prosecutors not to seek charges related to the asset valuations, despite a previous authorization by Mr. Vance.

Mr. Pomerantz is set to release a book about his account of the investigation next week. Mr. Bragg's office has said the book could hinder its investigation.

—Alex Leary contributed to this article.

## U.S. WATCH



An officer greeted students Monday as they returned to Richneck Elementary in Newport News, Va., weeks after a student shot a teacher.

WASHINGTON, D.C.

## TikTok CEO to Appear Before House Panel

TikTok's chief executive has agreed to appear before a congressional committee as House Republican lawmakers step up scrutiny of the Chinese-owned video-sharing app.

Shou Zi Chew will appear before the House Energy and Commerce Committee on March 23, a committee spokesman said, in what would be the first appearance of a TikTok CEO before a congressional panel.

The hearing will give lawmakers an opportunity to explore a range of concerns over the app. Those include alleged sharing of U.S. users' data with China, as well as risks that the app could be used for propaganda or manipulation of U.S. users.

TikTok, owned by Beijing-based ByteDance Ltd., has said

that it would never allow interference by the Chinese government. TikTok said it would use the March hearing to "set the record straight about TikTok, ByteDance, and the commitments we are making to address concerns about U.S. national security."

—John D. McKinnon

NEW YORK

## Man Guilty in Drug Deaths of 3 People

A New Jersey man was convicted of causing the deaths of three New Yorkers to whom he sold cocaine laced with fentanyl, a spate of poisonings that The Wall Street Journal reported on last year.

Billy Ortega was found guilty Monday of all charges by a federal jury in U.S. District Court in the Southern District of New York. At a sentencing scheduled

for June 2, he could face 25 years to life in prison on five convictions related to selling and distributing drugs that led to the deaths and using firearms to protect the operation. A lawyer representing Mr. Ortega said he plans to appeal the verdict.

The 36-year-old was charged with causing the deaths of Ross Mtangi, Julia Ghahramani and Amanda Scher, three New Yorkers who ordered cocaine from him on the same day and died of overdoses because the cocaine was laced with toxic doses of fentanyl.

The deaths of Mr. Mtangi, a Wall Street trader, Ms. Ghahramani, a first-year lawyer and Ms. Scher, a social worker, were among more than 18,000 overdose deaths in 2021 in which people had both cocaine and a synthetic opioid—a category dominated by fentanyl—in their systems, according to government data.

—Margot Patrick

VIRGINIA

## Principal in New Role Following Shooting

The principal of the Virginia elementary school where a 6-year-old boy allegedly shot and injured a teacher is no longer in that role, according to the school district.

Michelle Price, a spokeswoman for Newport News Public Schools, said Monday that Karen Lynch was named administrator of the school and would take over some of the principal's duties.

The former principal, Briana Foster Newton, is still employed by the school district but not at Richneck Elementary School in Newport News, Va., where the shooting took place, Ms. Price said.

On Monday, Richneck Elementary students returned to school for the first time since the shooting.

—Joseph Pisani

## EV Makers Step Up Price War

Continued from Page One competitive and reducing customer wait times.

Analysts had been anticipating a response from legacy auto makers, some of which had recently raised prices on their EVs to offset rising materials costs. The price reductions are the latest sign of intensifying competition in the electric-vehicle market, which has grown rapidly in recent years, fueled by both Wall Street money and government subsidies.

"Price really matters," Mr. Musk said during the company's earnings call last week. "There's just a vast number of people that wanted to buy a Tesla car but can't afford it."

Mr. Musk said the company nudged up the price of a Model Y by about \$500 because of strong demand following the mid-January price cut.



Ford said it was cutting prices up to 8.8% on some versions of its electric Mustang Mach-E SUV, a competitor to Tesla's Model Y.

The cuts irritated people who bought a Tesla right before the discounts.

The operator of one Tesla-focused YouTube channel organized a petition asking that customers who purchased cars before the lower prices took effect get free or discounted software downloads. It has received more than 6,000 signatures.

Tesla didn't respond to requests to comment about the customer reaction to the cuts.

Vikas Khanna, a 48-year-old healthcare executive, paid

around \$65,000, excluding sales tax, in late December for a Model Y SUV, which included a \$7,500 discount offered by Tesla at the time. The price cut would have saved him about \$5,000, taking into account fees and upgrades, according to a review of his purchase order.

"It just reminded me and solidified why Tesla, as an organization, is one that I can no longer trust," said Mr. Khanna, who had bought two Teslas over the years before his recent purchase.

Mr. Khanna said he understands that companies have the leeway to adjust pricing, but he sees a distinction between fluctuations on a car price and other goods, such as mobile phones.

"You don't take out a loan for an iPhone," he said.

Such a groundswell of customer angst about a price cut is uncommon in the auto industry, where car companies frequently discount models to stimulate sales—albeit in a more selective way. Tyson Jominy, vice president of data and analytics at research firm J.D. Power, said he has never seen an auto maker make such an immediate, deep cut across multiple models.

Tesla's Model Y starting price now is around \$53,000, down from about \$66,000. Ford's competitor is the Mach-E, which now has a starting price tag of about \$46,000 but some fully loaded versions can sell for over \$60,000.

John Murphy, an auto analyst for Bank of America Merrill Lynch, said Tesla's markdowns create the risk of triggering a broader EV price war in the auto industry. Mr. Murphy has said many car companies are losing money

on EVs and will have to seek ways to build these models even more efficiently.

"These price cuts are likely to make business even more difficult, just as they are attempting to ramp production of EV offerings," he said earlier this month.

Shares of Ford fell 2.9% to \$12.89 Monday. Tesla shares dropped 6.3% to \$166.66.

Tesla has more flexibility and ease in lowering prices because its operating margins are larger than most car companies. Plus, the company sells directly to customers, compared with legacy auto makers that sell through dealerships.

Adjusting the manufacturer's suggested retail price overnight would be costly and cumbersome for traditional car makers, Mr. Jominy said. Instead, car companies typically set pricing for a specific model year and adjust by offering discounts, cash-back offers or other incentives on a month-to-month basis.

Kapil Sharma, an industrial consultant who lives outside Atlanta, asked his Tesla service center about the possibility of a refund after the company slashed prices. He had taken delivery of a new Model

Y, his first Tesla, two weeks earlier.

"We do not have a return policy and we do not price match or price adjust completed orders," the company told him in a text message exchange reviewed by The Wall Street Journal.

Ford said current Mach-E customers who are awaiting delivery will automatically receive the reduced price.

"We want our customers to know they made the right decision by choosing a Mustang Mach-E," Mr. Gajja said.

Ford became the No. 2 EV seller in the U.S. last year, although it still trails Tesla by a wide margin. Tesla accounted for about 65% of all electric vehicles sold in the country last year, according to market research firm Motor Intelligence. Ford's EV market share in the U.S. was about 7.6% last year.

—Will Feuer contributed to this article.

## Watch a Video



Scan this code for a video on how Ford and Rivian boosted EV production.



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## WORLD NEWS

## Zelensky Is Pressing for Weapons Faster

Moscow intensifies attacks, seeking breakthrough before Western tanks arrive

By IAN LOVETT  
AND ISABEL COLES

BAKHMUT, Ukraine—Ukrainian President Volodymyr Zelensky called for the West to accelerate deliveries of weapons to Kyiv, as Ukrainian forces battled to keep Russian troops from encircling Bakhmut, a city in eastern Ukraine where the fiercest fighting is under way.

Russian forces recently have battered Ukrainian positions in the east, pushing for a breakthrough before tanks pledged by Kyiv's partners begin to arrive on the battlefield. In the eastern Donetsk region, Ukrainian troops are coming under constant attack from Russian forces, Mr. Zelensky said.

"The speed of supply has been and will be one of the key factors in this war," he said. "Russia hopes to drag out the war, to exhaust our forces."

Soldiers fighting around Bakhmut say they are struggling to hold back the Russians, as months of grinding battle erodes the Ukrainians' manpower and weaponry. The U.S., Germany and other European countries committed last week to supply Kyiv with battle tanks, but it will be months before they can be deployed in combat. During a visit to South Korea



Ukrainian infantry combat vehicles traveled in a convoy Monday down an icy road in the Donetsk region. Russian forces are battering Ukrainian positions in the east.

on Monday, North Atlantic Treaty Organization Secretary-General Jens Stoltenberg urged Seoul to provide military support to Ukraine, saying the country is in urgent need of ammunition. South Korea has sent materials such as gas masks, bulletproof vests and medical supplies to Ukraine, but hasn't provided lethal weapons.

Russia has slammed Western pledges to supply tanks as an escalation in the war, while playing down the likely impact on the battlefield.

After months of failed assaults on Bakhmut, Russian forces are moving to encircle

the city, which sits at the intersection of several major roads. Control over Bakhmut would help Russia advance on other cities in Ukraine's eastern Donbas area, which President Vladimir Putin has identified as the primary objective of his campaign in Ukraine. It also would be a major symbolic prize after months of grinding combat.

Denis Pushilin, head of a part of eastern Ukraine that Moscow cleaved from the country in 2014, said Russian forces were advancing in the main areas of Bakhmut, but that it was too soon to say that they encircled the city. Cutting off the

road that is used to supply Ukrainian forces in Bakhmut from Chasiv Yar, which is due west, is a priority, he said.

Meanwhile, Ukrainian forces appeared to have attacked supply lines to the Russian-occupied Crimean Peninsula over the weekend. A railway bridge near the city of Melitopol in the occupied part of the southern Zaporizhzhia region was hit by Ukraine, the Russian-backed governor, Yevgeniy Balitsky, said Sunday.

Four civilians were killed and five were injured in the strike by a U.S.-made multiple-rocket launcher known as a

Himars, Mr. Balitsky said.

The recent push comes as Russia seeks to build momentum after seizing the town of Soledar, just outside Bakhmut, earlier in January in its first significant success for months. In the south, Russian forces also are pressing an offensive in the Zaporizhzhia region, also claimed by Moscow.

An influx of Russian troops—many of them convicts who have joined the Russian paramilitary group Wagner, as well as soldiers recently mobilized by the regular army—has given Moscow a manpower advantage.

The U.K.'s Ministry of Defense said Russian authorities likely are leaving the door open to further rounds of mobilization. Russian presidential spokesman Dmitry Peskov said last week that a decree on "partial mobilization" remained in force to support the work military. He declined to say whether more people would be drafted soon. "The Russian leadership highly likely continues to search for ways to meet the high number of personnel required to resource any future major offensive in Ukraine, while minimizing domestic dissent," the defense ministry said.

## Russia Increases Trade With China

By GEORGI KANTCHEV  
AND CHELSEY DULANEY

Trade between China and Russia boomed last year, providing a lifeline to Russia's beleaguered economy and showing the limits of Western sanctions, according to a new report.

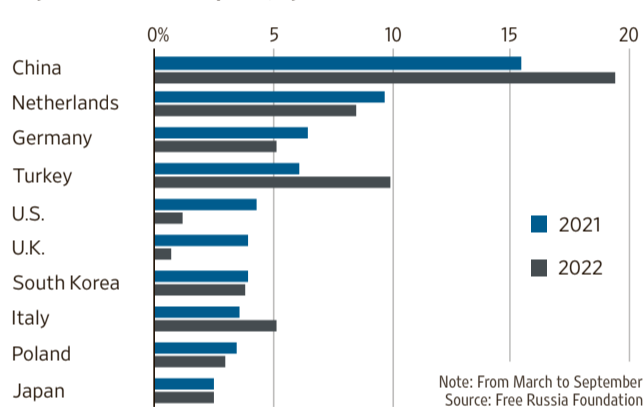
Moscow boosted imports of technologies critical to its war in Ukraine including semiconductors and microchips from China, the report by the Washington-based nongovernmental organization Free Russia Foundation said. China's increased purchases of Russian exports, driven by energy sales, more than offset the declines from major Western trading partners.

"As the U.S., EU, the U.K. have all scaled back operations with Russia, China has emerged, by a wide margin, to be Russia's most important trade partner," the report says. Based on 40 million entries of customs records obtained by the Free Russia Foundation, the report offers a granular view of Russia's trade, which was obscured after the imposition of Western sanctions. In April, Russian customs authorities suspended their monthly publication of data on exports and imports, among other statistics, saying at the time that it wanted to avoid "incorrect estimates, speculations and discrepancies in terms of import deliveries." Its January 2022 data are the latest available.

Russian and Chinese trade authorities didn't respond to requests to comment.

China has become a sup-

Buyers of Russian exports, by share of total



plier of some key technologies that can have a military purpose despite the Western sanctions. China sold \$3.3 million worth of unmanned aerial vehicles, or drones, to Russia last year, the data show. The report noted that drone deliveries to Russia continued in November and December from the United Arab Emirates, Hong Kong, China and Singapore.

Russia last year increased its imports of semiconductors and microchips by about 34%, with China emerging as the major source. That has helped Russia increase its overall import of chips to \$2.45 billion in 2022 from \$1.82 billion in 2021, despite Western sanctions targeting that trade.

Russia and China have spent years forging stronger economic ties, including a \$55 billion gas pipeline and Russia's increased usage of China's yuan. The economic relationship has deepened even as long-simmering concerns remain

among officials in Moscow that Russia could become captive to China's economic orbit.

The Free Russia Foundation obtained the data in coordination with Madrid-based IE University from a third-party data provider that offers value-chain analysis to companies. The team that worked on the report included Russian economists and former Russian officials based outside Russia, including Sergey Aleksashenko, a former central-bank deputy chairman, and Vladimir Milov, a former deputy energy minister and an opposition politician.

To verify its validity, the authors compared the data set with official Russian trade statistics published up to January 2022 and Russia's trade partners' 2022 data. One of the limitations of the data set, the report says, is that the records are partially redacted for military transactions.

Trade between Russia and China rose by roughly \$27 bil-

lion between March and September of last year compared with the period in 2021, according to the report, to reach \$99 billion. Much of the growth was because of higher sales of crude, which Russia began diverting to China and other markets such as India and Turkey as Western countries restricted purchases of Russia's energy products.

Russia also grew more dependent on Chinese goods. About 36% of its imports were from China in the period from March to September. That is up sharply from 21% in 2021 in that period.

After Russia's invasion, the U.S., South Korea and Japan all banned the sales of high-tech products including semiconductors on which Russia relies.

As some of Russia's traditional suppliers of high-tech goods, such as Germany, the Netherlands and South Korea scaled back their shipments, imports from China more than doubled. In the March to September period, the value of Chinese semiconductor exports to Russia jumped from \$200 million in 2021 to more than \$500 million last year.

"China is capable of producing many types of lower-tech chips domestically," said Chris Miller, associate professor at Tufts University who wasn't involved in the report. "Military systems use a wide array of chips and so they could be facing shortages for specific chips even if they're able to buy large volumes of other chips."

## WORLD WATCH

## SOMALIA

## U.S. Seeks More Aid To Prevent Famine

The U.S. is pressuring wealthy Persian Gulf states, as well as Europe, to boost humanitarian assistance to Somalia before a food crisis becomes a famine.

In a speech in the Somali capital, Linda Thomas-Greenfield, the U.S. ambassador to the United Nations, accused rich countries—both American allies and adversaries—of failing in their moral obligation to feed the starving.

Ms. Thomas-Greenfield declined to publicly name the countries the U.S. believes have failed to step up. U.S. officials said privately that she was referring primarily to Saudi Arabia, Qatar and the United Arab Emirates, as well as the European Union, China and Russia. The U.S. has so far contributed two out of every three dollars donated for the record drought that is devastating swaths of Somalia, Ethiopia and Kenya, according to American officials.

—Michael M. Phillips

## JAPAN

## American Pro Skier Dies in Avalanche

Former world champion skier Kyle Smaine was one of two people who died in an avalanche in Japan, according to a photographer who accompanied him on the trip and the U.S. Ski & Snowboard Team.

Mr. Smaine, 31 years old from Salt Lake City, was skiing in Japan for a marketing trip, ac-

ording to the Mountain Gazette, an outdoor cultural magazine.

Mr. Smaine was accompanied by another professional skier from Washington, D.C., and Grant Gunderson, said a photographer, the publication.

In an Instagram post, Mr. Gunderson said Mr. Smaine was thrown about 160 feet Sunday by the impact of the avalanche, was buried in the snow and died.

Mr. Smaine won a gold medal at the 2015 International Ski and Snowboard Federation's world championships at the age of 23. He said he learned how to ski when he was 2 years old.

The other skier with Mr. Smaine was buried in the snow for 25 minutes but survived, Mr. Gunderson said. Another man who was with a separate ski party also died in the avalanche, he said.

—Joseph De Avila

## MADAGASCAR

## Tropical Storm Kills At Least 30 People

Flooding and landslides caused by the passage of tropical storm Chenoa across Madagascar caused 30 deaths, left 20 people missing and affected tens of thousands across the Indian Ocean island nation, according to a provisional assessment. The storm made landfall Thursday and affected about 89,000 people, said Madagascar's National Office for Risk and Disaster Management. The nation's meteorological agency said the storm saw winds gusting up to about 105 miles an hour and unleashed torrential rains.

—Associated Press

## FROM PAGE ONE

## Short Seller Challenges India Giant

Continued from Page One  
ulation and questionable business and accounting practices. Hindenburg, founded by Nathan Anderson, hoped to profit by betting against Adani companies' U.S.-traded bonds and derivatives that aren't traded in India.

Hindenburg alleges that Adani has been able to manipulate the price of its shares by owning them in offshore entities, it says the stocks are overvalued and debt levels too high, and it says that a large number of Adani family members are working for the company's various branches.

Adani Group has fought back, calling the short seller's report "nothing but a lie." The company called it "a calculated attack on India, the inde-

pendence, integrity and quality of Indian institutions, and the growth story and ambition of India." It said most of the 88 questions raised by Hindenburg had already been addressed through public disclosures, and it included answers to each of them.

Hindenburg responded within hours, saying that Adani Group's rebuttal stoked nationalist sentiment and failed to adequately address the issues it had raised.

Shares of six of the seven companies bearing Adani's name extended their losses on Monday on India's domestic market. Adani Total Gas Ltd. and Adani Green Energy Ltd. each fell 20%—the maximum single-day decline permitted by the exchange for those stocks. The seven companies have now lost the equivalent of around \$64 billion in market value since last Tuesday's close and are now worth \$153 billion, according to FactSet data.

Adani Enterprises, which is pushing ahead with plans to sell new shares, bucked the trend with a 4.2% gain, but its

shares remained below the price floor for the deal. Retail subscriptions for the offering, which the company is hoping will raise the equivalent of \$2.5 billion, are scheduled to close on Tuesday.

Adani Group plays a major role in India's economy as an important coal supplier, a big developer of renewable energy and generator of electricity.

Bid prices of two closely watched U.S. dollar bonds issued by Adani companies fell to about 73 cents on the dollar on Monday, reflecting growing concerns among investors that the company couldn't pay off its debt. The yield on an Adani Green bond with a 4.375% coupon that comes due in 2024 soared above 20%, according to Tradeweb data.

In an interview with an Indian television network shown on Monday, Adani Group Chief Financial Officer Jugeshinder Singh said the conglomerate hasn't seen any large, strategic investors exiting their positions in its listed companies.

"We believe that this volatility will pass," he said, add-

ing that the group will release its quarterly results in about a week.

Mr. Anderson has likely already made a solid profit on his investment. In just a few years, Hindenburg has notched a string of victories against highflying companies.

In 2020, Hindenburg scored a win after publishing research on hydrogen-truck

## Hindenburg questioned Adani's stock value and its business practices.

company Nikola Corp. and its founder Trevor Milton.

Nikola's shares had skyrocketed that summer, driven in part by claims Mr. Milton made about the company and its products on social media. Hindenburg alleged that Mr. Milton had misrepresented the company's technology on several occasions, most memora-

bly in a video where an un-drivable truck was rolled down a Utah hillside to appear as if it was driving.

Nikola paid \$125 million to settle an investigation with the Securities and Exchange Commission. Mr. Milton stepped down from his role at the company and was convicted last year on three counts of fraud. Lawyers for Mr. Milton have said he is innocent and will continue fighting the charges.

It is not the first time that Hindenburg has built a trade around one of the world's richest men. Last year, Hindenburg said it shorted shares in Twitter Inc. thinking Elon Musk would try to back out of his proposed acquisition of the company after a market swoon made his offer price seem quite rich. The firm said it then went long, anticipating that court proceedings in Delaware would force Mr. Musk to close the deal. Both trades were successful, Mr. Anderson told The Wall Street Journal at the time.

Hindenburg also bet against another Indian business last

year, payments company Ebix Inc., publishing a critical report in June that sent its shares diving. Ebix said Hindenburg's report was "grossly misleading and erroneous" and filed defamation claims against Mr. Anderson in a Delhi court. The company also had a judge ban the report's dissemination within India.

"Until Ebix responds substantively to the issues we raised, a prospect that seems to be dimming by the day, we'll keep posting our research regardless of how many times they complain to Indian courts about it," Mr. Anderson said last year.

Mr. Adani hasn't made any public comments about Hindenburg's allegations. The 60-year-old industrialist, who is known to be well-connected politically in India, has accumulated tremendous wealth over the past few decades through companies that own coal mines, ports, cement producers and other assets.

—Krishna Pokharel and Rory Jones contributed to this article.



NYP.ORG/NEURO

STAY  
AMAZINGNewYork-  
Presbyterian

# Amazing is walking down the aisle just weeks after having a stroke.

At just 28, Ramit Malhotra arrived at NewYork-Presbyterian unable to speak, swallow or move his right side. Doctors used state-of-the-art imaging that revealed a torn artery. He had suffered a stroke. They quickly gave him a medication called tPA to dissolve the blood clot. Their fast, life-saving treatment allowed Ramit to walk down the aisle ten weeks later.

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# I asked what kind of family Amina wanted. She said, 'A family like yours.' That's when I knew I had to adopt her.

Denise, adopted 17-year-old Amina



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## WORLD NEWS

## Israeli Drone Strike Said to Be Broader Than Iran's Account

An Israeli drone strike inside Iran hit an advanced weapons-production facility in an attack Israel believes achieved its goals, said people familiar with talks about the operation.

By *Dov Lieber* in Tel Aviv, *Benoit Faucon* in London and *Aresu Egbali* in Tehran

The operation early Sunday was executed by Israel's intelligence agency, the Mossad, and targeted a Ministry of Defense site in Isfahan in central Iran, hitting a building in four areas with precision strikes, they said. Satellite photos showed what appeared to be minor damage to the site's roof, but the people called the mission successful.

The account contradicts Iranian officials who have said the country's air defenses fended off an attempted attack on an ammunition depot that caused minimal damage.

The attack marked another chapter in the long-running conflict between Israel and Iran, with Israel using sabotage, assassination and drone strikes to target Iran's nuclear program and its conventional weapons capabilities, and Iran arming

militias along Israel's borders.

The people said the Ministry of Defense site that was targeted Sunday was a weapons-production facility. It stands across the street from a site belonging to the Iran Space Research Center, which is under U.S. sanctions for its work on Iran's ballistic-missile program. The space-research center houses the Institute for Materials and Energy, which conducts research that could be used in the development of drones, missiles, satellites and for testing metals for the nuclear project, said Ronen Solomon, an independent intelligence analyst in Israel.

On Monday, Iranian state media displayed fragments of the small drones used in the strike. If authentic, the depicted drones are most likely Chinese-made quadcopter drones with limited range that may have been launched from within Iran, given their small size and Isfahan's location hundreds of miles from its country's borders, said Tal Beer, head of the Alma Center Research Department in Israel and a former Israeli military-intelligence officer.

Israel's strike hasn't been publicly acknowledged by the country's leadership.

## Blinken Visits Israel Amid Tensions

By *WILLIAM MAULDIN*

JERUSALEM—Secretary of State Antony Blinken met with Israeli Prime Minister Benjamin Netanyahu amid rising violence and underscored the two countries' shared commitment to combating Iran while calling on Israel to avoid taking steps that would complicate a two-state solution with Palestinians.

Mr. Blinken said both Israelis and Palestinians should be "enjoying equal measures of freedom, security, opportunity, justice and dignity."

He reiterated the Biden administration's vision of a peace process that could result in an independent Palestinian state alongside Israel. "Anything that moves us away from that vision is, in our judgment, detrimental to Israel's long-term security and its long-term identity as a Jewish and democratic state," he said.

Mr. Blinken's visit follows several bloody days in Israel. The attacks came after a military raid aimed at capturing militants Thursday at the Jenin refugee camp in the occupied West Bank left 10 Palestinians dead. The attacks were praised by the Palestinian leadership.

Mr. Blinken will meet Palestinian Authority President Mahmoud Abbas on Tuesday.

The visit comes at a low point in relations between Israel and the Palestinian Authority,



Secretary of State Antony Blinken, left, and Israeli Prime Minister Benjamin Netanyahu met Monday in Israel and discussed keeping Iran in check and easing violence that has erupted with the Palestinians.

which said after the Jenin raid that it would stop security coordination with Israel.

Mr. Blinken's meeting with Mr. Netanyahu was the first since the Israeli politician formed his new government, considered the most right-wing and religious in Israel's history. Powerful members of Mr. Netanyahu's cabinet oppose a Palestinian state, support annexing the West Bank and want to dissolve the Palestinian Authority.

The peace process that began in 1993 with the signing of the Oslo Accords, and which

many believed would end in an independent Palestinian state, has been dormant since 2014.

U.S. officials are emphasizing that the longstanding security relationship with Israel doesn't depend on any specific U.S. president or Israeli prime minister. Still, Mr. Blinken and his staff have concerns about Israel besides the violence in the West Bank and Jerusalem, including a proposed judicial overhaul and moves from Israeli right-wing cabinet members to change the status quo at contested holy sites.

The visit comes as the U.S.

and Israel are cooperating on efforts to establish ties between Israel and Arab governments, contain Iran's nuclear program after Mr. Blinken's bid to re-enter the 2015 nuclear deal froze, and support Ukraine during its war with Russia, which has been assisted by Iranian drones.

Messrs. Netanyahu and Blinken said they shared the goal of preventing Iran from obtaining a nuclear weapon. "The fact that we and the United States are working together is important for this common goal," Mr. Netanyahu said.

## U.S. Pushes for Four Military Sites in Philippines to Counter China

By *NANCY A. YOUSSEF* AND *VIVIAN SALAMA*

WASHINGTON—The U.S. is hoping to reach an agreement this week to open as many as four U.S. military sites at Philippine bases in Washington's latest push to expand its strategic footprint across the region to counter threats from China, U.S. officials said.

Defense Secretary Lloyd Austin is meeting later this week with recently elected Philippine President Ferdinand Marcos Jr. in Manila and

hopes to secure the deal, which would rotate groups of U.S. forces to sites in the country, U.S. officials said.

Two of the sites could be on the northern island of Luzon and in the southwest province of Palawan, the officials said. It is unclear where the other two sites would be or how many U.S. troops would be involved.

In return, the U.S. has offered Manila military assistance, including drones, so that Filipino forces could monitor activity in the South China

Sea, the officials said.

The deal is part of a broader U.S. effort to position smaller groups of forces across the Asia Pacific, reinforce old alliances and form new ones to counter China's rising influence in the region.

Having smaller footprints of troops rotating across the Philippines could give U.S. forces more logistical support over a wider area if conflict were to erupt, defense officials say.

There are currently about 500 rotating U.S. military personnel in the Philippines, said

a spokesman for U.S. Indo-Pacific Command, which is responsible for U.S. military operations in the Asia-Pacific.

The movement of U.S. troops in the Philippines specifically would put them in proximity to counter threats to Taiwan or if China carries out more aggressive maneuvers in the South China Sea.

Securing a deal with the Philippines has been a monthslong effort, compounded by Manila's complicated relationship with China, U.S. officials said.

And even this week, defense officials said the two nations still had details to iron out.

China is one of the Philippines' largest trading partners, while the U.S. is a longstanding security ally, making the Philippine government reluctant to take sides against either.

The U.S. push for smaller groups of rotating forces in the region is also intended to avoid an escalation with Beijing, which could view larger bases as direct provocation of its maritime claims in the

South China Sea, and a step too far for countries such as the Philippines that see themselves as having no choice but to maintain relations with both Beijing and Washington.

In the South China Sea, where the Philippines and four other governments are locked in territorial and maritime disputes with China, Beijing has built military bases on artificial islands in the strategic waterway, and its navy and coast guard maintain a strong presence in areas that are highly contested.

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## FROM PAGE ONE



Jazzlyn Millberry, with her family at left, has been visiting multiple grocery stores to look for the best deals. Mikhail Andersson, right, has seen signs of weakening demand at his shop.



FROM LEFT: ANDREW SPEAR FOR THE WALL STREET JOURNAL; GABBY JONES FOR THE WALL STREET JOURNAL

## Consumers Start to Slow Down

Continued from Page One

four-decade-high inflation last year, Americans outspent it. Through most of 2022, consumer spending growth exceeded price increases by about 2 percentage points.

Now the forces that helped keep spending high are unwinding, while inflation remains elevated. The share of monthly income Americans set aside for savings was 3.4% in December, down from 7.5% a year earlier and from a record high in April 2020. Credit-card interest rates have been rising, and Federal Reserve officials have signaled that they plan an additional quarter-percentage point increase to the central bank's benchmark rate this week. That would bring the rate to between 4.5% and 4.75%, from near zero at the start of last year.

Annual inflation, as measured by the consumer-price index, remained above 5% in December for the 19th straight month, the longest such streak since the early 1980s.

### Recession

Consumer spending accounts for roughly 70% of the economy. A downshifting consumer is a key reason that business and academic economists polled by The Wall Street Journal, on average, put the probability of a recession in the next 12 months at 61%. However, many economists say, the U.S. might avoid a recession entirely if spending patterns stabilize.

One factor making forecasting more difficult: While unemployment is trending at a half-century low, big companies including Amazon.com Inc., Goldman Sachs Group Inc., and Microsoft Corp. have begun to cut jobs.

"The last bastion of strength is the labor market, but I don't think it can withstand all these other forces," said Nationwide Chief Economist Kathy Bostjancic.

Recent layoff trends worry Benjamin DeLong, a 32-year-old customer-account manager at an industrial manufacturer in southern Minnesota. His savings rose to \$3,700 during the

pandemic, thanks in part to government stimulus. He is now down to about 3 cents.

Mr. DeLong said he had to dip into his savings to cover the rising costs of his groceries, utilities and car insurance. He has found some relief in his grocery bills since he and his partner decided last year to purchase some pigs, jointly with other families, to be raised on a relative's farm. Their portion of meat yielded nearly 150 pounds, saving them about \$500 on groceries, Mr. DeLong estimated.

The possibility of layoffs, he said, is "part of the crunch that I'm having to consider now. What's going to happen if I no longer have an income?"

So far, jobs have remained plentiful and wages continued to rise in the face of Federal Reserve tightening. Unemployment was a low 3.5% in December. Hourly wages were up a robust 4.6% year-over-year. There were about 10.5 million unfilled jobs available in November, according to the Labor Department, a sign that demand for labor remained strong.

"Households had a ton of comfort they don't normally have about their job prospects," said Marianne Wanamaker, an economist at the University of Tennessee. "They knew they could get a job tomorrow if they wanted to, and that remains mostly true."

Still, there are signs of labor-market weakness. Employers are shedding temporary workers at a fast rate, and people who lose their jobs are taking longer to find new ones. Meanwhile, the number of hours worked a week has declined for two straight months, according to the Labor Department, resulting in a slowdown in workers' take-home pay.

Mikhail Andersson, owner of First Class Tattoo in New York City, has seen signs of weakening demand. After it was cleared to reopen from lockdowns in the summer of 2020, his business was slammed by customers flush with unemployment insurance payments and stimulus checks.

In mid-November of last year, Mr. Andersson started getting calls from clients who had booked daylong tattoo sessions, saying they could only afford shorter ones or pulling out altogether. Mr. Andersson, who specializes in tattoo projects that often take five or six all-day sessions for full-day

slots in December.

"In my 15 years doing this, I've never seen that—people calling up and saying they don't have the money to spend right now or can only afford an hour because their current situation is pretty bad," he said. For now, First Class Tattoo isn't likely to slash prices because the baseline level of demand remains strong. Some 250 clients are still on the wait list.

Also weighing on many consumers: The rapid increase in rates in the past year, tied to Fed tightening, has pushed the cost of all types of debt higher.

Mortgage rates reached a 20-year high last fall. Some 57% of consumers were concerned about making housing payments in the fourth quarter, according to a survey by Freddie Mac, up from 48% in the third quarter.

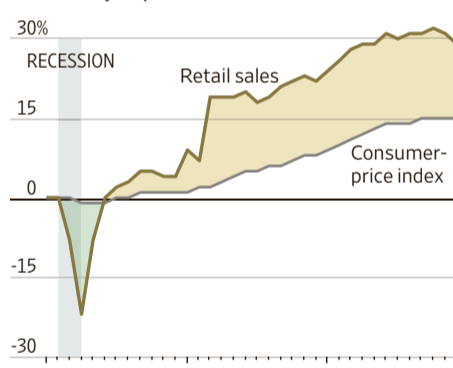
The increases are gradually starting to slow down consumer spending, though it might take a while before the effect is fully realized.

### Slowdown

Consumer spending surged after Covid lockdowns eased, but has fallen in recent months in the face of high inflation—while savings have dropped from pandemic highs.

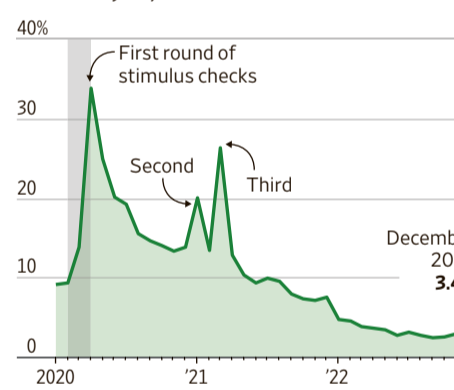
#### Change from January 2020

Seasonally adjusted

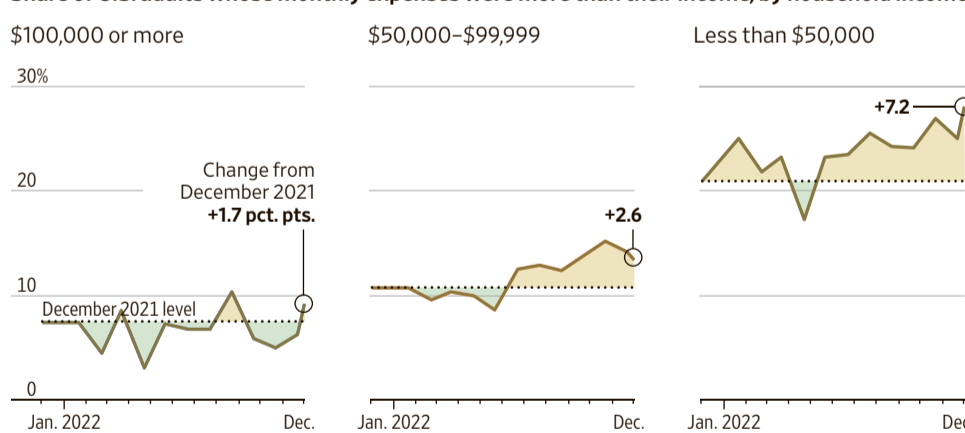


#### Personal saving rate

Seasonally adjusted annual rate



#### Share of U.S. adults whose monthly expenses were more than their income, by household income



Sources: Census Bureau via St. Louis Fed (retail sales); Labor Department via St. Louis Fed (CPI); Commerce Department via St. Louis Fed (saving rate); Morning Consult online panels, latest of 2,207 adults conducted Jan. 3-6; margins of error: +/-6 pct. pts. (\$100,000 or more income), +/-4 pct. pts. (\$50,000-\$99,999) and +/-3 pct. pts. (less than \$50,000) Kara Dapena/THE WALL STREET JOURNAL

## The Dog Ate My AirTag

Continued from Page One

The 25-year-old fired up Apple's Find My app, which showed that the white, bottle-cap-size disc was still in his home. He tapped a button on his iPhone to trigger the AirTag to beep. That's what he heard coming from the belly of Sassy, a 50-pound Labrador retriever foster pup.

"I was like 'Oh my God,'" said Mr. Mortimer, director of a public policy organization. "Luckily, we got her to throw it up."

The AirTag, which was personalized with a puppy emoji, has a few bite marks but still works. He bought a new, \$7 plastic holder from Amazon, and reattached the tracker to the collar of his older Lab, So-

phie, he said.

In the two years since Apple began selling AirTags, the devices have helped countless people find their lost belongings.

Apple doesn't advertise or recommend AirTags for pet tracking, but many people have attached them to dogs' collars. They're dust proof and water resistant and have replaceable batteries that last a year. They're also the right size for bigger dogs to swallow whole.

Vets have warned people of the hazards, posting X-rays online of AirTags inside dogs. Often, dogs can vomit them up or poop them out with no major complications. Sometimes, they get stuck and require minor surgery. If they remain lodged long enough, the batteries can leak and cause complications, such as damage to organs.

"You want to get the AirTag out as quickly as possible," said Ann Hohenhaus, senior veterinarian at the Schwarzman Animal Medical Center in New York. "Pronto."

Sarah Dwight, 24, and her fi-

ancé, Justin Lackey, 24, of Phoenix, returned home from the gym in December 2021 and noticed small bits of plastic and metal strewn around their dog's cage, where the couple put her while they were out to keep her out of trouble.

This time, while they were away, the Flat-coated retriever named Rose pawed off her leather AirTag holder, tore it up and gnawed through parts of Apple's tracker.

The couple rushed Rose and the AirTag pieces to a nearby clinic, where a vet performed an X-ray. That showed fragments Rose likely could throw up, Ms. Dwight said. Luckily, the battery was eventually found in parts of the AirTag the pup didn't ingest.

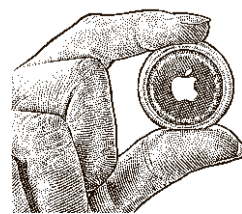
"We got the AirTag thinking it was a really awesome idea to be able to find the dog if it were to get out," Ms. Dwight said. "But we didn't stop and question: What are the drawbacks?"

The dog never showed signs that anything out of the ordinary had happened, Ms. Dwight said. "If you asked Rose, she'd

probably say that night was a great time. She got carried around, got to meet people at the vet. She got lots of kisses and lots of attention," Ms. Dwight added.

Dogs of all sizes chew household items for a range of reasons, including curiosity, boredom and loneliness, vets say. David Hood, owner of St. Bernard Veterinary Hospital in Chalmette, La., said a 25-pound French bulldog was among six dogs he treated after swallowing AirTags over the past 18 months.

Younger pups are more prone to eating odd objects, Dr. Hohenhaus said, but even old dogs ingest items they shouldn't. Vets also say dogs that nibble on other items with batteries, such



Chew toy

as remotes and gaming controllers, or small objects like coins might find an AirTag appealing.

"There is something about some dogs' personalities that makes them want to eat non-food items," Dr. Hohenhaus said. Minutes before leaving for vacation, Yvohn Rohas, 34, noticed the AirTag she had attached to her 6-month-old puppy's collar the previous week was missing.

"I thought, 'My God, I hope she didn't eat it,'" Ms. Rohas said of her Belgian Malinois named Luna.

The family took Luna with them on their drive to Orlando. Ms. Rohas tried locating the AirTag using Apple's Find My app, but its location wasn't updating and she couldn't make it beep, she said.

While on the weeklong trip, the puppy ate, drank and behaved normally, so Ms. Rohas assumed the AirTag was possibly left back home, or came out in Luna's poop somewhere.

Finally, during the 90-minute drive back home to Oldsmar,

alarmed consumers, including Scottsdale, Ariz.-based Sara Laor, who is 57 years old. Ms. Laor said the declines depleted the holdings in her 401(k) and IRA accounts by nearly 40%.

Over the past year, her family has had to dip into their savings to pay for essential car and plumbing repairs. They are putting off other expenses, like buying a new car, and have given up ordering in meals.

She's trying to spend more cautiously, shunning recipes involving pricey eggs and buying more canned food.

"Everything I do just feels like I'm a lot poorer: Can I do this or can I do that?" she said.

U.S. factories, shippers and importers are pulling back, a sign they anticipate less demand from Americans in the months ahead.

Inbound volumes at the ports of Los Angeles and Long Beach in California were down 20.1% in December from a year earlier, and have been behind 2019 levels since August. A little over a year ago, backlogs at ports were drawing President Biden's attention.

Nicholas Hobbs, chief operating officer of J.B. Hunt Transport Services Inc., which manages truck and rail shipments, said the company has seen demand fall off for big and bulky products, including appliances, furniture and exercise equipment—although off-price retailers with discounted inventory are shipping more.

Jazzlyn Millberry, 33, has been looking for big ways to make cuts. One day last fall, her banking app informed her that the cost of one month's groceries and household goods for her family of four had risen to \$900, from about \$600 or \$700. "I find myself now going to three or four different grocery stores just to get the best deals on things to save on costs," said Ms. Millberry, a health-insurance claims analyst in Pickerington, Ohio.

On one recent outing, she stopped at Kroger for eggs and meat, Aldi for produce, Sam's Club for her children's snacks, and Target for toilet paper. Even as she has cut back on groceries, restaurants, hairstyling and facials, her credit-card balances have grown in the past several months. She said she started making only the minimum required payment on her credit cards.

—Gwynn Guilford and Paul Page contributed to this article.



By TE-PING CHEN

At first, Jeremy Joslin thought the email announcing his layoff was a phishing attempt. It was 5:30 a.m. in California when he saw it, and with so many technology job cuts afoot, the Google software engineer thought a scammer was trying to capitalize on the news.

The message, sent to his personal inbox, directed him to a website for newly laid-off Google employees and told him to set up an account. He went to check his work email and found he was locked out. The news was real: Mr. Joslin, a 20-year company veteran, had been laid off with a template email, one of roughly 12,000 workers Google's parent, Alphabet, said this month it was letting go.

Covid-19 has rewritten many work norms, and moved even more on-the-job communications to email, Slack and other messaging tools. Yet layoffs via email still come as a shock.

After a pandemic hiring spree in which big-tech firms such as Meta Platforms Inc. and Amazon.com Inc. recruited tens of thousands of new hires via LinkedIn, Zoom interviews and other virtual means, many of those same companies are turning to email to conduct the biggest wave of industry layoffs in years.

Human-resources managers say the speed at which email layoffs can deliver difficult news to many workers at once can limit confusion and the dread of waiting for a fateful call or meeting invite. And some workers say that being able to absorb the decision in written form, privately, can help soften the blow.

Many others, though, say cuts via inbox feel cold and unkind.

The email's generic tone felt "like a slap in the face," Mr. Joslin says, after his two decades at the company.

Afterward, he says, neither his now-former manager nor HR contacted him for follow-up conversations. He has contacted colleagues via LinkedIn to say goodbye and "get some closure," he says.

A Google spokesperson declined to comment, but cited an email to employees from CEO Sundar Pichai, in which Mr. Pichai announced the news and said the impact on Googlers "weighs heavily on me" and thanked those leaving for their contributions.

A spokesperson for Amazon.com Inc., which recently laid off more than 18,000 people, confirmed that the company con-

## Unkind Cuts? Layoff Notices Sent by Email

Delivering bad news broadly limits suspense but can seem impersonal



FROM TOP: PHOTO ILLUSTRATION BY EMBIA SCOTT/THE WALL STREET JOURNAL; ISTOCK (2); KELLY JOSLIN; LEAH RICHARD



◀ Jeremy Joslin said Google's layoff email felt like a 'slap in the face.'

▼ During the pandemic, Erica McDonnell was laid off once in person and once via email.



# 67%

of survey respondents said they would prefer in-person notification

ducted layoffs via email to ensure quick notification, but that workers who were emailed were given the opportunity to have a direct conversation with their manager and HR that same day.

Even in a hybrid work world, most workers say they prefer to be laid off in person. In a January survey of more than 9,800 workers conducted by SurveyMonkey on behalf of The Wall Street Journal, 67% of workers said they would prefer to be laid off via an in-person meeting, while 11% said

they would want the news by email, and fewer still, 7%, via a virtual meeting. Even the majority of full- and part-time remote workers said they'd want the news delivered face-to-face.

Erica McDonnell, an acupuncturist, has been laid off twice during the pandemic from clinics that closed—in person in August 2020, and via email the following year. The note was tersely written, she says, and, accordingly, felt like a poor delivery method, especially given that she had been at work the previous day: "We could've just talked about this."

Yet in-person meetings can be difficult, as can processing highly

emotional news in front of your boss, some people say. Phoebe Gavin, who has been public about her own layoff this month on social media, says she was grateful to learn she'd been let go from her job as an executive director of talent and development at Vox, the news site owned by Vox Media, via a regularly scheduled video call with her boss.

"There was no awkwardness," says Ms. Gavin, whose job was cut as part of a layoff round affecting 7% of Vox Media's workforce. "I could press the red button, close my laptop and get under my blankets for a couple hours."

The vast majority of Ms. Gavin's colleagues were informed of their layoffs via email. Ms. Gavin says she was grateful for the "gentler experience" of a conversation.

Harvard Business School professor Sandra Sucher, who studies layoffs, says emails can play a useful role in terminations, especially as workforces become more far-flung. Ideally, she says, a top leader should personally communicate news about impending layoffs to the company—while also taking responsibility, apologizing and explaining the rationale.

Then, that leader can say that anyone affected will receive an email in a few minutes. Simultaneous emails, she says, prevent workers from having to wait hours in suspense.

But those emails also need to let workers know their managers will quickly follow up for a direct conversation, she says, of-

fering workers a chance to be heard and ask questions.

"The enemy is not the tool, the enemy is how the tool gets used," she says.

Phyllis Hartman, president of PGHR Consulting Inc., a Pittsburgh-based HR consulting firm, says any insensitivity during a layoff increases the likelihood that disgruntled employees will legally challenge their terminations.

"You're setting yourself up for trouble," she says. "If they're angry, they're going to look for a reason to get back at you."

What matters isn't how the news is delivered, but what is said, says James Abele, a former senior solutions engineer at cloud-services company Akamai Technologies Inc., who lost his job last year after 17 years at the company. Mr. Abele was informed of his termination via a video call, during which an HR representative made an offhand remark that stung, he says.

"It made the moment hurt more than it would have otherwise," he says. A banal email would have been preferable, he adds. Akamai declined to comment.

Youyou Zhou recently learned via email while vacationing with friends in Aruba that she had lost her job as a Vox senior data editor. She says she was comforted by being surrounded by beauty there, plus having a follow-up video call with HR and the editor in chief.

That she was notified by email didn't perturb her. "I felt like layoffs never happen happily," she says.

## Not All Theme-Park Rides Welcome Plus-Size Guests

By JACOB PASSY

The newest ride at Universal Studios Hollywood, Mario Kart: Bowser's Challenge, takes visitors into the classic Nintendo game using augmented reality and animatronics. It also warns that they might not be allowed to ride if their waistline measures 40 inches or more.

The ride, one of several at the California park with that admonition, illustrates how navigating theme parks has grown tougher for plus-size visitors as parks balance accessibility with heightened safety requirements.

Universal Studios, SeaWorld and others are equipping rides with tighter restraints to ensure that small children and others can't wriggle out from seats. The new seats can be a tight squeeze for some visitors, and riders have said that staff have declined to seat them on some rides because of their size.

"Our first priority is always the safety of the guests and the employees," says Jim Seay, president of the ride manufacturer Premier Rides, which has built roller coasters for the Six Flags, SeaWorld and Universal Studios parks. "We balance that with a very focused effort to make the rides as accessible as possible."

Universal has drawn criticism online from theme-park fans who say the design of the slow-moving ride is exclusionary when, according to government statistics, the average waist circumference measures 40.5 inches

for men and 38.7 inches for women. The park faced similar criticism in 2021 because seats on its The Secret Life of Pets: Off the Leash ride had dividers making it difficult for some larger people to fit.

Universal's warnings, as well as test seats outside rides, are intended to help visitors, says Jeff Polk, senior vice president of resort operations at Universal Orlando Resort.

"We want our guests to know what they should expect and what they should look for when they get to one of these attractions," Mr. Polk says.

Several social-media groups offer advice on navigating theme parks for plus-size visitors.

Dean Paris, a Facebook group moderator and insurance underwriter from central Illinois, scours YouTube videos to see how people get on the vehicles and negotiate the restraints. "If it looks like it's just absolutely not going to work, I don't waste my time," he says.

Travel agent Sarah Goff says she has been on several rides in which she might not have fit were she a few pounds heavier.

"It seemed like the theme-park ride vehicles were getting smaller, and I was getting bigger," she says. Mrs. Goff, who lives in Lima, Ohio, says she feared embarrassing her family if park staff told her she couldn't fit on a ride. In March, she is launching a website with advice for plus-size visitors to Universal parks.

Mrs. Goff, 47, says she wears compression leggings at theme



The Mario Kart ride at Universal Studio's Super Nintendo World warns patrons with 40" waists or larger that they might not be allowed on.

parks, partly because their texture allows her to sit farther back in rides' seats, giving her more room for safety restraints. Other strategies travelers use to fit on rides include pulling seat belts out before sitting down, or pulling down on a ride's lap bar as they sit to improve their leverage.

Before joining the line for a ride, park visitors can try test seats placed at ride entrances to check whether the restraints will accommodate them.

Visitors say the tryouts can be awkward, and some told The Wall Street Journal that the models can be less forgiving than the actual

seats on the ride. Universal says differences can be a result of wear and tear on test vehicles, and adds that it is exploring ways to provide testers with more privacy.

While Disney classics such as Pirates of the Caribbean or It's a Small World have no restraints, rides today are often designed for what ride experts call "100% containment," meaning there is no way for a person to exit or be injured midride.

Stricter safety standards requested by insurers and worries about visitor lawsuits influence ride design, says Jason McManus, a principal at Thinkwell Group, an experience design company.

"What might seem like a fairly benign ride still has to take into consideration that a very young child might need to be contained," Mr. Seay says. Children might not understand the risks of exiting a ride in motion, and even a slow ride involves complex and potentially dangerous machinery. There is also the problem of people trying to jump off rides in an attempt to film a video for TikTok.

Yet rides with full containment might not fit larger adults. "If you size every seat for the largest possible person, you're guaranteeing that a smaller child cannot ride," says Jim Shull, who worked for over 30 years as a Disney Imagineer, a term for Walt Disney Co.'s theme-park designers.

NBCUniversal, part of Comcast Corp., says it is looking at ways to update rides to fit more guests.

Retrofitted a ride to accommodate more riders must be done carefully. After a 14-year-old boy from Missouri died after falling off a ride at a Florida entertainment complex last March, an autopsy found that he exceeded the ride's weight limit. An investigation found that adjustments made to the ride's safety harness contributed to the accident.

Some rides, such as the Incredible Hulk Coaster at Universal's Islands of Adventure park in Florida, have some seats designed for larger-size guests. And other recent attractions at theme parks stand out for fitting people with different body sizes, such as a new roller coaster based on the Guardians of the Galaxy film franchise at Disney's Epcot park. Disney declined to comment.

"It is the most comfortable ride vehicle I've ever seen, and it accommodates a lot of people," Thinkwell's Mr. McManus says.



## PERSONAL JOURNAL.

**Rick Steiner, 65, a retired engineer living in Tucson, Ariz., on his 1955 Ford Thunderbird, as told to A.J. Baime.**

My grandmother was a World War II Gold Star wife. What that means is, she was the wife of a soldier killed while serving his country. My grandfather died in Normandy, just after the invasion. My grandmother raised four children and put them all through college, through engineering school, law school, dental school and nursing school. She was a middle-school algebra teacher. When she finally got her last child through school, she bought this 1955 Thunderbird, which was a shock to everybody.

The Thunderbird made its debut in model year 1955 and was a smash hit. It was a pretty snazzy car for an algebra teacher. According to our family research, this car was built in November 1954 as a 1955 model, so it was among the early Thunderbirds. It was originally delivered from the Ford factory to a dealership in Des Moines, Iowa. My grandmother bought the car in San Diego when it was one year old. She died when I was 3, but I still remember riding in this car with her.

An aunt of mine inherited the car, but she couldn't keep it up. When I was 14, my mother said to me, "Hey, you know, your aunt is selling this Thunderbird. I have some money stowed away. I'm going to buy that car for you." And she did. I didn't even have my license yet.

I was obsessed with this car. It was barely running and I took it to my high-school auto shop to pull the motor out. But things did not go well. I had no resources. I had nowhere to put the car. It ended up parked behind our family house in Whittier, Calif. People started stealing parts off of it. I sold it to an uncle eight years after I bought it. It was one of the biggest disappointments of my life because the car was in worse shape when I sold it than when I bought it.

About 40 years later, in 2011, I ended up buying this car back from a cousin of mine, and right at that time, my father was diagnosed with cancer. My father could remember this car, because his mother had owned it, and I had



MY RIDE | A.J. BAIME

## Grandma's T-Bird Took 40 Years to Restore



'It's not a show car,' says Rick Steiner. 'It's a driver, and it's just intended to be fun.' The model year 1955 was the debut of the iconic Thunderbird.

owned it. He said to me, "Rick, that's great that you got this car back. I expect you to take me for a ride." He had a prognosis of about six months. The car was in pieces in my garage. The motor wasn't even in it. I thought: I better get hopping!

With the help of my son, who

was in his late 20s at the time, and an uncle of mine, we got to work. My uncle knew the best painters, the chrome guys, the mechanics. A whole network of people came out to help. We put the motor back together in my garage. Forty years earlier, I had taken this motor out of the car,

when I was in high school. Now here I was, putting it back in.

I was able to finish the car enough so that I could give my father a ride. I have a picture of that day in 2012. It was a sweet experience. He died soon after.

I kept working on the car after that. I wanted it to be safe, so I

put modern disc brakes in it. I changed some minor things, but it still looks pretty stock. It's not a show car. It's a driver, and it's just intended to be fun.

Now, when I look at it, I get a tear in my eye. When I drive it, I think to myself: God has been really good to me.

  
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## How to Spot Fake Apple AirPods

Demand for pricey earbuds spurs increase in knockoffs

BY DALVIN BROWN

Many people hoping to score a deal on Apple Inc.'s top-of-the-line wireless earbuds are winding up with something far less valuable: counterfeit AirPods.

Caroline Ballard, 26 years old, was perusing Facebook Marketplace when she came across a pair of new AirPods Pro for \$80, less than a third of the \$249 list price.

She arranged to meet the seller at a nearby Walgreens parking lot the same day, a move that isn't unusual for transactions made via Meta Platforms Inc.'s online market. The man pulled up and handed her a small plastic-wrapped white box with a photo of two AirPods on the top. The seller took her \$80 and drove off.

"I felt like something was off almost immediately," she said. She noticed some of Apple's branding missing from the packaging and quickly realized she had been scammed.

It didn't take long for Apple's white earbuds, which first hit the market in 2016, to go from an internet joke to a ubiquitous status symbol. Demand for AirPods has spurred counterfeiters designed to fool buyers into thinking they are getting the real thing. Until recently, some could even pair with iPhones the way real AirPods do.

Some buyers of counterfeit AirPods initially believe they have lucked into a deal, despite Apple's famous control over its prices and retailers. Others are paying close to full price, buying from third-party sellers on the websites of major retailers.

The latest edition of Apple's iOS tells users when their wireless white earbuds may be inauthentic. Apple also works with vendors, social networks and law enforcement to remove coun-

terfeit products from the market, a spokesman said. More than one million listings for fake Apple products are removed each year, he added.

To be on the safe side, it is probably best to avoid third-party sellers and buy directly from Apple or its authorized partners. Though AirPods are discounted on occasion, a deal that looks too good to be true probably is. Counterfeit buds sometimes come in boxes that resemble Apple's packaging, though

form as expected and recommends not connecting them. This warning appears only for earbuds it detects are mimicking real AirPods.

Apple has a support page for checking product warranties. It also provides clues to the authenticity of your device. Enter the serial number written inside your AirPods case. If you get an info page with a purchase date, the AirPods are probably real. If you see, "We're unable to check coverage for this se-



PHOTO ILLUSTRATION BY THE WALL STREET JOURNAL. SHUTTERSTOCK

some details can be off. The box that came with the pair Ms. Ballard bought was missing the Apple logo on the side, though a booklet inside read, "Designed by Apple in California."

Replicas might not come with serial numbers written outside the box and inside the charging case, like real AirPods do.

Apple's latest iPhone software, iOS 16, can notify users attempting to pair inauthentic AirPods. When setting up Apple's earbuds, you open the case and hold them near your iPhone, and a setup animation appears on screen. In iOS 16, with a counterfeit pair, the same action can trigger a "Cannot Verify AirPods" warning. The message says the earbuds might not per-

form as expected and recommends not connecting them.

People looking for AirPods deals often turn to person-to-person sales sites, such as Facebook Marketplace or eBay. These digital marketplaces allow users who buy counterfeit goods to report the issue and request a refund. You're in a better position if you paid for the item on Marketplace or eBay; refunds for cash transactions are more complicated.

Ms. Ballard, who paid cash, reported the seller to Facebook. She never heard back or got a refund, but the seller no longer has items listed, she said. Meta said flagging counterfeit products helps Facebook block or reduce the visibility of other possibly counterfeit products.



# ARTS IN REVIEW

## EXHIBITION REVIEW

# Homes in High Style

A show of art, photographs and couture looks at the close relationship between fashion and decor

By LAURA JACOBS

New York

Fashion designers love the jump from homo sapiens to home, which liberates them from necklines, hemlines, and everything in between. One thinks of the über-modernist Halston, the floors and furniture in his Paul Rudolph townhouse sheathed in lean industrial gray, flocks of white orchids sailing in the stillness. Or of the changeless Bill Blass, the masculine classicism of his poised Sutton Place living room an escape from the WASP shmattes demanded by his East Side clientele. Or of the quixotic Karl Lagerfeld, chasing one period vision after another through serial homes decorated to the nth degree, costly statements of style that bored him once done. These post-war men were actually following in female footsteps.

In the Museum at FIT's exhibition "Designing Women: Fashion Creators & Their Interiors," the museum's deputy director Patricia Mears, who organized the show, proposes a connection between female fashion designers—specifically those who used their salons and personal spaces as embodiments of their brand—and the rise of interior decoration as a field, one that was particularly welcoming to women. As Ms. Mears explains in her opening text, "Beginning in the late nineteenth century, an increasing number of women founded important couture houses in Paris, London, and New York. At the same time, interior decoration became a viable profession thanks to female innovators on both sides of the Atlantic."

It's a fascinating thesis, an early history of female achievement and influence, but it's not easy to illustrate. The interiors no longer exist, except for a handful preserved in museums—the Jeanne Lanvin rooms, for instance, at the Musée des Arts Décoratifs, Paris. Introducing pivotal fashion designers chronologically, the exhibition presents examples of relevant clothing along with photographs of interiors, sleuthed from many sources. This works well enough, but inevitably leaves one wanting more (a book, perhaps?).

A dominant note sounds at the entrance. Just inside the Fashion & Textile History Gallery, an intimate L-shaped space, a small platform holds a Belle Époque afternoon dress from 1892. It's a black silk hourglass with an underskirt and sleeves of celadon silk damask, the kind of 18th-century fabric that would be at home on a fauteuil or the walls of a Paris drawing room. "Rather than espouse masculine modernism," Ms. Mears writes, "these 'great lady decorators' appropriated the refined aesthetics of eighteenth-century French interiors."

From here the exhibition



Installation view of 'Designing Women: Fashion Creators & Their Interiors' with a black dress and pink chiffon cape, right, both by Jeanne Paquin

moves through five sections, beginning with at-home dresses and nightgowns from the late 1700s to the late 1800s, all containing elements of either Rococo or Neoclassical design. A copy of a painting by Jean-François de Troy, "La Lecture de Molière" (c. 1728), pictures attentive women cozy and relaxed, reclining on up-to-



Boué Soeurs evening dress (c. 1919) and Jeanne Lanvin evening dress (winter 1928), above; dress (1997), kaftan ensemble (2012) and a photo of Anna Sui, who designed both, below

the-minute upholstered chairs, an innovation, along with sofas and small tables, that changed the way women used their interiors.

The next section looks at the late 1800s. The couture houses of Jeanne Paquin and Callot Soeurs established neo-Rococo salons, bypassing

the grandeur of Louis XIV to draw from the more livable designs of Louis XV and XVI styles. No doubt these rooms, with their crystal chandeliers and conservatory windows, impressed clients for whom the Age of Absolutism was the fount of all fashion.

In the early 1900s we meet Lucile, a British designer otherwise known as Lady Duff Gordon. Along with gowns, she promoted lingerie, racy pieces that were presented in her private Rose Rooms—curtained boudoir settings complete with daybed and dressing table, a *mise en scène* that allowed clients a "virtual" experience of their potential purchase. Lucile's London fashion house, distinctively painted with pale gray walls (Christian Dior would do the same when he launched in 1947), was formative inspiration for her close friend Elsie de Wolfe, the first professional "lady decorator." De Wolfe, however,

never acknowledged Lucile's influence.

The fourth and fifth sections move into the 1920s and '30s with renowned women (and their interiors) such as Jeanne Lanvin (that purple-blue bedroom with Deco-ish white tracteries!), Madeleine Vionnet (her Moderne living room of burnished geometries) and Coco Chanel (gold accents, brown velvet, dark lacquer—a fire in a forest). These women collaborated with male decorators to achieve their unforgettable rooms—respectively, Armand-Albert Rateau, Jean-

Michel Frank and their peers at Maison Jansen. A surprise are the mesmerizingly avant-garde interiors of two milliners—Jeanne Tachard, whose decorator was Pierre Legrain, and Agnès Rittener, who worked with the lacquer artist Jean Dunand.

In the back gallery the exhibition leads up to the present, covering more than 20 designers, among them Elizabeth Hawes, Lily Daché, Sybil Connolly, Pauline Trigère, Elsa Peretti, Bonnie Cashin and ending with Anna Sui, a magpie of historicism whose Greenwich Village

apartment is a continuing project of reinvention. Some of these interiors you may already know. Mollie Parnis's blush-pink living room, designed by the great Billy Baldwin. Pauline de Rothschild's enchanted chinoiserie bedroom. Before she was a baroness she was Pauline Potter, a dress designer at Hattie Carnegie. Her decorating taste and chic had an enormous impact on Baldwin, a friend who always gave her credit.

So the connections go round and round, a swirl of clothes, rooms and women,

who in turn influenced men. This surge of convergence and emergence is captured in dashing original illustrations by Bil Donovan, created for the exhibition. He takes three of the interiors and imagines them draped on a dress form. We don't just live in our rooms, we wear them too.

**Designing Women: Fashion Creators & Their Interiors**  
Museum at FIT, through May 14

Ms. Jacobs is the Arts Intel Report editor for the weekly newsletter Air Mail.

## The WSJ Daily Crossword | Edited by Mike Shenk

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- 29 Falco of "The Sopranos"
- 30 Blend together
- 32 Paper piece
- 33 Old Germanic letter
- 34 Problem in Hamelin
- 37 "Patton" and "Gandhi"
- 38 Bummer
- 39 Like sheep's wool, compared with alpaca's wool
- 40 Song sung by Lancelot in "Camelot"
- 41 Charged atom
- 42 Pool tool
- 43 No-win situation?
- 44 Confront aggressively
- 45 "Poor baby, wah-wah!"
- 49 Lode-bearing sites
- 50 Cloth scrap
- 51 "Dallas" family name
- 53 "No More I Love \_\_\_" (Annie Lennox song)
- 54 Size up
- 55 Touch down
- 58 Antonym of 47-Across
- 59 Pitching stat
- 60 Toothed tool

## DOUBLE STANDARD | By Annemarie Brethauer

<b>Across</b>	31 Rule limiting use of a woodwind instrument?	57 Has a sneaking suspicion	8 Prohibition gangster Bugs
1 Periscope part	35 Short-muzzled pooch	61 "Total awww!"	9 Oil org.
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17 City down the coast from Tampa	48 Dove sound	<b>Down</b>	21 Game with mallets
19 Upshot	49 Ventura runners	1 Guitar great Paul	22 Leb. neighbor
20 Rule regarding exercises that put minimal stress on the body?	50 Zellweger of "Judy"	2 Seventh Greek letter	23 Driver's prop
22 Exorbitant	52 Author's protection, and a hint to 20-, 31- and 37-Across	3 ATM co.	24 List-ending abbr.
25 "Hurry it up!"	56 Grant, Hayes, Garfield, Harrison, McKinley, Taft or Harding	4 Rock formed from compressed mud	28 Inside track
26 ___ Aviv		5 Cat call?	60 Toothed tool
27 To date		6 Paper piece	
28 Airline since 1948		7 Language system	
29 Ham it up			

### Previous Puzzle's Solution

FIRE	VAPID	CAST
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TODRANK	ING	SLIM
SNOBS	ISRAELI	
UPS	RAPUNZEL	
GRAD	HEE	ADO
AIM	AUDIT	EVIAN
STEALING	AG	GLANCE
HENCE	ANNOY	TEA
	CPU	EGO
COAST		
EXCITED	PEP	FRO
RUNDOWN		UNZIP
VIBE	INSIDE	JOKER
ITON	NUEVA	ONES
NEXT	DICED	BEAT

► Solve this puzzle online and discuss it at [WSJ.com/Puzzles](http://WSJ.com/Puzzles).



THE MUSEUM AT FIT (3)



## SPORTS



Philadelphia

JASON GAY

# These Eagles Have an Edge

Favorites? No way. It's far better if no one thinks they have a shot to win the Super Bowl.



Philadelphia Eagles quarterback Jalen Hurts, left, sang the 'Fly Eagles Fly' song during the trophy presentation.

The Philadelphia Eagles are a slight betting favorite to win the Super Bowl, but under no circumstance should you tell them this.

Far better if no one thinks they have a shot. The whole of Philadelphia prefers it that way. The Eagles want to march into Super Bowl LVII in Glendale, Ariz., on Feb. 12 as an unglamorous challenger to the shiny, media darling Kansas City Chiefs. They'll be happy to take any skepticism—real skepticism, perceived skepticism, skepticism I totally made up for the purposes of writing this column—and let it ripple through their extremities like an electrical charge.

Think Philadelphia isn't all that? Think they're untested in the playoffs? Think Jalen Hurts's, uh, soaring post-NFC championship version of "Fly Eagles Fly" shouldn't win *multiple* Grammys?

Underestimate the Eagles at your peril. And to their benefit. It's what they desire. It's the organizing principle of a franchise that feeds off faint praise, in a proud city sandwiched between the media-hoarding hamlets of New York and Washington, D.C.

They *want* you to think they're a bunch of noisy pole-climbers who only had to beat the JV 49ers and will be turned to rubble by far superior K.C.

Don't tell the Eagles the truth: that they're currently favored by two points by most betting establishments, especially with Patrick Mahomes gritting through an obviously painful ankle injury.

Don't tell them that this 2022 team (now 16-3 including playoffs) has earned the respect of everyone who has been following football this season. Don't tell Philadelphia this Eagles team is actually pretty...likable. Maybe even *loveable*.

And for the Love of Randall Cunningham, don't tell Philadelphia that they lit the Empire State Building in *New York Flippin' City* in Eagles green and white Sunday night.

(Quick sidebar: Who thought that was a good idea? Bathing the Empire State Building in Eagles

colors is like painting Yankee pin-stripes on the Liberty Bell. What's next, putting a Celtics jersey on the Statue of Liberty? I can only assume that the Empire State Building had been drinking all day Sunday, and don't be surprised if you see it hitchhiking south on 95 this week. (How does it show its face in Midtown?)

The most foolish part of that skyscraper stunt: Philadelphia doesn't care what anyone in New York City thinks, even a sentient building!

The Eagles don't seek to impress New Yorkers, or anybody else in America. This is Philly's team, a vessel of regional attach-

ment with rabbit ears for the slights of outsiders.

So repeat after me: *Nobody thinks you can do this, Eagles. The rest of the country is all Mahomes, Mahomes, Mahomes. They want Travis Kelce to get a second ring, not Jason. America wants the Andy Reid Revenge Bowl.*

Again, it's ridiculous because these Eagles are indeed good. This isn't some Cinderella that has bumbled its way to Arizona on some lucky bounces. This is a balanced team with good coaching, an excellent defense and a born winner in third-year quarterback Hurts. The Eagles went wire to wire as the class of the NFC. In

two playoff games, nobody's laid a mitt on 'em.

And OK, yes, fine, they beat the discount brand 49ers Sunday. San Francisco lost two quarterbacks to injury and were all but on their phones scouring LinkedIn for backups. They actually had to put one of their injured quarterbacks back in the game, even though he couldn't throw, because they had nobody left.

The Eagles didn't get the Niners at their best. But it's like Rocky said at the end of Rocky I: *You can only fight who you fight, Mr. Wall Street Journal sports columnist!* OK, Rocky didn't say that at the end of Rocky I, or even Rocky V.

But you know what I mean.

The case against the Eagles come down to this:

They have not had a single nervous moment in these playoffs, not even a mild whiff of dread. It isn't enough of a case. They're too talented. The Eagles are going to be getting a Chiefs team that is good, but not the highflying juggernaut that's dominated the NFL in recent seasons.

The case for the Chiefs is: They're the Chiefs. That's Patrick Mahomes.

Then again, you saw how happy the Chiefs were to escape with a narrow win over the Bengals. You saw how close and contentious that game was. K.C. is suddenly a team with its own rabbit ears for disrespect. (The Chiefs had clearly had it with all the Bengals/Joe Burrow hype; Travis Kelce is going to wind up running for mayor of Cincinnati.)

This disrespect thing cuts both ways, of course. Kansas City is going to be telling itself that all of America thinks they're lucky to be there, that they got help from the referees, and the Eagles are going to roll.

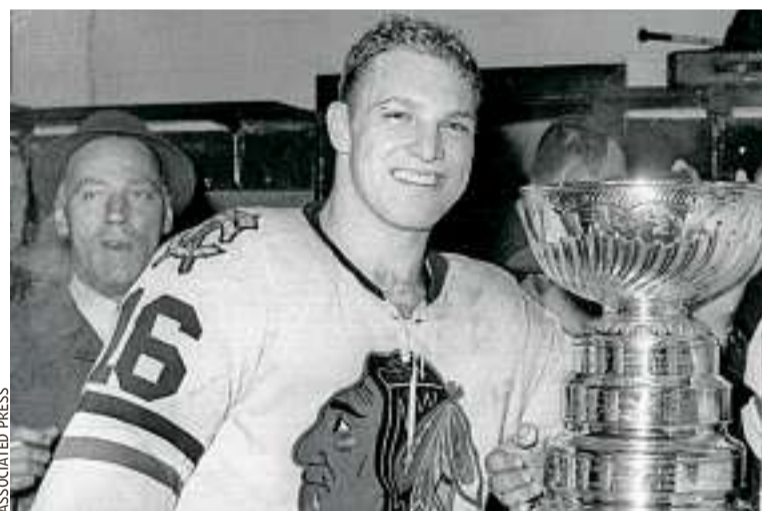
We can be certain of this: This isn't like how it was the last time the Eagles were in the Super Bowl, against the Patriots for the 2017 season, when all the pregame hype was about Tom Brady and the Grumpy Lobster Boat Captain, dynasties and dominance.

You remember how that turned out. Brady threw for 505 yards, but Nick Foles unleashed the Philly Special.

This motivational technique works.

Don't tell the Eagles you like them. Don't even tell them you even care. Philadelphia has a good chance to prevail in two weeks, but they want a chip on their shoulders in the desert. Same for the Chiefs. They wouldn't have it any other way. It is the football life.

BILL STRECHER/USA TODAY SPORTS



Bobby Hull led the Chicago Blackhawks to a Stanley Cup win in 1961.

1939 - 2023

## Bobby Hull, Hockey's Golden Jet, Dies at 84

By LAINE HIGGINS

**BOBBY HULL**, the scoring dynamo of the 1960s who won a Stanley Cup with the National Hockey League's Chicago Blackhawks before causing a stir by defecting for a big contract in the upstart World Hockey Association, has died. He was 84.

The National Hockey League Alumni Association announced Hull's passing on Monday. No cause of death was given.

"Hull was a driven player who always gave fans a memorable experience at every game and brought them to their feet," the organization wrote on Twitter. "In his retirement, 'The Golden Jet' was never in a rush to sign every autograph."

Hull's accomplishments on the ice, however, were undercut by domestic violence allegations against him and an infamous 1998 interview in which he was quoted saying that "Hitler, for example, had some good ideas."

Hull began his career in 1957 with the Chicago Blackhawks, thus beginning an era of points-scoring explosion the likes of which professional hockey had never seen. Over the course of his 16-year NHL career, and a seven-year stint playing in the now-defunct WHA, Hull rewrote records—and rulebooks—with his uncanny ability to find the back of the net.

Hull helped deliver Chicago a Stanley Cup in 1961, his fourth season in the league, and led the NHL in scoring seven times during the 1960s. He was a jovial skater with deep family ties to hockey—his younger brother Dennis played alongside him with the Blackhawks for eight seasons and his eldest son, Brett Hull, went on to become a

prolific NHL scorer in his own right. Hull's penchant for points and breakaway speed, combined with his blond hair, earned him the nickname "the Golden Jet."

Hull was born in Point Anne, Ontario, on Jan. 3, 1939, as the eldest of 11 brothers and sisters. Like generations of young Canadians before and since, hockey became an integral part of the Hull clan's upbringing. By the time he was a teenager, Hull had earned acclaim in hockey's minor leagues and made his debut in Chicago at age 18.

Across 15 seasons in Chicago, Hull earned All Star honors 12 times. He twice won the Hart Trophy, awarded to the most valuable player in the NHL.

Simmering frustrations over compensation with the Blackhawks prompted Hull to leave for the Winnipeg Jets, then part of the soon-to-launch WHA. It was nothing short of scandalous for one of the NHL's biggest stars to defect for a rival league in its debut season.

It was also the perfect leverage for what was then a massive payday. The Jets signed Hull to a \$1.75-million, 10-year deal that came with a \$1 million signing bonus.

Hull went on to have the most productive season of his career with Winnipeg, scoring a professional hockey single-season record of 77 goals in 78 games in the 1974-75 season. His record would stand for nearly a decade until another Canadian hockey prodigy named Wayne Gretzky came along and broke it. In 2023, Hull's 77-goal season remains fifth all time behind Gretzky, Mario Lemieux and his son, Brett, a decorated former NHL All Star.

## Mahomes's Ankle and the Forces That Will Shape the Super Bowl

By ANDREW BEATON

Kansas City, Mo.

Patrick Mahomes didn't expect to run on the play that would send the Kansas City Chiefs to the Super Bowl.

"At some points in games, you've got to just put it all on the line," he said afterward.

Mahomes's ankle injury, which he suffered a week earlier, clearly bothered him more and more as the AFC Championship against the Cincinnati Bengals wore on. He tried to sneak past defenders at a couple points during the game, only to get wrapped up by defenders and discover that he didn't have the same burst he usually has.

Then with seconds left, Mahomes darted to his right and gained not just the first down—but also an additional 15 yards thanks to a penalty the Bengals were flagged for when he was hit after going out of bounds. The combination set up Harrison Butker's game-winning field goal for the 23-20 win—and added to the legend of Mahomes.

How exactly Mahomes recovers over the next two weeks will be one of the biggest questions that defines the upcoming Super Bowl, where the Chiefs will take on Philadelphia Eagles after they easily dispatched the 49ers in an NFC Championship where both San Francisco quarterbacks got hurt. Mahomes was able to play, and do so at a high level, on Sunday. He also was obviously limited and came up short on plays he routinely makes.

Next Mahomes will be tested by the team that had the best pass rush in the entire NFL this season.

This championship weekend demonstrated Mahomes's grit as he fought through obvious pain. But what the two games also reflected is how there will be other external factors that can help decide this game even beyond one man's angle.

**NFL refereeing is in the spotlight again**

The championship games weren't the best moments for clean, uncontroversial officiating in the NFL—and somehow that doesn't have anything to do with the penalty that helped decide Bengals-Chiefs.

In the NFC Championship, a key early completion for the Eagles—a fourth-down strike for 29 yards from Jalen Hurts to DeVonta

Smith—clearly should have been negated. Even Smith afterward seemed to know it wasn't a catch, when afterward he exhorted his offense to quickly get off another snap.

The Niners didn't challenge the play, with coach Kyle Shanahan saying afterward that his team didn't get a good enough look at it before the next snap. Shortly afterward, replays showed it to be an obvious in-

Patrick Mahomes

completion. It didn't end up mattering when both of Shanahan's quarterbacks got hurt and turned the game into a wipeout, but it's also the sort of missed call that could swing a Super Bowl.

There was also a bizarre moment of officiating in Philadelphia, when it appeared to the Eagles that a poor punt of theirs was due to the ball hitting the wire that holds a camera over the field. It wasn't exactly reassuring after a delay when the referee told an audience of tens of millions of people: "We cannot confirm whether the ball hit the wire or not."

Somehow that wasn't even the strangest officiating gaffe Sunday. On a third down in the fourth quarter, the Chiefs came up short and sent their punting unit onto the field.

Only afterward, the referee said the play had been blown dead—which wasn't apparent to anyone on the field—because of a clock issue. On the next play, Mahomes

was sacked but got a first down anyway because a flag was thrown.

When this Super Bowl is expected to be ultra close—the Eagles are favored by a couple of points right now—these are the types of moments that can tilt the balance of the game.

**Mahomes isn't the only injured Chiefs player**

Chiefs owner Clark Hunt said that it felt like his team has suffered a season's worth of injuries in the span of a week. He wasn't exaggerating too much.

Beyond Mahomes, his star tight end Travis Kelce was questionable to play at all on Sunday with a back injury that popped up last Friday. Then came another rash of injuries that, in particular, gutted Kansas City's passing weapons. Receivers Kadarius Toney, JuJu Smith-Schuster and Mecole Hardman all are now battling ailments, including ones suffered or aggravated Sunday, that could dramatically change how the Chiefs' offense looks in a couple of weeks.

The Eagles, on the other hand, have emerged through two easy playoff wins relatively unscathed.

**The Eagles are favored. Does that favor K.C.?**

After the confetti fell at Arrowhead Stadium, one thing was clear: The Chiefs were the No. 1 seed in the AFC, and they were still somehow motivated by slights.

The buzz before the game was about the Bengals dubbing the stadium Burrowhead because of quarterback Joe Burrow's prior dominance over Kansas City. Even the mayor of Cincinnati, Aftab Pureval, used the moniker.

The Chiefs had the last laugh after the game.

"Is this thing still called Arrowhead?" Mahomes said on the field as fans cheered during the trophy ceremony. "What does it sound like out there?"

"I've got some wise words for that Cincinnati mayor," Kelce screamed on the field. "Know your role and shut your mouth."

After a half decade of dominating the NFL, the Chiefs clearly didn't mind having some bulletin-board material.

"Yeah," Pureval tweeted after the game, along with a video of Kelce. "Deserved that."

EVIN C. COX/GETTY IMAGES



# OPINION

## Justice for Mark Houck



**MAIN STREET**  
By William McGurn

Is Mark Houck a dangerous criminal, or a man targeted by Merrick Garland's Justice Department to score political points? Mr. Houck, 48, has been on trial for violating the Freedom of Access to Clinic Entrances, or the Face Act—for shoving a patient escort outside an abortion clinic in 2021. If convicted he faced 11 years in prison. On Friday the jury deadlocked, but on Monday it returned its verdict: not guilty.

This was a case that never should have been brought. U.S. District Judge Gerald Pappert suggested as much when he asked the prosecutor whether federal law didn't "seem to be stretched a little thin here." The FBI's decision to arrest Mr. Houck as though he were John Dillinger also suggested a political stunt.

Mr. Houck is a pro-life "sidewalk counselor" who for years has prayed and protested outside the Elizabeth Blackwell Health Center, a Planned Parenthood clinic in Philadelphia. His goal is to try to persuade women entering the clinic not to go through with their abortions. That is also his constitutional right.

But in 1994 Congress passed the Face Act, which makes it a crime to intimidate or use force to interfere with

an abortion provider or a woman seeking an abortion. Prosecutors allege Mr. Houck violated the act when, in two separate instances on Oct. 13, 2021, he shoved volunteer clinic escort Bruce Love.

That much everyone agreed on. But in court, Messrs. Love and Houck offered different versions of events. Mr. Love, now 73, claimed he was twice shoved to the ground without any provocation. Mr. Houck said he pushed Mr. Love because he was harassing his 12-year-old son, Mark Jr., saying crude things to him.

The dispute cut to the heart of intent. If Mr. Houck shoved Mr. Love to interfere with the provision of an abortion, he violated the Face Act. But if Mr. Houck shoved Mr. Love because he was harassing his son, it was a street-side altercation that never should have become a federal case.

In this light, it's worth noting last week's admission by the CEO for Planned Parenthood Southeast Pennsylvania, Dayle Steinberg. Ms. Steinberg testified that she'd sent an email about a week after the incident recommending that Mr. Love not serve as an escort "while this case is in litigation." She noted that Mr. Love had a problem following the clinic's "non-engagement" policy—even though he was spoken to "on numerous occasions."

The federal intervention was also messy. Local police filed no charges against Mr. Houck. Mr. Love then filed a

private criminal complaint, which was ultimately not pursued by Philadelphia District Attorney Larry Krasner's office.

"The case was disposed of locally so the DOJ could assume and lead the investigation," Jane Roh, a spokeswoman for Mr. Krasner, told the Bucks County Courier Times in September. "It is incorrect to say that we declined this case."

### A pro-life father is acquitted on charges that he interfered with abortion access.

Whatever the reason Mr. Krasner's office didn't prosecute, the FBI didn't arrest this public enemy until Sept. 23, 2022—almost a full year after the altercation.

The FBI came to Mr. Houck's home as though he were a violent gangster. His wife, Ryan-Marie, said a SWAT team of about 25-30 armed agents arrived around 7 a.m. The FBI disputes details of her account. They deny it was an actual SWAT team and insist that Mrs. Houck's estimate of the number of agents is an "overstatement." But the bureau also refused to say exactly how many armed agents there were.

And whether these armed agents were a SWAT team is beside the point. The question is: Was this show of force justified

for a man who was never a threat or flight risk? On top of it all, one of Mr. Houck's team of lawyers at the Thomas More Society, Matt Heffron, had emailed the assistant U.S. attorney in June saying Mr. Houck would accept a summons to surrender himself.

On the evidence, the raid appeared calculated to send a political message. It was less than two months before the midterm elections. Many saw it that way. In October 2022, 11 U.S. senators and 29 members of Congress sent a letter to FBI Director Chris Wray asking if the raid on Mr. Houck was an example of "weaponiz[ing] the power of federal law enforcement . . . against pro-life Americans based solely on their beliefs."

Good question. Ever since Joe Biden's victory speech in 2020 promising to "heal" and "unify" America, he has called his political opponents "extremists" and accused them of being a "threat to democracy." Recall the letter he got from the National School Boards Association equating angry parents with "domestic terrorism." Mr. Biden didn't dismiss the letter as he should have. Instead he had Mr. Garland ask the FBI to look into the supposed threats.

Mark Houck's position on abortion makes him unwelcome at the commanding heights of American culture. But it is precisely the unpopular defendant that is most at risk of political prosecution.

Write to mcgurn@wsj.com

BOOKSHELF | By Andrew Stark

## Everyday Epiphanies

Awe

By Dacher Keltner  
(Penguin Press, 309 pages, \$28)

We've all had the experience in one form or another: I stopped in for a coffee at my local establishment. "I'll have a medium dark roast please," I said to the barista. "Awesome!" she replied cheerily as she rang up the order. At the time, I wondered whether her response was perhaps just a bit over the top.

According to Dacher Keltner, it might have been right on target. Awe, he says, is an "everyday" experience. We can find it "anywhere," in incidents large and small. In "Awe: The New Science of Everyday Wonder and How It Can Transform Your Life," Mr. Keltner, a psychology professor at the University of California, Berkeley, recounts stories that people around the world have told him about moments of awe in their lives, supplemented by his own experiences.



Far from being your grandfather's notion of awe—an "extreme, once-in-a-lifetime experience" that can leave you trembling—awe is something we often feel, Mr. Keltner says, in a range of mostly pleasant circumstances.

Encounters with what Mr. Keltner calls "moral beauty," for example, such as witnessing brave first responders in a crisis or parents raising a child with major health problems, or even—as a woman from Sweden told Mr. Keltner—watching one's obliging husband

move heavy objects around the house, induce feelings of awe. So do episodes of what Émile Durkheim called "collective effervescence": dancing, chanting or attending sports matches where we feel a jubilant closeness with others. The same feeling can arise in the natural world, as when we find ourselves mesmerized by the play of light and shadow under a leafy tree. Even Edmund Burke, for whom awe was "tranquility shadowed with horror," saw the pleasure to be had in our awareness of terrible dangers from which, for the moment, we feel safe.

Other awe-elicitors include musical and visual art—here Mr. Keltner mentions everything from the songs of Aretha Franklin to the paintings of Goya—and epiphanies, in which a pattern suddenly becomes clear to us and we see what Walt Whitman called the "scheme" of things: say, in the unfolding of history or the relation of motifs in Gaudi's cathedral in Barcelona. And then there is that old stand-by, the feeling of spirituality and transcendence that can envelop us when we pray, fast or meditate.

If we add all this up, Mr. Keltner says, it becomes evident that awe is—or at least can be—a regular occurrence in our lives. And that's great news, because awe is good for us. What's common to these experiences, Mr. Keltner observes, is that they release pleasure chemicals in the brain, getting our oxytocin going and our vagus nerve thrumming. For a healthy mind, he concludes, we should make time to tap into the sources of awe that lie all around us.

It is enlightening to follow Mr. Keltner's arguments and uplifting to read the awe-filled tales he tells. He is aware, however, that we need something more than a physiological means of understanding awe. We need a conceptual definition. And he offers one: Awe "is the emotion we experience when we encounter vast mysteries that we don't understand."

### Nature's wild beauty, with its 'forms most beautiful,' can be awe-inspiring. But daily life also offers up precious moments of awe.

The difficulty is that this definition fails to match many of the stories Mr. Keltner documents. If doing the wave at a baseball game or witnessing one's husband move large objects is an awesome experience, then awe is not a response to vast mystery. And if awe is indeed a response to vast mystery, then many of the stories people tell Mr. Keltner, however much they might have provoked a certain chemical reaction in the brain, are not tales of awe.

Is there another way of understanding awe? Here Mr. Keltner's own language suggests one. Three words—"good," "true" and "beautiful"—braid together, in different combinations, throughout his book.

For music or visual art to inspire awe, Mr. Keltner's discussion implies, it must be more than simply beautiful. An awesome song is one that, through its melodic beauty, transports us to a moment of "truth"—even if, as the cellist Yumi Kendall tells Mr. Keltner, any such truth might lie "beyond language." Awesome epiphanies, too, combine the beautiful and the true. Why does the theory of evolution, for instance, strike some people as awesome? Perhaps because, as Mr. Keltner says, in the moment when we grasp its truth we also see that it consists, in Darwin's words, of "forms most beautiful."

Other awesome experiences combine truth not so much with beauty as with goodness. An awesome spiritual encounter might stir in us the sense that we are surrounded by a "gentle, kind force," as a woman at the Gandhi Ashram in western India tells Mr. Keltner. But it must do more than that. It must make us feel that its existence is no illusion. In the same way, communal events—think of thousands of fans rising in unison as their team scores a touchdown—certainly feel good. But to be awesome they must also hit us with an underlying truth: the truth that we are connected in our common humanity.

Mr. Keltner's use of the term "moral beauty" suggests that we feel awe when our fellow human beings perform acts not only that are good—helpful, beneficent—but that require such extraordinary courage or impressive strength that they become beautiful as well. He gives Mother Teresa as an example. And when moments in nature strike us with awe, it's because their beauty conveys a further sense of sustaining goodness: of "benevolence and blessedness" as Mr. Keltner puts it, quoting Wordsworth.

The good, the true, the beautiful—those perennials—create a through-line in many of Mr. Keltner's wonderful stories. Any one by itself is always welcome, of course, but by itself not necessarily awesome. Find all three together and you might have yourself one of those once-in-a-lifetime experiences of yore. Awe resides in the sweet spot among these qualities—and, yes, as Mr. Keltner says (and my barista implied), it's all around us.

Mr. Stark is the author of "The Consolations of Mortality: Making Sense of Death."

## Why China Will Never Lead on Tech

By Simone Gao

China recently pulled up short in its race with the U.S. for dominance in chip manufacturing. While the U.S. has strengthened its commitment to rebuilding its domestic production through the passage of the Chips Act this past summer, spurring nearly \$200 billion in private investment in manufacturing projects, China has abruptly paused its investment of 1 trillion yuan (about \$148 billion) in the industry.

August reports from the Chinese government revealed a flurry of antigraft probes that investigated many of the industry's top figures, including Ding Wenwu, general manager of the China Integrated Circuit Industry Investment Fund. This \$45 billion fund, known as the "Big Fund" in the industry, is the Chinese government's official vehicle for managing its colossal investments in the chip industry. The fund invested in a host of companies, including China's largest chip-makers, Semiconductor Manufacturing International Corp. and Yangtze Memory Technologies Co., both of which have been crippled by U.S. sanctions.

According to Bloomberg, Chinese officials "are now asking local semiconductor material suppliers to cut prices to provide support to their domestic customers," and "China may also choose to divert its limited state capital toward selective areas . . . that are relatively nascent, and where no one nation

can claim dominance."

With this retreat, China is quietly admitting the failure of its whole-of-government approach to developing advanced technologies that can compete internationally. America's ban on exporting advanced chipmaking technologies to China has prevented key partners, including the Netherlands and Japan, from exporting such technology to China, smothering China's emerging semiconductor industry.

### Communism is incapable of nurturing the curiosity that leads to innovation.

But there is a bigger reason that China's ambitious technology endeavors are failing: Its communist system stifles innovation. In China, all major funding is controlled and distributed by the Communist Party. Top scientists must be in the party system to advance their careers and get funding. The higher they rank within the party, the more funding they can receive. They can also make fortunes steering projects and government funds to companies owned by their associates and earning huge kickbacks. The recent corruption investigations have implicated key Big Fund officials and executives of companies that have received the most funding, raising speculation

that the fund's leaders may have taken kickbacks from these companies.

Before the investment pause, chip startups that were linked to the local government officials tasked with recommending and verifying candidates were capturing subsidies. According to an analysis by the South China Morning Post, 15,700 new Chinese semiconductor companies were registered from January to May 2021. A Chinese media outlet, Sing Tao Global, reported that many companies in industries ranging from construction and cement to garments and pharmaceuticals had switched, at least on paper, to chip manufacturing, resulting in unfinished projects and frequent shutdowns. But even without this poor resource allocation, China's chip development still would be hindered by the country's lack of long-term vision.

In 2019 I interviewed a data and AI scientist at Huawei, China's largest and most powerful telecommunications company, which at the time was poised to take over the global rollout of 5G. He told me that despite Huawei's achievements, a hunger for quick success pervaded the company. While Ren Zhengfei, the company's founder and CEO, would publicly encourage new research, he was likely to cut off funding if there were no notable achievements within a project's first two years. This pattern has led to the most consistent innovation at Huawei taking place only at the

application level. The company rewards innovations that can make money immediately, but long-term research that might lead to world-changing innovation isn't being done.

This isn't unique to Huawei. It is the norm of Chinese society under communist control. Great innovation comes from free and curious minds. Such minds need nurturing, and, despite all its dazzling skyscrapers and smart cities, China today is incapable of doing so.

China's test-oriented education discourages creativity and independent thinking. The Communist Party uses propaganda to instill a sense of loyalty and gratitude in the people, to the detriment of faith, which encourages broader inquiry. All this, combined with a sense of achievement derived from China's recent economic successes, has caused the Chinese to become entirely focused on attainment. The goal is always to achieve the greatest benefit at the least cost. Dreams and passions are impractical and expensive, even silly. They must be discarded.

If China can't cultivate free thinkers, it will always be a follower and never a leader as the West imagines and invents the future.

Ms. Gao is a journalist and host of "Zooming In With Simone Gao," an online current-affairs program.

Walter Russell Mead is away.

## One Small Step for Social Security

By Andrew G. Biggs

Social Security remains the largest federal spending program. After Medicare, it's the second-largest driver of long-term deficits. As the new Republican House majority looks to rein in the budget, Social Security reforms could be on the table.

Though vital to addressing the national debt, getting a comprehensive reform package—or any major entitlement reform—through Congress will be tough. Instead, lawmakers might consider a simple but meaningful start: capping the maximum retirement benefit. A cap would put a dent in Social Security's 75-year funding gap of more than \$20 trillion and send a message that government benefits to high-income retirees can't be unlimited.

Social Security is often described as a safety net against poverty in old age. But if every senior simply received a benefit equal to the 2022 poverty threshold—just over \$14,000 for a single retiree and about

\$17,600 for couples—Social Security's \$1.3 trillion annual cost for 2023 would be nearly cut in half.

Social Security is expensive because it's more than a safety net: The average new retiree in 2021 received an annual benefit of nearly \$21,000, 1.5 times the poverty threshold without counting their own savings. And the highest-earning Americans receive

### Capping the maximum benefit is a promising step toward solvency.

even more than that, with the maximum benefit at the normal retirement age of 67 coming in at \$42,238 in 2023. This blows through any reasonable idea of a safety net: It's more than three times the federal poverty threshold and about 5% higher than the median employee's salary in the U.S. It's also two to three times higher than the maximum

benefit paid in the United Kingdom, Canada, Australia and New Zealand.

Social security's maximum benefit increases every year. In 2000 it was about \$28,300 in inflation-adjusted dollars, about a third less than today. By 2035 the maximum Social Security benefit will reach \$49,825 and by 2050 it will rise to \$59,234.

For a single, high-income retiree \$42,238 should be more than enough to get by in most parts of the country. That's why, in future years, the maximum Social Security retirement benefit should be capped at the 2023 value, adjusted for inflation. Retirees entitled to less would receive their benefit as promised, but those entitled to more would be limited to that amount.

To receive the top benefit, a person must have worked 35 years or more at the maximum salary taxable by Social Security, which would have averaged to about \$117,000 a year for someone retiring today. It's likely that these Americans are already saving

for retirement on their own, with total national retirement savings having more than doubled in the past two decades.

Would capping the maximum benefit be enough to fix Social Security? Not even close. I estimate that by 2050, average benefits for new retirees would be about 12% lower, driven entirely by reductions for retirees with the highest benefits without changing benefits for typical retirees. Though a move in the right direction, further changes are needed to guarantee the program's solvency.

A better approach would not merely cap the maximum benefit, but boost benefits for low earners and provide every worker access to a retirement plan. But after nearly four decades of congressional neglect, a journey of \$20 trillion can start with one small step.

Mr. Biggs is a senior fellow at the American Enterprise Institute. He has been nominated to serve on the Social Security Advisory Board.



## OPINION

## REVIEW &amp; OUTLOOK

## The State Tax-Cut Movement

Good news for taxpayers, or at least some of you: Statehouses across the country are continuing to cut taxes in a movement that shows no sign of slowing down. By year-end, nearly half of all states will have cut their income-tax rates within a three-year period. The good results so far confirm that we're in a virtuous economic-political cycle.

At least six states have kicked off their 2023 legislative sessions with income-tax cut proposals. Newly inaugurated Governors in Arkansas and Nebraska campaigned on rate cuts and are asking legislators to follow through. Leaders in Virginia and Montana want to cut rates modestly with bipartisan support. Large GOP majorities in West Virginia and Utah are considering significant cuts after hesitating last year.

Each of these states has at least one neighbor where tax rates have dropped recently, and competition is sustaining the trend. "We were the cool kid on the block 15 years ago when we moved to 5% flat," said Rusty Cannon, president of the Utah Taxpayers Association, referring to his state's flat income-tax rate this month. But in the past two years Colorado has adopted a 4.4% top rate on income, and Arizona dropped its rate to 2.5%. "We're no longer the cool kid on the block at all," said Mr. Cannon.

The tax-cutting trend took off in 2021 as state revenues boomed, driven by postpandemic reopening, rising stock prices and capital gains, and federal aid. By September 2022, 31 states were outperforming their prepandemic revenue trajectories, according to Pew Research. Twenty-one states have cut their income taxes in this period, according to the Tax Foundation, and they're betting that returning revenue to taxpayers will spur faster economic growth.

The results so far vindicate these choices. Many states that cut taxes in the early stage of the revenue boom have sustained or expanded their surpluses. That's what happened in Idaho, which boasts one of the best-performing state budgets according to Pew. In May 2021 Gov. Brad Little cut the top rate on income to 6.5% from 6.93% amid a \$900 million surplus. The state's surplus grew by more than 50% the next year, and Gov. Little followed up by reducing the income tax to a flat 5.8%.

Flat-rate tax reforms are also spreading. Last year Georgia, Iowa, Mississippi and Arizona joined Idaho in enacting one. That brings the nationwide total to 13, after public-employee unions finally won a referendum that nixed Massachusetts's flat 5% income-tax rate last year. Now the top Bay State rate is 9%, an invitation to move to Nashua, N.H. Flat rates on income help restrain the upward creep of taxes by forcing

**By year-end, about half of the states will have cut rates on income within three years.**

politicians to raise rates on everyone in order to reach for more revenue.

Tax-cut critics always predict that a revenue bust is around the corner, pointing to disappointing results after Kansas cut taxes in 2012. Yet Governors of late have moved carefully, often cutting less than official revenue estimates would allow.

Leaders in Mississippi and West Virginia rejected optimistic budget projections and opted for more limited cuts than were originally proposed. States such as Iowa and Montana have reduced taxes in phases spread out over years, while rate cuts in states like Kentucky and Indiana kick in only when certain revenue levels are exceeded. These phased cuts blunt the immediate economic benefit of lower rates, but they help allay political fears that budgets will spontaneously combust years after the cuts.

States that don't cut taxes in times of surplus invariably spend more, often building commitments that are hard to sustain and lead to pressure to raise taxes in the lean economic years. That's what happened last year in California, where Gov. Gavin Newsom followed a \$97 billion surplus with a \$300 billion budget, including new climate spending and expanded Medicaid for illegal migrants. This month the state announced a \$23 billion deficit.

The tax-cutting spree is increasing the tax divide between GOP-led and progressive Democratic states. This in turn contributes to more cross-state migration. From Florida to Texas and Idaho, the states that draw the most new residents from other states tend to have much lower tax rates. Population losers like New Jersey, New York and California are among the most punitive taxers.

Competition is moving states toward better tax codes, and the trend is compounding. Americans in states that haven't joined the tax cutters at least have more places to move to.

## The Second Battle of the Alamo

The badly outnumbered men who made their final stand against the Mexican Army in 1836 made the Alamo a symbol of Texas freedom. Today the Alamo is again the setting for a battle over liberty. Last week San Antonio's City Council voted 9-2 to authorize the use of eminent domain to take a bar owner's property because the city wants it for a \$400 million makeover of the Alamo mission and battle site.

The bar is called the Moses Rose's Hideout, named for the man who is said to have deserted his comrades at the Alamo to save himself. The owner, Vince Cantu, has rejected offers to buy him out, the most recent at \$3.5 million. The latest appraisal projects the bar's value in 10 years at \$2.8 million, so San Antonio thinks its offer is more than generous.

But this gets it backward. The bar is Mr. Cantu's property to sell or not, and to set his

own price for selling. He says the \$17 million price he thinks fair includes a million for each year he has had to put up with the city's efforts

**San Antonio votes to permit eminent domain against a bar owner.**

person's property but to set the price and negotiate with the threat of eminent domain hanging in the background.

The Supreme Court's misguided 5-4 decision in *Kelo v. New London* (2005) expanded the Fifth Amendment's requirement of "public use" to include economic development, and not only public works. In her dissent Justice Sandra Day O'Connor wrote that, under *Kelo's* logic, "nothing is to prevent the State from replacing any Motel 6 with a Ritz-Carlton." That it exactly what San Antonio is doing to Mr. Cantu's Moses Rose's Hideout.

## California Loses on Medical Censorship

Gov. Gavin Newsom boasts that California is the land of the free, yet courts keep rebuking state lawmakers for violating individual liberties. A federal judge did so again last week in enjoining a new state law that threatened to punish doctors accused of promulgating Covid "misinformation."

Democrats last year passed legislation empowering the state medical board to discipline doctors licensed in the state who "disseminate misinformation or disinformation" that contradicts the "contemporary scientific consensus" or is "contrary to the standard of care." The law's goal is to enforce a public-health orthodoxy among doctors and silence dissenters.

But as federal Judge William Shubb explains, the law's definitions of "misinformation" and "contemporary scientific consensus" are unconstitutionally vague under the Due Process Clause of the Fourteenth Amendment. Doctors have no way of knowing how the law will be applied by the board or interpreted by courts, which chills their practice of medicine.

"Who determines whether a consensus exists to begin with? If a consensus does exist, among whom must the consensus exist (for example practicing physicians, or professional organizations, or medical researchers, or public health officials, or perhaps a combination)?" Judge Shubb wrote. He also asked what sources doctors should consult to determine the consensus.

The state argued that while scientific consensus can sometimes be difficult to define, there is clear consensus on certain issues such as that apples contain sugar, measles is caused by a virus, and Down syndrome is caused by a chromosomal abnormality.

True, but that isn't what the state's medical enforcers really have in mind. Under the law, doctors could be punished for contradicting the public-health orthodoxy on Covid vaccines for children or for booster shots. As the judge notes, Covid is "a disease that scientists have only been studying for a few years, and about which scientific conclusions have been hotly contested," and a "quickly evolving area of science that in many aspects eludes consensus."

He also points out that the "so-called 'consensus' has developed and shifted, often within mere months, throughout the COVID-19 pandemic." He adds: "Certain conclusions once considered to be within the scientific consensus were later proved to be false." The elite consensus to close schools to prevent virus transmission is a case in point.

The judge didn't need to rule on the plaintiffs' First Amendment challenge, but he suggested in a footnote that they have a strong case. He cites the Supreme Court's *NIFLA v. Becerra* (2018) decision striking down a California law that compelled family planning clinics to provide information to patients about publicly funded abortions and contraception. In that majority opinion, Justice Clarence Thomas noted that speech by medical providers is not "exempt from ordinary First Amendment principles" and that governments throughout history have manipulated the content of doctor-patient discourse to increase state power.

Judge Shubb's ruling is a warning to lawmakers in other progressive states contemplating similar legislation. Then again, Mr. Newsom should have known the law was unconstitutional, but he signed it anyway.

## LETTERS TO THE EDITOR

## Free Speech on Campus and in the Real World

As a member of the Cornell Free Speech Alliance, I share Daryl Morey's concerns about the threats to open inquiry in U.S. higher education ("The Numbers Show That MIT Has a Free-Speech Problem," op-ed, Jan. 24). As at the Massachusetts Institute of Technology, at Cornell students and faculty report a high degree of self-censorship and a chill on academic freedom. The nation needs more alumni like Mr. Morey and more business leaders, who will go on to employ the graduates of these schools, to demand a strong commitment to free expression.

A university policy statement is a good start for the other changes that will be necessary on campus. University administrations should maintain institutional neutrality on controversial topics and enforce discipline on those who would disrupt speakers. We support civil-discourse training for each student as part of orientation, so students can practice engaging openly and collegially on campus and in their careers.

For faculty that feel stifled by "settled" conclusions, the university must eliminate ideological-belief tests and should pursue viewpoint diversity.

ROBERT SHWAB  
Cleveland Heights, Ohio

During the 2019 protests in Hong Kong, Mr. Morey, then the general manager of the Houston Rockets basketball team, posted a seven-word tweet heard around the world: "Fight for Freedom, Stand with Hong Kong."

After censure by Chinese officials, National Basketball Association executives distanced themselves from Mr. Morey, who deleted his tweet. His acquiescent follow-up tweet wasn't a profile in courage either, stating in part: "I have had a lot of opportunity since that tweet to hear and consider other perspectives," as if the fight for freedom were debatable.

It's ironic, then, that Mr. Morey is now pressing MIT in his op-ed for more robust free-speech policies. While "a culture of open inquiry" and free expression on campus is vital, "embarrassing incidents regarding free speech" in the real world, such as Mr. Morey's deleted tweet about Hong Kong, teach students that cancel culture awaits those who express "controversial speech."

Mr. Morey could set a courageous example by championing free speech for Hong Kong's freedom-loving people and speaking truth in the woke NBA.

CHARLES D. EDEN  
Atlanta

## Tencent Replies on Censorship and Propaganda

In "TikTok is Bad, but WeChat is Worse" (op-ed, Jan. 25), Seth Kaplan fails to understand how WeChat actually works. At its core, WeChat (along with its sister app, Weixin, in China) allows users to communicate and connect directly with each other, primarily through person-to-person text communication. These chat messages are among friends and are private. No content is pushed to users, and Tencent exercises no editorial control.

The official accounts referenced by Mr. Kaplan aren't pushed to users but rather are public-facing accounts to which users may choose to affirmatively subscribe. Official accounts are also part of a larger ecosystem—centered on chat—that allows for robust communication and sharing of information. As a recent study by the Lowy Institute found, WeChat's "information environment was far richer, and the topics discussed on the platform were far more diverse than often recognized by commentators."

WeChat brings tremendous value to its users, whether that be helping families and friends keep in touch, or

American businesses reach partners in China or elsewhere in the world. Banning WeChat would only result in a less connected digital environment that harms us all.

BRENT IRVIN  
President, Tencent America  
Mercer Island, Wash.

Mr. Kaplan is rightly concerned about TikTok and WeChat's censorship and efforts to propagandize. But the tea almost blew out of my nose when I read his statement that the U.S. should ban WeChat if "it can't ensure American standards of free expression and privacy."

America-based social-media platforms like Twitter have been shown to routinely ban users whose writings aren't fancied by them or the government. My privacy is invaded constantly by Google or Facebook ads directly at me because of a web search I did. China has a valid point when it points the finger right back at us on censorship and privacy issues.

JACK WISSNER  
Atlanta

## Mitigating the Problems of Social-Media Use

There is a glaring omission in Suzanne Nossel's list of possible solutions for the dilemmas caused by social-media use ("There's No Quick Fix for Social Media," Review, Jan. 21). Rather than depending on lawmakers or platforms to change, media-literacy education has been shown to help people understand how they use these platforms and how the plat-

forms use them. Critical analysis of the algorithms and economic structures can help citizens become active, empowered users rather than victims of harassment and disinformation. These conversations should happen in classrooms and at kitchen tables. We may not be able to outlaw social-media platforms, but media literacy can help us outsmart them.

JULIE SMITH  
St. Louis

## Social Security's Return Is Good Enough for Retirees

Jason's Riley's attempt to piggyback on Rep. Byron Donalds's astute assessment of Social Security's problems falls flat when he compares its returns with that of the S&P 500 ("Byron Donalds Schools Joy Reid on Social Security," Upward Mobility, Jan. 25).

With significantly lower volatility, returns uncorrelated to the market, caps and floors on returns and inflation protection, Social Security much more resembles a bond than stocks. In that light, a long-term return of "less than 6%," assuming an unchanging normal yield curve, is fine.

Those looking to amp up every last dollar of wealth can adjust their non-Social Security assets to reflect its fixed-income characteristics in their portfolio. The tens of millions relying on Social Security as their only retirement asset, however, can take comfort in the program's steady payments, which help keep them from starving in the cold and dark—Social Security's original reason for existing.

MARK MAISONNEUVE, C.F.A.  
Berkley, Mich.

## Hide and Seek: Tax Edition

Illinois state Rep. Will Guzzardi wants an unrealized-capital-gains tax "to send a message [to the wealthy] that there is nowhere to hide" ("The State Wealth-Tax Alliance," Review & Outlook, Jan. 25). Does he not realize there are around 25 red states where the rich and even the not-so-rich can do exactly that?

RAVI MOONKA  
Mercer Island, Wash.

Might part of the issue be that people now go to church, seek information about knitting, form groups and seek pornography all from the same place? Imagine trying to set unified governing rules for a church, a group of grandmas, the Federalist Society and an explicit-video store. That is what Meta, Reddit and the like have become. Perhaps we need more competition in the name of specialty community platforms.

CHRISTINA MONIODIS  
Miami

## 'My Condolences' Is Enough

I'd like to say thank-you to Meghan Cox Gurdon for her op-ed "Simple Condolences Are Underrated" (Jan. 26). I, too, have struggled with finding the perfect, creative thing to say to someone who has suffered a loss, forgetting that when I've been told "I'm sorry" or "my condolences," it was perfectly enough.

Ms. Gurdon reaffirms that we don't have to sound like a greeting card. We just have to care and put that into words.

MISTY DAILEY  
Spring Branch, Texas

## Pepper ... And Salt

THE WALL STREET JOURNAL



"Are we still middle class?"

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## OPINION

## Lina Khan Goes Back to the Antitrust Future

By Timothy J. Muris

President Biden rejects the economics-driven antitrust policies of the past 40 years. Flanked by his White House competition adviser and his new Federal Trade Commission chair, Lina Khan, in July 2021, he asserted that the “experiment failed” and promised to return to earlier antitrust “traditions.” In a new report for the American Enterprise Institute, I show that those traditions were abandoned for a reason: They harmed consumers.

Consider the Robinson-Patman Act of 1936, which reflected a theme of Mr. Biden’s enforcers: Big is bad. The “bigness” under attack was the new chain retailers, most notably the Great Atlantic & Pacific Tea Co. A&P, which closed the last of its stores in 2015, was America’s largest retailer from the 1920s until the mid-1960s. It and its imitators used vertical integration, economies of scale and greater reliance on data to provide attractive products at lower prices, especially benefiting the less wealthy. Traditional retailers and the middlemen who supplied them suffered, and became huge supporters of Robinson-Patman.

### Biden’s reactionary FTC head seeks to resurrect precedents that were out of date 40 years ago.

Sen. Joseph T. Robinson (D., Texas) and Rep. Wright Patman (D., Ark.) failed to enact their original draft inspired by industry-written, government-endorsed codes designed to raise prices. So they resorted to language that is vague, frequently self-contradictory, and subject to varying interpretations. For decades, the FTC interpreted the statute aggressively, reflecting antipathy toward chain stores and the growing number of large suppliers. The prices those suppliers and



DAVID GOTHARD

brokers charged became a major FTC focus, and Robinson-Patman was the FTC’s major antitrust tool through the 1960s.

The enforcement of Robinson-Patman raised costs and otherwise hurt the low-priced chains that were its intended targets, harming consumers. After decades of withering criticism, first from the academy and the practicing bar, courts rejected some of the FTC’s positions, a trend that accelerated as attacks grew, including from a minority within the FTC itself in the 1960s. A 1969 American Bar Association panel excoriated FTC enforcement. The commission eased off on the statute in the 1970s and has virtually abandoned it since.

The Justice Department issued a devastating report in 1977 detailing the many follies of FTC enforcement and the significant costs for businesses and consumers alike. Since the 1970s, court decisions have significantly, albeit incompletely, interpreted Robinson-Patman consistent with the pro-competitive economic purpose of the

rest of antitrust law. Yet Ms. Khan praises the law as a means of controlling what she calls the excessive power of modern retailers.

Biden enforcers also have made clear they intend to abandon the economic standards used to evaluate mergers, exemplified in the Obama administration’s 2010 guidelines. In 1950 Congress revised the statute prohibiting anticompetitive mergers. As the Supreme Court read the legislative history, Congress in part feared rising concentration from mergers, as claimed in a 1948 FTC study. Today’s enforcers similarly fear bigness, and they cite that old FTC report. But it was known by 1950, and widely within the academy since, that the FTC study was wrong, as its authors quietly admitted a few years after its publication. Modern claims of increasing concentration are similarly inaccurate.

In seeking comments on the appropriate analysis to use for mergers, the Biden antitrust agencies relied almost exclusively on decisions and concepts before the last 40 years, especially from the Warren

court. Ms. Khan recently called those cases “controlling precedents.”

That case law was anticonsumer, incoherent and illogical, condemning bigness for its own sake—even when the mergers weren’t particularly large. The Supreme Court invalidated multiple mergers with combined market shares under 10%, as low as 4.5%, often in industries with numerous competitors. After stating that the relevant statute protected “competition, not competitors” the justices infamously proceeded to do exactly the opposite, favoring inefficient competitors and thereby harming consumers. The court was so keen to support government challenges, even inventing arguments the prosecutors hadn’t used, that Justice Potter Stewart stated that the only consistency in the case law was that “the government always wins.”

Ms. Khan notwithstanding, these precedents are hardly controlling. As long ago as the Carter administration, courts rejected merger challenges with stunning frequency. Between 1977 and 1983, the FTC

won only eight of 22 merger decisions, an historically abysmal record. (The Reagan FTC team didn’t initiate the cases involved.) Although the Supreme Court hasn’t spoken substantively about a merger for nearly 50 years, it has issued decision after decision to demonstrate that it now rejects the antitrust populism of 1960s law in favor of economically-based antitrust founded on the welfare of consumers.

Renewed interest in predatory pricing is another problem. Inspired by *Utah Pie Co. v. Continental Baking Co.* (1967), in which the high court protected a dominant regional manufacturer from national competitors that cut their prices selectively to compete, the 1970s FTC filed multiple cases to expand the doctrine. Fortunately, the law was reformed, led by the seminal 1975 article by two Harvard law professors. Their test, widely used today, states that low prices are legal unless they are below an appropriate level of cost and the alleged predator could successfully raise prices in the future to recoup losses.

Predatory-pricing law changed to protect one of the main benefits of competition to consumers, low prices—particularly important in times of high inflation. This success, implemented during the so-called failed experiment, is another target of antitrust’s new revolutionaries.

These mistakes—Robinson-Patman, merger law based on long-abandoned populist norms, renewed attacks on low prices, hostility to bigness for its own sake—result from animus to the idea of applying economics that allow business practices that benefit consumers. Antitrust has tried populism, now resurfacing among progressives and in the Biden administration. That was the experiment that failed.

*Mr. Muris is a professor at Antonin Scalia Law School, a senior counsel at Sidley Austin, and a visiting senior fellow at the American Enterprise Institute. He served as FTC chairman, 2001-04.*

## Tyre Nichols’s Death Raises Hard Questions About Race and Policing



FREE  
EXPRESSION  
By Gerard Baker

It feels callous and opportunistic to turn a man’s death into a moment for political and social commentary. Ghoulish pundits with tendentious takes are a staple of the 24-hour social media and cable news circus. A mother has lost a son. A young man, by all accounts, wholly innocent of any crime, has lost his life in a most degrading and brutal way. The decent, immediate human response is emotional: grief, sympathy, anger.

But just as the conscience cries out for retribution, the mind calls for some understanding, some larger meaning in the anguish. We look for cause and consequence in our wider society and legitimately ask what we can learn.

One understandable but inadequate take on the killing of Tyre Nichols is the idea that we should feel some satisfaction that justice works. Five police officers beat a young black man to a pulp, rendering him lifeless on the street and he dies three days later. The men are

all quickly fired, arrested and charged with murder. Thus, the panglossian says, the majesty of the law at work. Awful as it was, there is no larger lesson here beyond man’s unending capacity for inhumanity to man. A terrible crime is committed, quickly investigated and resolved, and the wheels of justice are swiftly set in motion.

There are so many things wrong with this take but worst of all is that it mistakes justice for right. Justice is only ever retrospective. It is the redress of a wrong. It can never right a wrong. Even if, as we hope, it can help deter future crime, it doesn’t even purport to address the causes and conditions that lead to criminal acts. For that we have to examine individual, social and institutional characteristics—and, if we can, correct them.

From what we know already of the Nichols case, graphically and painfully underscored by the hour-long video released by the Memphis Police Department, we can say, once again, that the quality of policing in some jurisdictions in this country needs reform.

The police do a courageous and indispensable job in protecting the rest of us. They deserve our unstinting support. But we also have

a right to expect accountability when things go badly wrong. In Memphis, it seems many things—police recruitment, training and supervision—may have helped to produce the grotesque outcome. Memphis is unlikely to be alone.

But of course the largest question, whenever a black man dies at the hands of law enforcement, is swirling around race.

### The Memphis officers almost certainly would have behaved differently had Nichols been white.

For many conservatives, in this case it is a self-evidently absurd question. Five black cops kill a black man and the left immediately insists it is racism at work. But you don’t have to believe that the black officers were somehow acting as unwitting agents of white supremacy, or subscribe to the canon of critical race theory, to ponder how the race of suspects affects how they are treated by police.

The right question to ask is: Would the Memphis officers have

behaved as they did if the man they were pursuing had been white? We can’t know the answer. But we can frame the question differently: Is it less probable that a confrontation between these officers and a suspect would have resulted in his violent death if he had been, let’s say, a middle-aged white man rather than a 29-year-old black man? There is still much room for uncertainty but I think the answer here is clearly yes.

This, in itself, of course doesn’t prove some wider social or systemic racism. The problem, as well documented in studies of police shootings, is that young black men are disproportionately more likely to be involved in serious crime—and in encounters with police—than are other demographics. This inevitably results in a greater suspicion in the minds of police officers (and the rest of us) that a young black man may pose a greater risk.

This is rational and not primal bigotry. But at what point does this rational, inference-making blur into a set of unworthy assumptions about the behavior of all young black men, even—perhaps especially—among other black men?

There’s a darker question about race in this case which comes to

mind as you watch the video of the assault.

The initial phase of the interaction is a depressing picture of incompetent policing. Five burly officers are unable to restrain a single unarmed, underweight man, and he somehow fleetingly escapes the onslaught of arms, fists, batons, tasers they bring to the unequal struggle.

The most disturbing part is what happens when they catch up with him.

The depravity of the cops doing the beating is hard to watch and almost impossible to fathom. Nichols is treated as an object, a punching bag. He is in this moment, dehumanized, in the way we have seen countless victims of official violence dehumanized through history. And the uncomfortable thought surfaces: Is this dehumanization something that the mind does more easily when the object is a black man?

Fixing the deep social problems that result in higher crime rates, and sometimes tragic encounters with police, among blacks is a continuing task for policy makers. But fixing in our own minds—of blacks and whites alike—lingering stereotypes of particular demographics is an urgent task for all of us.

## Savers Will Benefit From A Return to Sound Money

By Joe Davis

It shouldn’t come as a surprise that financial markets expect the Federal Reserve to cut its federal-funds-rate target before the end of 2023. The inversion of the Treasury yield curve suggests such an outcome. The financial media is filled with assessments that rates are too tight, not too easy.

But what’s more deserving of attention is the bond-market signal

suggesting that the return to sound money and a more stable long-run economy has begun. Indeed, the so-called real yield on the 10-year Treasury inflation-protected securities now sits above 1%, up from negative 1% about one year ago. With the highest real yield since 2011, savers can expect short-term rates to exceed the rate of long-run inflation for the next decade.

For years, economists have struggled to explain why real yields and

“r-star” estimates—a thriving economy’s real equilibrium rate—were so low. Some argued that the world was succumbing to secular stagnation, a pessimistic view that savings chronically exceeded investment. The low-rate environment came at the expense of savers, whose assets struggled to keep up with low levels of inflation. Other economists attributed the low yield to such secular forces as demographics and aging, although the magnitude of these factors has been ambiguous and their consistency over time uneven. Such forces, moreover, don’t change overnight and are unlikely explanations for the recent rise in the real yield.

But there are two policy-based factors that may explain the change. The first is the significant expansion of anticipated U.S. fiscal deficits over the next decade, as projected by the Congressional Budget Office. The Federal Reserve reported in a 2007 paper that every percentage-point increase in U.S. structural deficits—except during recessions, such as the one brought on by Covid—increased long-term borrowing costs by about 0.25%. That relation suggests that some of the recent rise in the real yield is due to the expectation of higher government debt burdens.

This rise would be consistent with a lower global savings glut as government deficits have persisted since the onset of Covid.

The second potential cause is that many central banks around the world have leaned against inflationary pressures by raising short-term rates even in the face of weakening

### A signal in the bond market suggests the return to a more stable long-run economy may be upon us.

growth. This dynamic suggests the eventual return to a more stable economy, which is a welcome development for savers, who have lost out relative to debtors for nearly two decades as short-term rates have often failed to keep up with the rising cost of living.

Our company’s economic and market outlooks in recent years have documented our concern about negative real interest rates driving price-to-earnings ratios artificially high. We warned more than a year ago of a reckoning coming for growth stocks, especially for unprofitable

companies in technology-heavy sectors. That reckoning has occurred as real rates have risen, and it may not be finished yet. But we believe the removal of such market excesses will benefit investors in the long term.

House-flippers, special-purpose acquisition companies and dabblers in crypto and collectibles will no doubt be saddened by the end of easy money. Governments around the world will have to pay more in the years ahead if they are to continue to expand their debt levels. But the rest of us should be heartened by the prospect of an era of sound money and a return to positive real rates. By Vanguard’s calculations, long-term investors globally have seen 10-year return forecasts increase by some 2 percentage points annualized for both equities and fixed income since last year.

That is the power of higher inflation-adjusted interest rates and compounding. Positive real rates make for more balanced trade-offs between all types of investments. With their return, financial markets once again stand on a solid foundation.

*Mr. Davis is the Vanguard Group’s global chief economist and global head of the investment strategy group.*

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## WORLD NEWS

# Bombing Targets Pakistan Mosque

Suspected suicide attack on house of worship in Peshawar leaves at least 59 dead

By SAIED SHAH  
AND WAQAR GILLANI

ISLAMABAD, Pakistan—A suspected suicide bombing at a mosque within a police compound in northwestern Pakistan killed at least 59 people, authorities said.

The blast took place in a high-security zone in the city of Peshawar on Monday, in a crowd of worshippers gathered for lunchtime prayers, causing part of the structure to collapse. Authorities said most of those killed were police and estimated that more than 160 people were injured.

Rescuers used their hands and heavy machinery to remove rubble to get to the injured, local television news footage showed. The death toll rose through the afternoon and evening, as more bodies were recovered. Fleets of ambulances took victims away, with the city's main hospital appealing for blood donations.



Rescue workers in Peshawar on Monday carried out victims of the deadly attack on a mosque.

Prime Minister Shehbaz Sharif, who traveled to Peshawar after the blast, vowed to take action against those behind the attacks and said terrorism was the country's biggest security challenge. "The sheer scale of the human tragedy is unimaginable. This is no less than an attack on Paki-

stan. The nation is overwhelmed by a deep sense of grief," he wrote on Twitter.

A faction of the Pakistani Taliban, which is also known as the Tehreek-e-Taliban Pakistan or TTP, claimed responsibility. The main group late Monday denied authorizing the attack. Rana Sanaullah, the interior

minister, called it a suicide bombing. "This happened in God's house. They murdered people as they bowed their heads in prayer," he said.

Khawaja Muhammad Asif, the defense minister, said the attacker was standing in the first row of worshippers. He said a security lapse allowed

the bomber to enter.

Chatter in militant Telegram channels suggested the attack may have been carried out by Pakistani Taliban militants, but the group was reluctant to take responsibility because of the high death toll and public revulsion over the attack.

The Pakistani Taliban, which are separate from the Afghan Taliban, have carried out frequent attacks in Peshawar. The leadership of the Pakistani Taliban is now based in Afghanistan, Pakistan officials say. A string of recent attacks Pakistan blames on the militant group has been a major cause of rising tension between Islamabad and the Taliban regime in Kabul—despite Pakistan's longstanding ties to the Afghan Taliban.

The Taliban, which seized power in Kabul in 2021, have said they wouldn't allow Afghan soil to be used as a base for carrying out attacks against other countries. But Pakistan says Afghanistan's rulers are turning a blind eye to the Pakistani Taliban, which hosted the Afghan Taliban for the two decades in Pakistan when they fought the U.S.-backed government in Kabul.

# Cesium Capsule Vanishes in Australia

By RHIANNON HOYLE

ADELAIDE, Australia—In the Australian Outback, authorities are engaged in an unusual search-and-recovery effort. Gone missing is a capsule less than an inch long of radioactive material that can burn or sicken anyone who touches it.

Their problem is that it could be anywhere along a 900-mile stretch of highway connecting a Rio Tinto PLC mine to Perth, Western Australia's state capital, a route featuring small towns and communities in an arid landscape. The capsule, which is about 5/16s of an inch long and contains a small quantity of radioactive Cesium-137, worked its way loose from a piece of equipment that Rio Tinto had sent to Perth by truck for repair.

Complicating the search effort is a gap of nearly two weeks between when the equipment left Rio Tinto's Gidai-Darri mine on Jan. 12 and when the capsule was discovered to be missing on Jan. 25.

While Western Australia is sparsely populated outside of Perth, authorities worry the capsule could have become lodged in a tire of any of the vehicles that use the highway, potentially exposing their occupants to radiation levels that they compare to receiving around 10 X-rays in an hour. Exposure could cause radiation burns or severe illness, said Andrew Robertson, Western Australia's chief health officer.

"Our concern is that somebody will pick it up, not knowing what it is, think 'Oh, this is something interesting' and keep it...not knowing what they are actually dealing with," Dr. Robertson said.

Authorities say they are working their way down a list of places to look, including where the truck was loaded and by analyzing its Global Positioning System to pinpoint where it stopped during the journey.

# Peru Protests Hit Business, Impede Exports

By RYAN DUBE

LIMA, Peru—After nearly two months and dozens of deaths, Peru's political upheaval is battering industries that once powered one of Latin America's fastest-growing economies.

Amid violent antigovernment protests that show little sign of easing, foreign-owned mines that have made Peru the world's second-biggest copper producer have halted operations. Hotels and restaurants in the tourism hub of Cusco are nearly empty, leaving thousands of people without work as demonstrators battle police on streets normally full of tourists. On the southern coast, farmers say they can't transport crops to the U.S. and China as protesters choke off roads.

Protests have caused about \$1.3 billion in damage to infrastructure and lost production, President Dina Boluarte's administration said. A majority of Peruvians say the protests have had a big impact on their economic livelihoods, according to a Sunday poll by the Institute of Peruvian Studies. The Lima Chamber of Commerce estimates that 1.1 million jobs could be lost.

"The outlook is not good," said Alonso Segura, a former finance minister. "If this continues we might even experience a recession."

Peru's crisis underpins the costs of growing political instability in Latin America that is fueled by anger over corruption, weakening economies and grinding inequality, economists say.

Protests here were triggered on Dec. 7 when then-President Pedro Castillo tried to close Congress in what constitutional lawyers call an antidemocratic power grab. Lawmakers quickly impeached Mr. Castillo, who was arrested on rebellion charges. His vice president, Ms. Boluarte, took over as head of state, becoming



Antigovernment demonstrators clash with police in Lima, part of months of protests have damaged infrastructure and cut output.

Peru's sixth president in five years.

The social explosion that followed began in poor and largely indigenous Andean communities, where Mr. Castillo is from, before spreading to Lima. Forty-seven civilians have been killed in clashes between protesters and law-enforcement officers, with human-rights groups accusing police of using excessive force by firing live ammunition at demonstrators. A mob killed one police officer who was burned alive. Ten other people, including an infant boy, have died due to road blockades that kept them from reaching medical assistance, the national ombudsman's office said.

Many protesters say they want Ms. Boluarte to resign, Congress to be closed and early elections to be held. Some also want a new constitution that increases the state's role in the free-market economy.

Protesters have set government buildings on fire and tried to take over airports, forcing flights to be canceled. They have set up 65 road blockades, causing shortages of fuel, medicine and food in southern cities, and blocking commerce.

"This is the high season for grapes, and we can't harvest them. The fruit is rotting in the fields," said Fernando Cilloniz, an agricultural businessman and former governor of Ica, an agro-export hub south of Lima.

Demonstrators have also targeted mines. On Jan. 20, Glencore PLC said protesters broke into its Antapaccay copper mine, demanding the company stop operations and call for Ms. Boluarte's resignation. Before leaving, they looted workers' housing and set fire to buildings, the company said.

"We strongly condemn these acts of violence," Glen-

core said. "We call on the social leaders to engage in dialogue with the national authorities to put an end to the wave of violence that is shaking the country at an unfortunate cost of human lives."

A day earlier, Toronto-based Hudbay Minerals Inc. said protesters broke into its copper mine and burned equipment and vehicles. Vancouver, British Columbia-based Bear Creek Mining Corp. sent workers at its silver project home early as a precaution when protesters tried to set fire to a courthouse and police station in a town more than an hour away.

Anthony Hawkshaw, Bear Creek's chief executive, said the violence has blemished Peru's reputation abroad after years of promoting a stable investment climate.

"Events like this, caused by a very small minority, disrupt the lives and livelihoods of the

majority of innocent people affected," he said.

While polls showed Mr. Castillo wasn't popular nationally, some protesters from the Andes say politicians from the capital never gave him a chance to govern. They feel people from the highlands have long been discriminated against.

While Ms. Boluarte has urged Congress to approve early elections to reduce tensions, an immediate challenge for her administration is to clear the roads. The interior and defense ministries said last week that soldiers will work with police to lift blockades. Ms. Boluarte has said she won't resign.

"What should we do when faced by these threats? Let them burn us alive?" she said in a recent press conference. "We have to protect the lives and tranquility of 33 million Peruvians."

# Sprawling Maya Kingdom Is Uncovered in Guatemala

By AYLIN WOODWARD

Nestled in the jungle of northern Guatemala, a vast network of interconnected Maya settlements built millennia ago has been mapped in unprecedented detail.

The civilization featured towering pyramids, palaces, terraces, ball courts and reservoirs connected by a sprawling web of causeways, an international group of archaeologists reported during a presentation at Francisco Marroquín University in Guatemala City this month.

Their findings reveal a "level of infrastructure that is just mind-boggling," said Timothy Beach, a professor of geography at the University of Texas at Austin who wasn't involved in the research.

The archaeologists identified nearly 1,000 Maya settlements, which they said were mostly built between 1,000 B.C. and 150 A.D. The findings,

also detailed in a paper published in December in the journal *Ancient Mesoamerica*, were made possible by airborne laser-mapping technology that can penetrate the jungle canopy. They challenge some previously held ideas that this part of Mesoamerica, which archaeologists call the Maya lowlands, was sparsely populated during that period.

"We had no idea of the concentration and density of ancient cities out there," said Richard Hansen, an Idaho State University archaeologist and lead author of the study. He is also the director of the Mirador Basin Project, a Guatemala-based group studying and protecting the area. The findings, Dr. Hansen said, "tell a story of the rise and precocious development of an incredibly organized, sophisticated society."

Beginning in 2015, scientists from the U.S. and Guatemala spent years using a plane



The La Danta pyramid was built more than 2,000 years ago.

equipped with sophisticated light-detection and ranging, or lidar, equipment to map a 700-square-mile area in and around what is known as the Mirador-Calakmul Karst Basin. This 1.6-million-acre area of tropical forest, peppered with swamps and bordered by hills, extends

from northern Guatemala into southern Campeche, Mexico.

Over the past five decades or so, archaeologists have discovered many Maya settlements in the basin, including the ancient city of El Mirador, which includes the roughly 230-foot-tall pyramid known as La Danta,

one of the largest in the world by volume, constructed more than 2,000 years ago.

Some places mapped by Dr. Hansen's group had been examined on the ground, said Billie Turner, an Arizona State University professor of environment and society who wasn't involved in the study. Those include El Mirador, Nakbe and Tintal. Yet the new data, Dr. Turner said, help "confirm the phenomenal extent of landscape change undertaken by the Maya."

The lidar data, which took years to analyze, revealed the existence of previously unidentified canals, dams, terraces, quarries, causeways, temples and ceremonial complexes. The researchers also identified ball courts once used for competitive sports.

The new lidar data revealed how much previous excavations and explorations had missed, Dr. Hansen said.

# Bolsonaro Applies for Longer U.S. Stay

By MICHELLE HACKMAN

Former Brazilian President Jair Bolsonaro, who narrowly lost re-election last year and has been vacationing in Florida since the beginning of this month, has applied for a tourist visa to prolong his stay in the United States.

Mr. Bolsonaro's immigration lawyer, Felipe Alexandre, confirmed the former leader's intention to remain in the U.S. at least temporarily. He said the U.S. government received Mr. Bolsonaro's application for a six-month tourist visa on Friday and should provide an answer within several months.

The Financial Times earlier reported Mr. Bolsonaro's visa request to the U.S. Citizenship and Immigration Services.

Mr. Bolsonaro entered the U.S. on Jan. 1 using a diplomatic visa, which remained valid for only 30 days after he left public office. He has been staying in Orlando, Fla., where he has been seen wandering local supermarkets and sampling fried chicken, The Wall Street Journal has reported.

Switching to a tourist visa will buy him time in the U.S. to apply for political asylum or another form of protection if he wishes. Asked if Mr. Bolsonaro intends to apply for asylum, Mr. Alexandre said that "everything is on the table."

The U.S. government has fairly wide discretion to approve or deny visas.

Mr. Bolsonaro, a right-wing populist, lost re-election last October to the leftist former President Luiz Inácio Lula da Silva. A mob of Bolsonaro supporters ransacked government buildings on Jan. 8, a week after Mr. da Silva was inaugurated, demanding that the results of the election be overturned. The Brazilian government is investigating whether Mr. Bolsonaro played any role in inciting the riots.



# BUSINESS & FINANCE

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## Samsung Posts 69% Drop in Profit

By JIYOUNG SOHN

SEOUL—Samsung Electronics Co.'s fourth-quarter operating profit slumped as the company's mainstay memory-chip and smartphone businesses grappled with a sharp drop-off in demand and high inventories.

On Tuesday, the South Korean tech giant reported a 69% drop in operating profit in the fourth quarter from the prior year due to a decline in demand for tech products including personal computers and smartphones and the semiconductors that go inside them.

The company's net profit for the last three months of 2022 rose 119.9% to 23.84 trillion won, or roughly \$19.4 billion, reflecting a one-time tax gain from a recent change in South Korean tax laws regarding dividends from subsidiaries, Samsung said.

The weakness follows disappointing earnings from other industry peers such as Intel Corp. which reported a net loss for the October-December quarter last week.

Global demand for tech products by consumers and companies dropped steeply in the second half of 2022, prompting big profit falls at semiconductor firms that had enjoyed a boom at the outset of the pandemic. Memory chips, Samsung's cash-cow business, have seen prices fall significantly as supply has exceeded demand by a large margin.

Samsung's operating profit for the fourth quarter came to 4.31 trillion won. Revenue for the three-month period fell roughly 8% from a year ago to 70.5 trillion won.

Samsung's full-year net profit for 2022 totaled 55.6 trillion won, a 39.5% rise from a year earlier.

Samsung is the world's largest producer of two major types of memory chips called DRAM, which enables devices to multitask, and NAND flash that provides storage on devices.

Industry analysts expect average contract prices of both types of memory to keep falling through the first half of the year, as demand remains sluggish and inventory levels high amid continued macroeconomic challenges and widening recessionary fears.

Samsung's semiconductor business led by memory-chip

Please turn to page B4

## Bed Bath Landlords Gird for Closings

By KATE KING

Bed Bath & Beyond Inc.'s slide toward a potential bankruptcy filing threatens to flood the retail real-estate market with hundreds of vacant stores after the company said last week it would close about 90 additional locations.

But landlords who own big-box space occupied by the troubled home-goods retailer are more confident about finding new tenants than they would have been in years past, according to property owners and retail analysts.

One of the bigger Bed Bath & Beyond landlords has received commitments from tenants to fill all 12 locations if and when they close, according to a person familiar with the matter, including Sephora, Trader Joe's, Dick's Sporting Goods Inc., T.J. Maxx, Ross Stores Inc. and HomeGoods.

After years of shrinking Please turn to page B2

◆ What lies ahead for retailer with bankruptcy looming... B2

## Memory-Chip Makers Face Prolonged Slump

By JIYOUNG SOHN

SEOUL—Memory-chip prices, which dropped steeply over the past year, are expected to keep falling in the first half of 2023, putting more pressure on an industry that has already cut investments and jobs.

Average prices for the two main types of memory chips used in everyday electronics—from smartphones to personal computers and TV sets—are projected to experience double-digit percentage declines this quarter, industry analysts say. That comes after prices dropped more than 20% in the last three months of 2022 from the previous quarter, according to analyst data.

Memory-chip makers, many saddled with large inventories, also have issued grim outlooks as the slump in demand for gadgets persists after a pandemic boom.

Micron Technology Inc., SK Hynix Inc., Western Digital Corp. and Kioxia Holdings Corp. have unveiled plans to reduce their investments aimed at capacity expansion or to reduce output to address a glut that is getting worse. Last month, Mi-

cron Technology said it would cut jobs and spending for the year to reduce costs after reporting a loss for its most recent quarter.

Memory chips are considered a bellwether for the semiconductor industry because they are largely commoditized and sensitive to shifts in supply and demand.

Samsung Electronics Co., the world's largest producer of memory chips, reported Tuesday that its operating profit for the October-to-December quarter dropped 69% from a year earlier.

SK Hynix, which reports earnings Wednesday, is expected to report a fourth-quarter loss of around 812 billion won, according to analyst projections by FactSet.

Companies making other types of semiconductors are also caught up in the downturn. On Thursday, Intel Corp. reported a fourth-quarter loss and said poor market conditions would persist through the first half of the year.

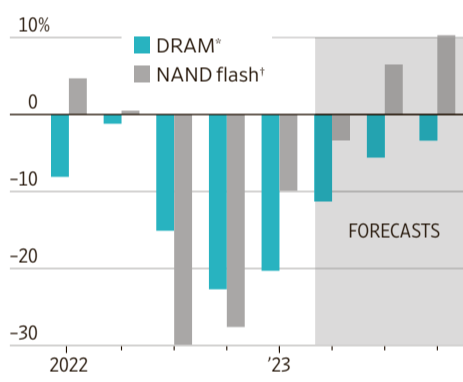
Memory prices peaked during the early Covid-19 pandemic due to strong demand for tech products, and they began falling

Please turn to page B4



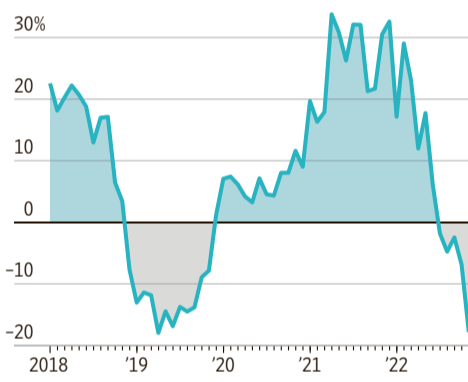
Micron Technology is cutting jobs and spending for the year. A Micron plant in Virginia.

Quarterly change in the average price for two major types of memory chips



\*DDR4 8GB †512GB TLC wafer ‡As of November 2022 Note: 1Q 2023 prices are estimates Sources: Trendforce (prices); World Semiconductor Trade Statistics (revenue)

Global semiconductor revenue, change from a year earlier<sup>1</sup>



## Bitcoin Trust Trades at Discount

By VICKY GE HUANG

For many years, individual investors used Grayscale Bitcoin Trust as a way to bet on bitcoin in their retirement accounts. Now they are paying the price.

The \$14.6 billion trust, known by its ticker GBTC, was one of the few options for individual investors to get exposure to bitcoin without having to purchase the cryptocurrency directly.

But GBTC doesn't have a redemption program like an exchange-traded fund. GBTC investors can sell their shares on the open market but they can't redeem their shares for bitcoin, resulting in the fund's shares trading at a premium or a discount to the underlying value of the bitcoin it holds.

When George Bodine, a 66-year-old retired airline captain in Covington, Ky., bought five-

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### INSIDE

#### AUTOS

Nissan and Renault agree to restructure their alliance.

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#### HEARD ON THE STREET

U.S.'s trilateral chip alliance should worry China. B12

## Unilever Taps Dairy Chief for CEO

By PETER STIFF

LONDON—Unilever PLC appointed Hein Schumacher as its new chief executive, tapping the head of a European dairy cooperative to lead its effort to reinvent growth and navigate economic challenges.

The owner of Ben & Jerry's ice cream and Dove soap said Mr. Schumacher would become CEO on July 1. He suc-

ceeds Alan Jope, who the company said in September would retire in 2023.

The CEO change comes as Unilever looks to boost sales across its sprawling portfolio, while grappling with rising input costs, changing consumer trends and economic uncertainty.

Mr. Schumacher, 51 years old, is CEO of Royal FrieslandCampina, a dairy and nutrition business based in the

Netherlands that operates in over 40 countries. He joined Unilever's board as a nonexecutive director in October.

Unilever said Mr. Schumacher had delivered significant portfolio and organizational change at Royal FrieslandCampina, and had previously worked for Heinz, leading a turnaround of its Asia-Pacific operations. Mr. Schumacher started his career in finance at Unilever.

Mr. Schumacher said Monday he would be "focused on working with the Unilever team to deliver a step-up in business performance."

The news was welcomed by activist investor Nelson Peltz, who said he strongly supported Mr. Schumacher's appointment. Mr. Peltz himself was added to Unilever's board last year after his Trian Fund Management LP took a stake

Please turn to page B2



Madonna and other celebrities are being sued for promoting NFTs.

## Celebrity Crypto Endorsers Face Suits

Madonna sang the praises of nonfungible tokens, or NFTs, depicting cartoon portraits of apes. Tampa Bay Buccaneers quarterback Tom

By Corinne Ramey, James Fanelli and Imani Moise

Brady appeared in commercials endorsing crypto exchange FTX, which collapsed in November. And Kim Kardashian gushed about EMAX tokens on Instagram.

Now they and other celebri-

ties are facing civil lawsuits from investors who suffered losses on virtual assets, as well as scrutiny by regulators for allegedly duping the investing public. The legal actions, which have prompted some agents to caution their clients against financial endorsements, could clarify the ground rules for crypto promotions, as well as the hurdles investors must clear to hold promoters liable when investments go south.

"Promoting a company and promoting a security issued by a company are not necessarily

the same thing," said Tibor Nagy Jr., an attorney who represents both plaintiffs and defendants in the cryptocurrency space. "We should expect judicial guidance and clarity on the rules of the road for celebrities in the next few months."

The use of celebrity promoters heated up in 2021 during the massive bull run in crypto. Last year, celebrity crypto ads filled prominent slots in the Super Bowl, the largest marketing event of the year.

Lawyer Sean Masson of law firm Scott + Scott, who has

filed several proposed class-action suits, said celebrities found they could be compensated simply for touting a token, without realizing their legal obligations under federal and state rules governing endorsements and compensation.

"All that fast, easy money swirling around attracts people," Mr. Masson said. In December, one of his lawsuits targeted technology company Yuga Labs, which develops nonfungible tokens. The suit also names Madonna and

Please turn to page B10

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INDEX TO PEOPLE

Index to People table with columns A, B, C, D-L, P-R, T-W. Includes entries like Adani, Amazon, Apple, Musk, etc.

BUSINESS & FINANCE

What Lies Ahead for Bed Bath With Bankruptcy Filing Looming

By SUZANNE KAPNER AND ANDREW SCURRIA

The clock is ticking for Bed Bath & Beyond Inc. The home-goods chain's lenders have cut off credit and it hasn't secured a buyer to acquire its business...



Empty shelves at a Bed Bath & Beyond location last year in Michigan.

What is the state of Bed Bath & Beyond's finances? The company's banks have determined it has defaulted on its credit lines and are calling for immediate repayment of all loan outstanding.

The default notice the chain said it received last week triggers an increase in its interest rate and a requirement to put up cash collateral to back letters of credit.

What happens next? Bed Bath & Beyond has to make interest payments on its

outstanding debt Feb. 1 but is widely expected among industry observers and investors to skip them.

The company is expected to file for chapter 11 bankruptcy soon, The Wall Street Journal has reported, citing people familiar with the matter.

In the event of store closures, property owners and retail analysts say that they are more confident about finding new tenants for those spaces than in years past.

What does a bankruptcy filing mean for the business?

Filing for bankruptcy protection doesn't mean the company is going out of business. In a potential chapter 11 filing, the company would likely seek financing that would see it through the bankruptcy process or look to sell assets to repay debts.

Shares in Bed Bath & Beyond also could continue to trade through a bankruptcy reorganization but their future value is uncertain. Equity holders typically are at a lower priority than other

creditors in bankruptcy and they could be wiped out in the event of a liquidation.

What about store closures?

The chain last week said it was closing an additional 87 of its flagship stores and its entire Harmon chain of drug-stores.

Those closings are in addition to a plan announced in August to shut 150 lower-performing Bed Bath & Beyond locations.

If the company doesn't get access to financing, it might need to close all or most of its remaining stores.

As of late November, the company had 949 stores, including 762 Bed Bath & Beyond stores in all 50 states, Washington, D.C., Puerto Rico and Canada. It also operates Buybuy Baby stores. The company said it was closing five of those locations.

Unilever Names Its New CEO

Continued from page B1 in the company.

Mr. Peltz, who was previously a director at Heinz, said he first met Mr. Schumacher at the ketchup maker and was impressed by his leadership skills and business acumen.

Unilever's share price has underperformed that of rivals Nestlé SA and Procter & Gamble Co. over the past five years, putting the company under pressure from some analysts and investors.

Under Mr. Jope, Unilever has already taken steps to improve its performance. The company has sold off slow-growing businesses like tea and initiated a sweeping reorganization aimed at making it more responsive to trends.



Hein Schumacher.

lysts have suggested that potential divestitures could include the company's food brands or ice-cream business.

The task of whether to continue to pursue that strategy now falls to Mr. Schumacher. Martin Debo, an analyst at Jefferies, said he welcomed the appointment of an external candidate. He said his immediate question was where Mr. Schumacher stood on the relative attractiveness of Unilever's foods business and the merits of a potential separation of those operations from the company's home and personal-care divisions.

Whether Unilever should continue to own a food business alongside its high-end skin-care, laundry-detergent and vitamins brands has long been a source of debate for analysts. Unilever declined to comment on its portfolio.

Retailer's Landlords Face Exits

Continued from page B1 their real-estate footprints, big-box retailers such as bookseller Barnes & Noble and discount-clothing store Burlington have shown signs of expanding again. Demand for larger retail spaces is particularly strong in the Sunbelt region, where the population has grown significantly over the past decade but very little new retail has been built since the 2008 financial crisis, said Chuck McShane, Co-Star Group Inc. director of market analytics for the Carolinas. Retail's surprisingly strong

recovery from the Covid-19 pandemic persisted in 2022 as shoppers continued to spend in person. Nationwide, retailers opened 2,400 more stores than they closed last year, marking the largest net expansion in a decade, according to commercial real-estate services firm Cushman & Wakefield.

Demand was particularly strong for shopping centers, where vacancy declined to 5.7% in the fourth quarter, the lowest level since at least 2007, while asking rents increased. "We have not seen any indication of a slowdown," said Adam Schwegman, senior vice president of leasing for North American Properties, which owns about 3 million square feet of retail across eight properties. "Our properties all saw a really good fourth quarter."

Plenty of challenges lie ahead. Consumer spending fell

in December, with U.S. households pulling back on the purchase of goods even as inflation cooled. Corporate layoffs are spreading beyond the tech sector, and wage growth slowed last month even though overall unemployment remains low.

Several large retailers have filed for bankruptcy or have warned that they might, including Bed Bath & Beyond and Party City Holdco Inc. Bed Bath & Beyond said last week that it had defaulted on its credit lines after previously warning that it was exploring filing for bankruptcy protection. The company, which had 950 locations across the country as of late November between the flagship chain and its Buybuy Baby and Harmon banners, previously said it would close 150 stores.

On Friday, the company said

that it would close 87 more Bed Bath & Beyond locations, five Buybuy Baby stores and all of its remaining Harmon stores.

"It's a big waiting game out there right now between Party City and Bed Bath," said Spence Mehl, partner at RCS Real Estate Advisors, who led a team hired by Bed Bath & Beyond to evaluate and improve its real-estate strategy from the end of 2018 through 2021. "It's a lot of stores that could become vacant."

Landlords have been scrambling over the past six months to line up potential tenants to fill the vacancies if Bed Bath & Beyond closes and so far seem optimistic that the past two years of strong leasing activity will continue, Mr. Mehl said. Working in their favor, Bed Bath typically leased in dominant shopping centers in the suburbs.

FTX Founder Tried to Stall Bankruptcy In U.S. to Shift Assets Abroad, DOJ Says

By JAMES FANELLI AND VICKY GE HUANG

FTX founder Sam Bankman-Fried attempted to stall bankruptcy proceedings in the U.S. in November in order to transfer assets from his crypto exchange to foreign regulators, the Justice Department said on Monday.

Mr. Bankman-Fried hoped foreign regulators would treat him leniently and eventually allow him to regain control of FTX, federal prosecutors said.

FTX's lawyers wanted to secure the assets for bankruptcy at the time he was trying to move the money, the prosecutors said.

He made the statements to Gary Wang, an FTX co-founder and the former chief technology officer, the filing said.

Mr. Wang pleaded guilty to federal fraud charges and is cooperating with prosecutors.

The Manhattan U.S. attorney's office charged Mr. Bankman-Fried in December with stealing billions of dollars from FTX customers and misleading investors.

He pleaded not guilty and was released on a \$250 million bond. He is currently under court-ordered confinement in his parents' Palo Alto, Calif., home.

Last week, Mr. Bankman-



Sam Bankman-Fried is accused of stealing billions of dollars.

Fried's lawyers asked a judge to remove bail conditions that prohibit him from accessing assets held by FTX and his investment firm Alameda.

Mr. Bankman-Fried's alleged misuse of FTX and Alameda funds in November were a reason for denying his lawyer's request, prosecutors said in the Monday filing.

"Because FTX's and Alameda's remaining assets may include stolen customer funds, fraud proceeds, or assets that are otherwise recoverable by FTX's creditors, there is no justifiable basis for the defendant to access these assets," prosecutors said. A spokesman for Mr. Bank-

man-Fried didn't respond to a request for comment.

Prosecutors said Mr. Bankman-Fried allowed Bahamian customers to withdraw millions of dollars after FTX froze customer accounts.

Mr. Bankman-Fried wrote to the Bahamas attorney general that FTX would make an exception for the country's customers as a thank-you.

FTX's international operation had its headquarters in the country.

"We are deeply grateful for what The Bahamas has done for us, and deeply committed to it," Mr. Bankman-Fried wrote in the letter, according to prosecutors. "We are also

deeply sorry about this mess."

Prosecutors also said that in December Mr. Bankman-Fried moved to take control of a nearly \$500 million stake in Robinhood. The U.S. government later seized the shares, saying they were bought with misappropriated customer funds. Messrs. Bankman-Fried and Wang bought their Robinhood stake with borrowed funds from Alameda Research, The Wall Street Journal previously reported.

The ownership of the shares is disputed by FTX's current management team and bankrupt crypto lender BlockFi.

Last week, federal prosecutors also sought to prevent Mr. Bankman-Fried from contacting current and former FTX and Alameda employees without his lawyer present after they accused him of reaching out to the general counsel of the crypto exchange's U.S. operation. His lawyers have said the government was mischaracterizing innocuous conduct by their client in an effort to portray him in a negative light. They proposed that Mr. Bankman-Fried be prohibited from contacting certain limited witnesses, not all of FTX's current and former employees.

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BUSINESS NEWS

# Nissan, Renault Agree to Revamp Their Partnership

Nissan Motor Co. and its French partner, Renault SA, said Monday they have agreed to reorganize their alliance, more than two decades old, in

By River Davis in Tokyo and Nick Kostov in Paris

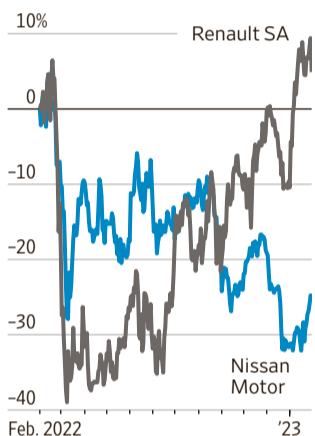
a deal that includes reducing Renault's stake in Nissan.

The Japanese auto maker achieved its long-sought goal of limiting its partner's control over its management, while the French company got an investment in its electric-vehicle business, as it had wanted. The amount of the investment wasn't disclosed.

Under the agreement, which requires approval from the two companies' boards, Renault will eventually reduce its 43% stake in Nissan to 15%, to match the stake Nissan holds in Renault.

Top executives from Nissan and Renault have been working for months to hammer out a deal. The companies said their goal was to "strengthen the ties of the alliance and maximize value creation for all stakeholders."

### Share-price performance over the past year



Source: FactSet

Nissan and Renault had initially hoped to announce the restructuring as early as November, but snags emerged. One issue was the treatment of intellectual property jointly developed by the companies over the past two decades.

The companies made progress with discussions recently. Earlier this month, Nissan's independent directors signaled support for a deal, people familiar with the matter said. The Wall Street Journal reported its outlines last week.

The companies said that to reduce its Nissan stake to 15%, Renault would transfer the excess shares into a French trust.

Voting rights tied to those shares would be neutralized for most decisions, but dividends and other proceeds will continue to go to Renault until the shares are sold, the companies said.

The trustee designated by Renault to sell Nissan shares will do so "if commercially reasonable for Renault," with no obligation to sell within a specific period, the companies said.

Under French law, Nissan hasn't been able to vote its longstanding 15% stake in the French company because Renault holds a stake in Nissan greater than 40%.

The deal announced Monday means Nissan will now be able to vote its Renault shares, although the companies said the Japanese car maker's voting rights would be capped at 15%.

Assuming approval from the companies' boards, as anticipated, a formal announcement of the deal is slated for Feb. 6, people familiar with the companies' plans have said.

◆ Heard on the Street: Deal fixes one problem, leaves others. B12

# AMC's Two Equity Securities Begin to Converge in Price

AMC's 'Ape' units rise, common shares decline as shareholder vote approaches

By Alexander Gladstone

AMC Entertainment Holdings Inc.'s two classes of equity securities came closer to converging Monday after the movie-theater company disclosed details of the proposals shareholders will vote on at its next shareholder meeting.

AMC Preferred Equity Units, or "Apes," closed Monday at \$2.33, up 21%, while the company's common shares closed at \$5.01, down 9%, after the company said that on March 14 it plans to hold votes on proposals to convert all outstanding Ape units into common shares, do a 10-for-1 reverse stock split and substantially increase the number of common shares it will be able to issue in the future.

The proposed transactions could provide a potential lifeline for AMC by giving the company more options to raise cash. AMC has been struggling with weak box-office results affecting the cinema industry, while its shares have sunk close to where they were trading before the company caught fire as a meme stock in early 2021.

Since AMC emerged as a fan favorite among individual investors, some of whom refer to themselves as "apes," the company tried twice to get shareholder approval to enable it to issue more common shares but failed both times due to shareholders' concerns regarding dilution.

The company created the Ape units, each amounting to one-hundredth of a preferred share, as a workaround to this constraint. In August, AMC gave one Ape unit for each common share as a special



A picture of Marilyn Monroe is posted in the lobby of an AMC theater in Emeryville, Calif.

dividend, while launching a program to sell additional Ape units.

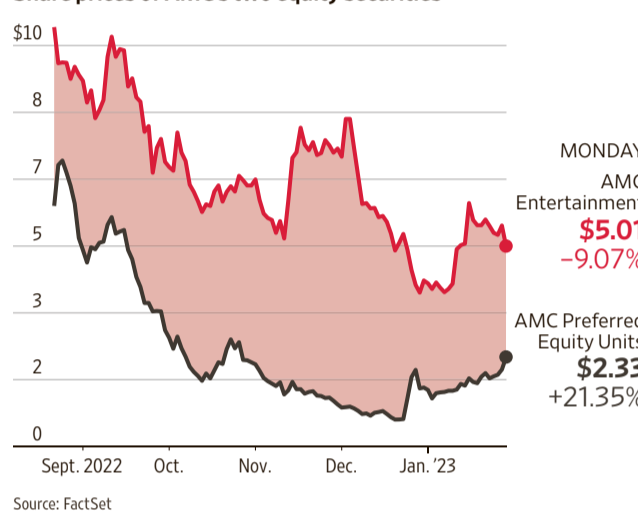
In the coming shareholder meeting, each Ape unit and each common share will be entitled to exactly one vote.

The Ape units have always traded lower than the common shares, reflecting investor uncertainty about the new equity class.

Certain traders have tried to take advantage of this discrepancy through an arbitrage in which they purchase the Ape units and short the common shares, expecting that the prices of the two securities will ultimately converge if the shareholders vote in favor of converting the Ape units into common shares in March.

For AMC, the primary benefit of the shareholder proposals, if passed, would be to allow it to issue more common shares in the future, giving it a new basket of 405 million common shares it

### Share prices of AMC's two equity securities



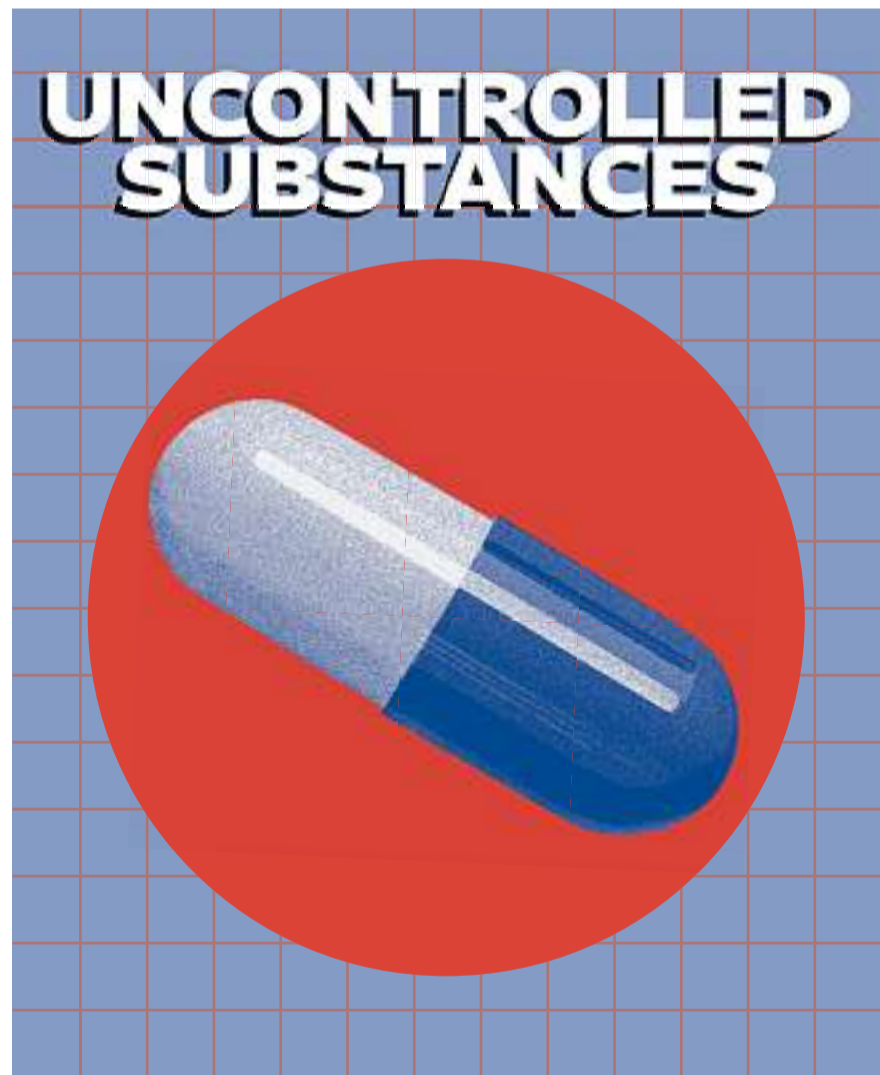
Source: FactSet

could sell or use for other purposes.

It would still also have roughly 4 billion Ape units it could sell.

"Given that Ape unit holders essentially control the vote at 64% of combined holdings and may not get an

other chance to extract value from those units, we expect the two proposals to pass and for this vote to open the door to a massive equity raising opportunity for the company in the coming years," said Eric Wold, an analyst at B. Riley Securities.



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## TECHNOLOGY

# Truck-Stop Network to Add Fast Chargers

TravelCenters plans to build 1,000 units with Electrify America for its TA, Petro stations

By JENNIFER HILLER

TravelCenters of America Inc. and Electrify America LLC plan to build around 1,000 electric-vehicle fast chargers across the U.S. starting this year, the latest matchup that would boost the amount of equipment available to American EV drivers who need a jolt of power on road trips.

The partnership aims to add fast-charging stalls to around 200 of TravelCenters' TA and Petro Stopping Centers. Fast chargers available to drivers of any kind of electric vehicle are in short supply across U.S. highways, where their presence is considered key to greater EV adoption as auto makers convert fleets to electric.

Many fuel retailers have been reluctant to invest in chargers because there aren't enough EVs on the road yet for most locations to turn a profit, but U.S. electric-vehicle sales jumped in 2022 while the broader auto market contracted.

The TravelCenters-Electrify America investment repre-



Fast chargers available to drivers of any kind of EV are in short supply across U.S. highways.

sents one of the largest EV fast-charging build-outs in the U.S. today.

Ohio-based TA operates one of the nation's largest full-service truck-stop networks, selling diesel and gasoline and offering restaurants and stores along highways.

Jon Pertchik, chief executive of TravelCenters of America, said increasing EV adop-

tion and incentives from the federal government and many states are spurring the company's investment.

"We're past an inflection point," Mr. Pertchik said. For passenger vehicles, "EV is the thing, no question about it." TravelCenters of America has around 280 locations in 44 states.

Mr. Pertchik didn't put a

dollar amount on the investment, which will happen over a period of about five years, but he said each location could cost "anywhere from a couple of hundred thousand to around a million dollars," adding "That's a wide swath." Many sites are likely to qualify for various federal or state incentives. The pace of the build-out will depend on ex-

pected driver use region-by-region.

The Biden administration has started giving states \$7.5 billion to fund charging build-outs, money included in the \$1 trillion infrastructure bill passed by Congress in 2021. Tax credits for installing EV chargers also were approved as part of last year's Inflation Reduction Act, and budget estimators expect around \$1.7 billion in tax credits for chargers or other alternative-fuels equipment to be claimed over a 10-year period.

TravelCenters of America plans to purchase chargers from Electrify America, which will manage the design, permitting and build-out of the stations as well as maintenance, warranty and support for drivers who have trouble charging.

Fast-charger build-out is complex because of the large electric load and amount of infrastructure needed. The industry also faces supply-chain backlogs and a potentially long process to connect to the grid.

Still, Giovanni Palazzo, chief executive of Electrify America, said the first chargers should open at TravelCenters locations this year. Electrify America has nearly 800 locations now and had aimed for 1,800 by 2026 in the U.S. and Can-

ada. The 200 locations with TravelCenters of America will add to that target, Mr. Palazzo said.

TravelCenters locations will be included on the Electrify America network, and drivers could pay for charging through the company's app, though credit-card readers will also be available, Mr. Palazzo said.

While most EV charging takes place at home over a period of several hours, fast chargers can repower a car battery in about 30 minutes. The government wants more of them along major thoroughfares to address "range anxiety"—EV drivers' fear that they will run out of power. While market leader Tesla Inc. built a fast-charger network for its own drivers, the U.S. has around 5,200 locations with 11,000 individual fast chargers that anyone can use, according to government data.

General Motors Co. and Pilot Co. last year said they would add 2,000 fast-charging stalls to 500 Pilot and Flying J locations, with most completed by sometime in 2025. Car-rental company Hertz Global Holdings Inc. and BP PLC last year signed a deal to develop and manage a network of electric-vehicle charging stations across North America.

## China's Baidu Joins Global AI Race By Developing Its Own ChatGPT

By KAREN HAO AND RAFFAELE HUANG

China's Baidu Inc. has thrust itself into a global race to commercialize the next generation of artificial-intelligence technologies like ChatGPT that could transform the internet.

The company is developing an AI-powered chatbot similar to OpenAI's popular ChatGPT and plans to integrate it into its main search engine in March, people familiar with the matter said.

The move would place Beijing-based Baidu among a few tech companies globally to have its own version of the technology, which has generated buzz among consumers and businesses, and placed pressure on incumbents, which have started to update their product-development strategies.

Baidu is set to be the first to bring the technology to consumers in China, where the

state censors the internet and access to ChatGPT is blocked.

Baidu's plans come as competition heats up between Washington and Beijing to bolster their respective countries' leadership in strategic emerging technologies.

They also highlight the fluid, cross-border nature of AI research, where open-source is the norm. OpenAI built ChatGPT atop a core breakthrough that Alphabet Inc.'s Google developed in 2017—an algorithm that Baidu also adapted and is now using as the foundation for its chatbot, according to some of the people.

Baidu Chief Executive Robin Li touched on ChatGPT in a late-December speech to some employees, saying it represents new opportunities, according to a transcript on Baidu's internal website that was seen by The Wall Street Journal.

"We have such cool technology, but can we turn it into a

product that everyone needs?" Mr. Li said, referring to AI-driven technologies including the chatbot. "This is actually the hardest step, but also the greatest and most influential."

Bloomberg earlier reported on Baidu's plans.

Baidu, whose growth hasn't kept up with that of its Chinese internet peers, has been pushing to refashion itself into an AI company, investing billions of dollars in technologies including self-driving cars and chips designed to power AI applications.

Using its vast repository of text data from its search-engine business, it has focused in particular on an area of AI research known as natural-language processing, which has experienced major leaps in advancement in the past few years and led to the recent surge of AI technologies, including ChatGPT.

In 2019, Baidu developed a deep-learning model known as Ernie, based on Google's

breakthrough, which it has used to improve its search results, including to make them more relevant. The company has since developed dozens more Ernie models and extended their capabilities to include image and art generation, similar to those of OpenAI's Dall-E.

Baidu is now using Ernie as the foundation for its chatbot, and is training it on both Chinese- and English-language sources inside and outside China's firewall, some of the people said. In the past, Baidu has trained Ernie using sources that include Wikipedia, BookCorpus, Reddit and Baidu's ecosystem of products—such as Baidu Baika and Baidu News—according to the company's open-source research papers.

Baidu plans to limit its chatbot's outputs in accordance with the state's censorship rules, one of the people said. OpenAI also applies restrictions to ChatGPT's out-



Baidu has been pushing to refashion itself into an AI company.

puts in an effort to avoid toxic hate speech and politically sensitive topics.

Trained on vast amounts of text data from the internet, ChatGPT is capable of answering all manner of user questions in fluent conversational prose. But the chatbot can't guarantee accurate answers and at times has delivered sexist or racist comments, industry researchers have said.

Tech giants including Microsoft Corp. and Google are hurrying to mature the technology underlying ChatGPT and integrate it into their products—including search,

where its conversational abilities are seen to have the most potential to upend the status quo.

Microsoft, which invested in OpenAI in 2019 and 2021, announced fresh backing—as much as \$10 billion, the Journal reported—to infuse ChatGPT into its product lines, including its search engine Bing.

A similar Google technology known as LaMDA made its debut in 2021, and Meta Platforms Inc. released a chatbot known as BlenderBot in 2020, but neither has revealed plans to integrate the technology into their platforms.

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## Memory Chips Slump

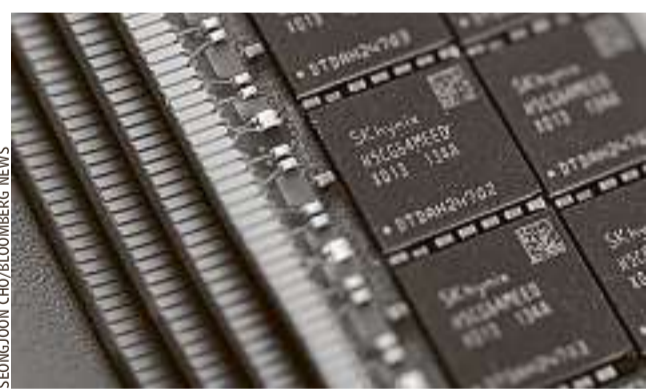
Continued from page B1  
in late 2021. Quarter-on-quarter declines got steeper through the second half of last year as macroeconomic woes and rising interest rates collided with geopolitical uncertainties due to the Russia-Ukraine war and China's Covid-19 lockdowns.

The memory-chip industry started 2023 with high inventories, said Kim Soo-kyoum, associate vice president covering memory semiconductor at International Data, a tech-market-research firm. With demand still sluggish, memory prices are expected to keep declining throughout this year, though the quarterly drops could narrow or flatten in the second half depending on how soon buyers come back, Mr. Kim said.

Average contract prices for the two main types of memory chips, DRAM and NAND flash, dropped roughly 23% and 28%, respectively, during the October-to-December period from the prior quarter, according to TrendForce, a Taiwan-based market researcher that tracks memory prices.

DRAM memory enables devices to multitask, while NAND flash memory provides storage capacity on devices.

Prices for both will likely keep falling through the first half of this year, TrendForce said. DRAM prices are expected to drop quarterly by 20% in the first quarter and 11% in the second quarter, while NAND flash



SEUNGJUN CHO/REUTERS

SK Hynix on Wednesday is expected to report a fourth-quarter loss, according to FactSet.

prices during the same time frame are projected to drop about 10% and 3%, respectively.

Inflation, high interest rates and weak economies are expected to continue to drive pullbacks in corporate and consumer spending on products including smartphones, PCs and data servers that are the biggest users of memory chips, TrendForce said.

DRAM prices are expected to continue dropping through the second half of this year, and production cuts on a massive scale would be needed to shore them up, said Avril Wu, a TrendForce senior vice president.

Prices of NAND flash, however, could start to rebound starting in the second half as steeper price falls in recent months had prompted vendors to pursue more aggressive supply cutbacks for 2023, Ms. Wu said.

Samsung, the biggest producer of both types of memory chips, plans to keep investing despite the current downturn. Capital-expenditure plans for 2023 are expected to be similar to last year's, and the company will continue to make infra-

structure investments "that are essential to respond to mid- to long-term demand," Kim Jaeyun, executive vice president of global sales and marketing for memory at Samsung, said on an earnings call Tuesday.

Samsung, however, is optimizing its production lines through steps including equipment maintenance and pursuing shifts to more advanced production technologies that may have a meaningful near-term impact on production, Mr. Kim said.

Global tech demand could recover later this year, aided by factors like China's reopening after a period of strict Covid restrictions, which could revive consumer spending on products like smartphones, said David Tsui, senior credit analyst at S&P Global Ratings.

For now, it isn't clear how quickly and to what extent consumer behavior would change in the country, he said.

## Watch a Video

Scan this code for a video on the war for dominance in computer chips.

## Samsung Profit Declines

Continued from page B1  
sales saw operating profit for the October-December quarter drop 97% from the prior year to 270 billion won. Semiconductor revenue for the quarter declined 24% from last year to 20.07 trillion won.

The global smartphone industry, too, is in a slump, prompting profit to sink at Samsung, the world's largest smartphone maker by shipments. The company's mobile-and-networks division logged fourth-quarter operating profit of 1.7 trillion won, a 36% decline from a year earlier.

Global smartphone shipments during the fourth quarter, typically a strong quarter aligned with the holiday season, declined 18% from the prior year to 300.3 million units in the largest-ever decline in a single quarter, according to International Data Corp.

Rising inflation and growing macroeconomic concerns have stunted consumer spending more than expected, weighing down global demand for smartphones, IDC said. This year's global smartphone shipments are expected to grow by 2.8%, though could be adjusted down further given the grim outlook, according to IDC's forecasts.

While tough market conditions continue, Samsung is scheduled to launch its new Galaxy S23 smartphone series this week in the industry's first major launch of this year.



BUSINESS & FINANCE

# Whirlpool Posts Loss, Seeks Cuts

Appliance maker says supply problems are resolved, sees demand rebounding later in '23

By JOHN KEILMAN

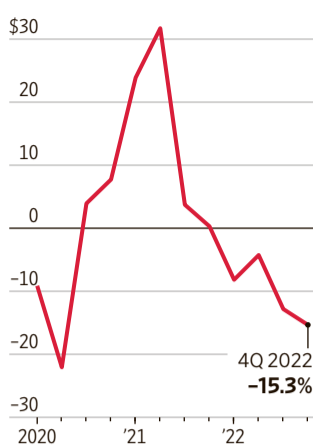
Whirlpool Corp. reported a \$1.6 billion quarterly net loss after divesting its European business, as the appliance maker said it was working to reduce costs and move past a supply-chain disruption.

Whirlpool said net sales for the quarter ended Dec. 31 declined 15% year-over-year to \$4.9 billion, weighed down by what the company said was softening demand and a "significant" supply chain problem. Jim Peters, the company's chief financial officer, said the "one-off" incident with a supplier involved a "very simple type of part...for multiple platforms of appliances and multiple factories throughout North America."

The problem, now resolved, meant the company couldn't produce enough units to meet the sales it had, he said.

After adjusting the results for one-time items, Whirlpool said ongoing earnings per

Whirlpool's quarterly revenue, change from a year earlier



Sources: S&P Capital IQ; the company

share for the quarter came in at \$3.89, above analysts' expectations of \$3.23, according to FactSet. The Michigan-based appliance maker said it expects 2023 revenues to reach \$19.4 billion, down 1% to 2% from the prior year, and for earnings per share to reach \$16 to \$18, ahead of the roughly \$15 forecast by analysts, according to FactSet.

Whirlpool shares climbed 1.3% in after-hours trading.

Mr. Peters said he expects demand to be down about 5%,



The company's \$1.6 billion net loss in the quarter came as it divested its European business.

though it should recover later in the year. The company has managed its production to keep inventory "in a good place," he said, and no extra incentives to move appliances out the door are under consideration.

The company said it expects to save \$800 million to \$900 million this year. Mr. Peters said some of that will come from the easing cost of materials, and some from company cost-cutting, which he said has

relied on attrition, not layoffs.

Whirlpool has \$2 billion of cash on hand. Mr. Peters said its focus is paying down debt from its \$3 billion purchase of the InSinkErator garbage disposal brand last year.

# EV Maker Arrival Plans to Halve Its Workforce

By ELIOT BROWN

U.K.-based Arrival, the electric-vehicle upstart that went public with a surge of investor enthusiasm and a rich valuation, said Monday it plans to cut its workforce by roughly 50%. The company also said that it is appointing financial advisor Teneo to evaluate "strategic alternatives."

Arrival said that it plans to begin producing its delivery van from a Charlotte, N.C., factory in 2024—a year later than it had said a few months ago.

And Igor Torgov, who has been the company's executive vice president of digital, was named its new CEO.

The cascade of news marks a major turnaround from March 2021, when Arrival listed publicly after a merger with a SPAC. At that time, it had a market capitalization of more than \$13 billion, more than half the valuation of Nissan.

Delays and higher-than-expected costs followed. The company initially had expected to have more than \$1 billion in revenue in 2022.

Last fall, however, Arrival executives said that they expected the company wouldn't produce revenue in 2022, or 2023.

Its arc mirrors the experience of numerous electric-vehicle and autonomous-driving companies that went public through SPAC mergers and a wave of investor enthusiasm.

Stocks have since plummeted, revenue targets have largely been missed and several companies have disclosed investigations by the U.S. Securities and Exchange Commission.

# Philips to Slash 6,000 Additional Jobs by 2025

By IAN WALKER

Royal Philips NV said it would cut an extra 6,000 jobs by 2025, including 3,000 this year, as part of a reorganization aimed at improving its performance, adding to a wave of corporate layoffs in recent weeks.

The Dutch health-technology company said on Monday that a simplified operation model would help make it more agile and competitive while reducing costs. The job cuts are in addition to 4,000 roles it said in October that it would eliminate.

A string of big companies have outlined plans to cut

thousands of jobs so far this year as they adjust to slowing growth or respond to weaker demand for their products.

The cuts at Philips, which sells products including MRI scanners and ultrasound machines, come as the Dutch company has grappled with supply-chain challenges, lower sales in China and the fallout from the Russia-Ukraine war. Philips also has had to contend with the consequences of a huge recall of devices used to treat sleep apnea.

Philips disclosed the job cuts as it reported a swing to a net loss for the fourth quarter amid higher costs. Its net loss for the period came in at

€106 million, equivalent to \$115 million, compared with a profit of €157 million for the fourth quarter of 2021, the company said.

3%

Decline in full-year sales on a comparable basis.

Sales for the quarter rose to €5.42 billion from €4.94 billion in the same period last year as the supply of components improved.

For the full year, sales fell 3% on a comparable basis to €17.8 billion.

Philips reported a net loss for the year of €1.6 billion, compared with a €3.3 billion profit the prior year, hurt by a previously disclosed write-down of its sleep and respiratory-care business. The prior year's profit was boosted by the sale of the company's domestic appliances business.

"2022 has been a very difficult year for Philips and our stakeholders, and we are taking firm actions to improve our execution and step up performance with urgency," Chief Executive Roy Jakobs said.

Monday's cuts mark the

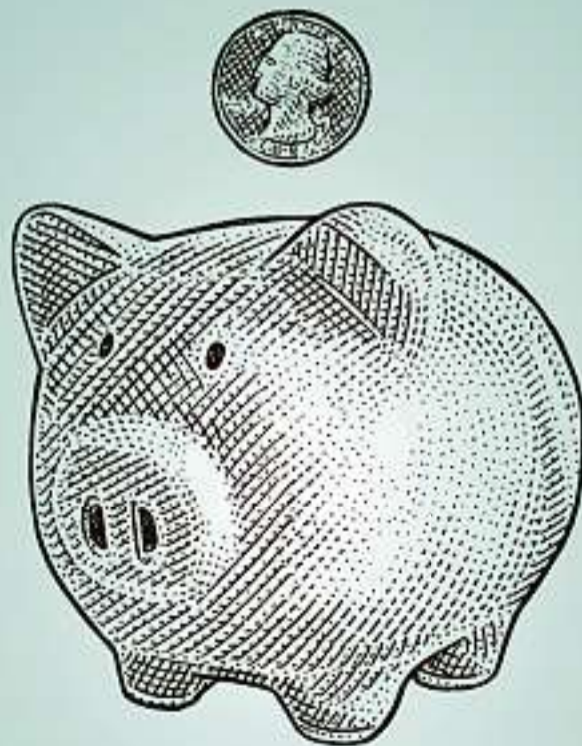
second time Mr. Jakobs has announced layoffs since the longtime Philips employee took the top job in October.

The "difficult but necessary further reduction" is part of a broader plan to reinvigorate the company's performance while strengthening patient safety and quality management and enhancing supply-chain reliability.

Philips said it expects low-single-digit comparable sales growth for this year. The company said it anticipates a slow start to the year, considering the slowing of consumer demand, but expects a gradual improvement in order-book conversion during 2023.

# New Year. New Goals. Fresh Start.

Expert-vetted money tips to set you up for success this year.



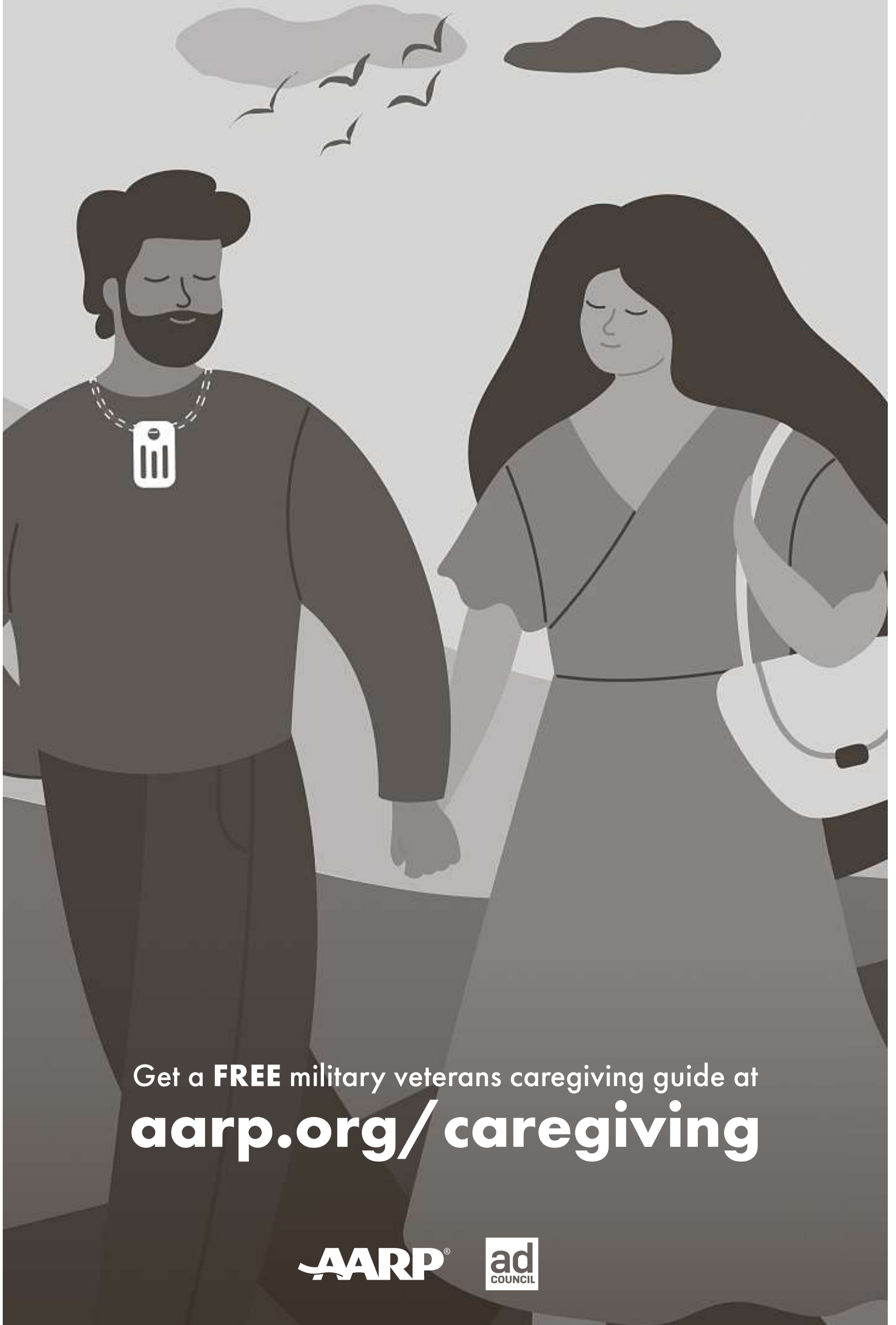
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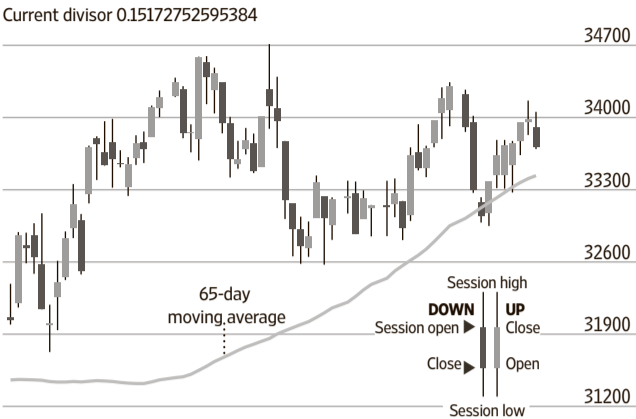


MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

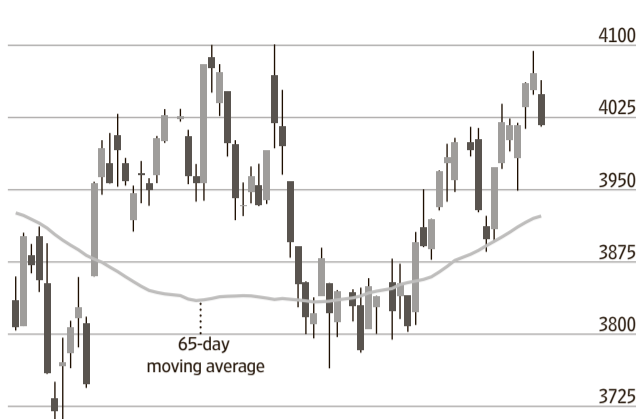
33717.09 ▼260.99, or 0.77%
High, low, open and close for each trading day of the past three months.



Current divisor 0.15172752595384
Bars measure the point change from session's open

S&P 500 Index

4017.77 ▼52.79, or 1.30%
High, low, open and close for each trading day of the past three months.



Weekly P/E data based on as-reported earnings from Birinyi Associates Inc. \*Based on Nasdaq-100 Index

Nasdaq Composite Index

11393.81 ▼227.90, or 1.96%
High, low, open and close for each trading day of the past three months.



Major U.S. Stock-Market Indexes

Table with columns: Index, High, Low, Close, Net chg, % chg, 52-Week High, Low, % chg, YTD, 3-yr. ann. Includes Dow Jones, Nasdaq Stock Market, S&P, and Other Indexes.

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6 p.m. ET as reported by electronic trading services...

Most-active issues in late trading

Table of most-active issues in late trading with columns: Company, Symbol, Volume, Last, Net chg, After Hours % chg, High, Low.

Percentage gainers...

Table of percentage gainers with columns: Company, Symbol, Latest Session Close, Net chg, % chg, 52-Week High, Low, % chg.

Trading Diary

Volume, Advancers, Decliners

Table of trading diary statistics including Total volume, Adv. volume, Decl. volume, Issues traded, Advancers, Declines, etc.

International Stock Indexes

Table of international stock indexes with columns: Region/Country, Index, Close, Net chg, Latest % chg, YTD % chg.

Percentage Gainers...

Table of percentage gainers with columns: Company, Symbol, Latest Session Close, Net chg, % chg, 52-Week High, Low, % chg.

Most Active Stocks

Table of most active stocks with columns: Company, Symbol, Volume, % chg from 65-day avg, Latest Session Close, % chg, 52-Week High, Low.

Percentage Losers

Table of percentage losers with columns: Company, Symbol, Latest Session Close, Net chg, % chg, 52-Week High, Low, % chg.

Volume Movers

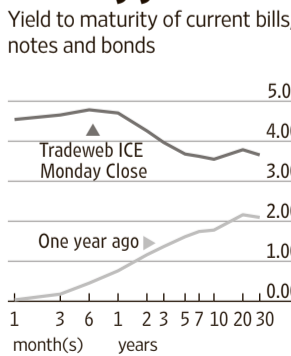
Table of volume movers with columns: Company, Symbol, Volume, % chg from 65-day average, Latest Session Close, % chg, 52-Week High, Low.

CREDIT MARKETS

Consumer Rates and Returns to Investor

Table of consumer rates and returns to investor including 5-year adjustable-rate mortgage, 5-year Treasury note yield, and selected rates from various banks.

Treasury yield curve



Forex Race



Corporate Borrowing Rates and Yields

Table of corporate borrowing rates and yields for various bond indices like U.S. Treasury, Aggregate, and Muni Master.

CURRENCIES & COMMODITIES

Currencies

Table of U.S.-dollar foreign-exchange rates in late New York trading for various countries and currencies.

Commodities

Table of commodity prices including DJ Commodity, Crude oil, Natural gas, and Gold.

Bankrate.com rates based on survey of over 4,800 online banks. \*Base rate posted by 70% of the nation's largest banks. † Excludes closing costs.

Sources: J.P. Morgan; Bloomberg Fixed Income Indices; ICE Data Services



COMMODITIES

wsj.com/market-data/commodities

Futures Contracts

Metal & Petroleum Futures

Table with columns: Open, High, Low, Settle, Chg, Open interest. Rows include Copper-High, Gold, Palladium, Platinum, Silver, Crude Oil, NY Harbor ULSD, Gasoline, Natural Gas, Corn, Oats, Soybeans, Soybean Meal, Soybean Oil, Rough Rice, Wheat, Wheat (KC).

Table with columns: Open, High, Low, Settle, Chg, Open interest. Rows include Cattle-Feeder, Cattle-Live, Hogs-Lean, Lumber, Milk, Cocoa, Coffee, Sugar, Sugar-Domestic, Cotton, Orange Juice.

Interest Rate Futures

Table with columns: Open, High, Low, Settle, Chg, Open interest. Rows include Ultra Treasury Bonds, Treasury Bonds, Treasury Notes, 5 Yr. Treasury Notes, 2 Yr. Treasury Notes, 30 Day Federal Funds, 10 Yr. Del. Int. Rate Swaps, Three-Month SOFR, Eurodollar, Japanese Yen, Canadian Dollar, British Pound.

Currency Futures

Table with columns: Open, High, Low, Settle, Chg, Open interest. Rows include Japanese Yen, Canadian Dollar, British Pound.

Agriculture Futures

Table with columns: Open, High, Low, Settle, Chg, Open interest. Rows include Corn, Oats, Soybeans, Soybean Meal, Soybean Oil, Rough Rice, Wheat, Wheat (KC).

Cash Prices | wsj.com/market-data/commodities

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

Table with columns: Monday, Tuesday, Wednesday, Thursday, Friday, Saturday, Sunday. Rows include Energy, Metals, Gold, Silver, Other metals, Iron Ore, Shredded Scrap, Steel, Battery/EV metals, Fibers and Textiles, Grains and Feeds, Wheat, Soybean Meal, Soybean Oil, Other metals.

KEY TO CODES: A=ask; B=bid; BP=country elevator bids to producers; C=corrected; D=CME; E=Manfra, Tordella & Brookes; H=American Commodities Brokerage Co; K=bi-weekly; M=monthly; N=nominal; n.a.=not quoted or not available; P=Souland Publishing; R=SNL Energy; S=Platts-TSI; T=Cotlook Limited; U=USDA; V=Benchmark Mineral Intelligence; W=weekly; Y=International Coffee Organization; Z=not quoted. \*Data as of 1/27

Borrowing Benchmarks | wsj.com/market-data/bonds/benchmarks

Money Rates

Key annual interest rates paid to borrow or lend money in U.S. and international markets. Rates below are a guide to general levels but don't always represent actual transactions.

Table with columns: Dec. index, Chg From (%), Latest, High, Low. Rows include Inflation, U.S. consumer price index, International rates, Prime rates, U.S., Canada, Japan, Policy Rates, Overnight repurchase, U.S. government rates, Discount, Federal funds, Treasury bill auction, Secondary market, Fannie Mae, Other short-term rates.

Key Interest Rates

Data are annualized on a 360-day basis. Treasury yields are per annum, on actively traded noninflation and inflation-indexed issues that are adjusted to constant maturities. Data are from weekly Federal Reserve release H.15.

Table with columns: Week Ended, High, Low. Rows include Federal funds (effective), Commercial paper, Nonfinancial, Financial, Discount window primary credit, Treasury yields at constant maturities, TIPS, Treasury yields (secondary market), DTCG GCF Repo Index.

Notes on data: Federal-funds rate is an average for the seven days ended Wednesday, weighted according to rates on broker trades; Commercial paper rates are discounted offer rates interpolated from sales by discounted averages of dealer bid rates on nationally traded certificates of deposit; Discount window primary credit rate is charged for discounts made and advances extended under the Federal Reserve's primary credit discount window program; rate is average for seven days ended Wednesday; Inflation-indexed long-term TIPS average is indexed and is based on the unweighted average bid yields for all TIPS with remaining terms to maturity of 10 years or more.

Source: Federal Reserve; for additional information on these rate data and their derivation, please see https://www.federalreserve.gov/data/download/Build.aspx?rel=H15

Table with columns: Open, High, Low, Settle, Chg, Open interest. Rows include March, Swiss Franc, June, Australian Dollar, Mexican Peso, Euro, March, Index Futures, Mini DJ Industrial Average, March, June.

Table with columns: Open, High, Low, Settle, Chg, Open interest. Rows include Mini S&P 500, March, June, Mini S&P Midcap 400, March, June, Mini Nasdaq 100, March, June, Mini Russell 2000, March, June, Mini Russell 1000, March, June, U.S. Dollar Index, March, June.

Source: FactSet

Bonds | wsj.com/market-data/bonds/benchmarks

Tracking Bond Benchmarks

Return on investment and spreads over Treasuries and/or yields paid to investors compared with 52-week highs and lows for different types of bonds

Table with columns: Total return close, YTD total return (%), Index, Yield (%), Latest, Low, High. Rows include Broad Market, U.S. Corporate Indexes, High Yield Bonds, Global Government, Mortgage-Backed, U.S. Agency.

\*Constrained indexes limit individual issuer concentrations to 2%; the High Yield 100 are the 100 largest bonds. †In local currency. ‡Euro-zone bonds. \*\*EMBI Global Index. Sources: ICE Data Services; Bloomberg Fixed Income Indices; J.P. Morgan

Global Government Bonds: Mapping Yields

Yields and spreads over or under U.S. Treasuries on benchmark two-year and 10-year government bonds in selected other countries; arrows indicate whether the yield rose(▲) or fell (▼) in the latest session

Table with columns: Country, Maturity, Yield (%), Spread Under/Over U.S. Treasuries, in basis points. Rows include U.S., Australia, France, Germany, Italy, Japan, Spain, U.K.

Source: Tullett Prebon, Tradeweb | © U.S. Treasury | Close

Corporate Debt

Prices of firms' bonds reflect factors including investors' economic, sectoral and company-specific expectations

Table with columns: Issuer, Symbol, Coupon (%), Yield (%), Maturity, Spread\*, in basis points. Rows include Blackstone Private Credit Fund, Banco Santander, Caterpillar Financial Services, NextEra Energy Capital Holdings, Southern California Edison, Citigroup, Credit Suisse, Sumitomo Mitsui Financial.

...And spreads that widened the most

Table with columns: Issuer, Symbol, Coupon (%), Yield (%), Maturity, Spread\*, in basis points. Rows include Royal Bank of Canada, Westpac Banking, Citigroup, National Australia Bank, Nomura Holdings, Sumitomo Mitsui Financial, Australia and New Zealand Banking, Paramount Global.

High-yield issues with the biggest price increases...

Table with columns: Issuer, Symbol, Coupon (%), Yield (%), Maturity, Bond Price as % of face value. Rows include CSC Holdings, NAC Aviation 29 DAC, Nokia, Telecom Italia, Topaz Solar Farms, OneMain Finance, Ford Motor, Bath & Body Works.

...And with the biggest price decreases

Table with columns: Issuer, Symbol, Coupon (%), Yield (%), Maturity, Bond Price as % of face value. Rows include Teva Pharmaceutical Finance Netherlands, Intelsat Jackson Holdings, Occidental Petroleum, Dish DBS, Howmet Aerospace, Ford Motor, Navient, Prime Security Services Borrower.

\*Estimated spread over 2-year, 3-year, 5-year, 10-year or 30-year hot-run Treasury, 100 basis points=one percentage pt.; change in spread shown is for 2-spread. Note: Data are for the most active issue of bonds with maturities of two years or more

Source: MarketAxess



BIGGEST 1,000 STOCKS

How to Read the Stock Tables
The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities.

Table with columns: Stock, Earnings, Net Chg, Stock, Earnings, Net Chg, Stock, Earnings, Net Chg, Stock, Earnings, Net Chg. Lists top 1000 stocks.

Table with columns: Stock, Earnings, Net Chg, Stock, Earnings, Net Chg, Stock, Earnings, Net Chg, Stock, Earnings, Net Chg. Lists top 1000 stocks.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Monday, January 30, 2023. Table with columns: Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg.

Table with columns: Stock, Earnings, Net Chg, Stock, Earnings, Net Chg, Stock, Earnings, Net Chg, Stock, Earnings, Net Chg. Lists top 1000 stocks.

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Table with columns: Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg.

Table with columns: Stock, Earnings, Net Chg, Stock, Earnings, Net Chg, Stock, Earnings, Net Chg, Stock, Earnings, Net Chg. Lists top 1000 stocks.

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Table with columns: Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg.

Table with columns: Stock, Earnings, Net Chg, Stock, Earnings, Net Chg, Stock, Earnings, Net Chg, Stock, Earnings, Net Chg. Lists top 1000 stocks.

Table with columns: Stock, Earnings, Net Chg, Stock, Earnings, Net Chg, Stock, Earnings, Net Chg, Stock, Earnings, Net Chg. Lists top 1000 stocks.

Table with columns: Fund, NAV, Chg % YTD, Fund, NAV, Chg % YTD, Fund, NAV, Chg % YTD, Fund, NAV, Chg % YTD, Fund, NAV, Chg % YTD.

Table with columns: Fund, NAV, Chg % YTD, Fund, NAV, Chg % YTD, Fund, NAV, Chg % YTD, Fund, NAV, Chg % YTD, Fund, NAV, Chg % YTD.

Table with columns: Fund, NAV, Chg % YTD, Fund, NAV, Chg % YTD, Fund, NAV, Chg % YTD, Fund, NAV, Chg % YTD, Fund, NAV, Chg % YTD.

New Highs and Lows

The following explanations apply to the New York Stock Exchange, NYSE Arca, NYSE American and Nasdaq Stock Market stocks that hit a new 52-week intraday high or low in the latest session.

Table with columns: Stock, Sym, Hi/Low, Chg, Stock, Sym, Hi/Low, Chg, Stock, Sym, Hi/Low, Chg, Stock, Sym, Hi/Low, Chg.

Dividend Changes

Company, Symbol, Yield %, Amount, Frq, Payable/Record.

Table with columns: Company, Symbol, Yield %, Amount, Frq, Payable/Record. Lists dividend changes.

Special

Company, Symbol, Yield %, Amount, Frq, Payable/Record.

Table with columns: Company, Symbol, Yield %, Amount, Frq, Payable/Record. Lists special events.



BANKING & FINANCE

# Banks Brace for Bad Loans

Delinquencies are rising, prompting lenders to add to rainy-day funds

By GINA HEEB

U.S. banks dusted off their recession-ready playbooks at the end of 2022.

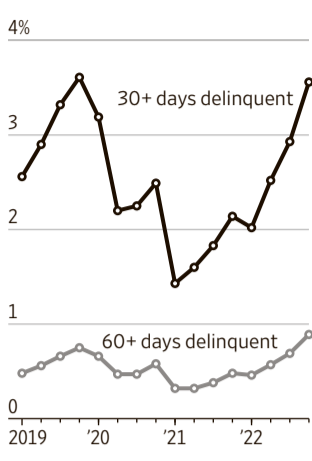
Regional lenders and banks with big credit-card businesses continued to profit from borrowers who ran up credit balances at higher interest rates in the fourth quarter. But many tightened their lending standards and set aside more money to cover potential loan losses, signs that they don't expect the good times to last.

**Capital One Financial Corp.** set aside roughly \$1 billion to cover potential loan losses in the fourth quarter, a 33% increase from the previous quarter. **American Express Co.** increased its reserves by more than 25%, setting aside nearly half a billion dollars. Both had drawn down those rainy-day funds a year earlier.

"We have, of course, a very vigilant eye on the economic environment that we're moving into," Capital One Chief Executive Richard Fairbank said on a call with analysts this past week.

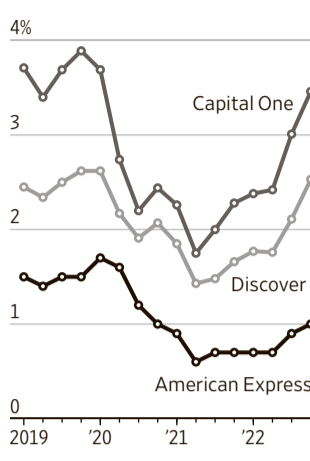
Consumers have been a bright spot in the economy. They continue to spend at a solid clip in the face of higher

Percentage of auto loans past due at Ally Financial, quarterly

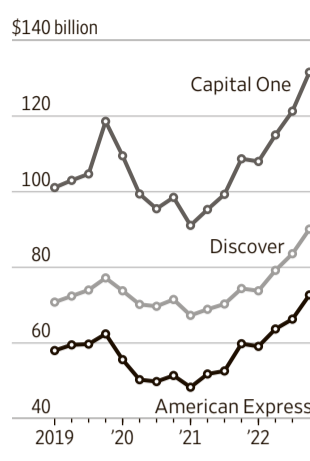


Source: the companies

Credit-card loans 30+ days delinquent, quarterly



Total credit-card balances, quarterly



inflation, though they cut back during the holidays and added to their savings. And unemployment remains at its lowest level in decades.

But there are signs that some households are coming under pressure. Borrowers have put more purchases on credit cards, but they chipped away at balances at a slower rate. Delinquency rates on credit cards and consumer loans in the fourth quarter approached or hit levels they were at before the pandemic, when stimulus and lower spending on services allowed consumers to bulk up their savings and pay down debt.

Delinquency rates have surpassed prepandemic levels in some corners of the consumer-lending business.

At **Ally Financial Inc.**, the

percentage of car loans that were more than 60 days past due rose to 0.89% in the fourth quarter from 0.48% a year earlier. **Discover Financial Services** reported that more than 2% of its private student loans were 30 or more days delinquent, an increase of half a percentage point from a year earlier. Both of those rates were higher than in 2019.

"I think there are certainly a lot of concerns about what may come with the economy and the potential for a recession in 2023," Discover Chief Executive Roger Hochschild said in an interview. "But where we sit right now, the consumer is still doing pretty well supported by a very strong employment market." He added that a rise in de-

mand for products used to consolidate debt could suggest borrowers are more stressed. Discover's personal-loan balances grew 14% in the fourth quarter from a year earlier.

"We definitely have been tightening our credit standards," Mr. Hochschild said. "We're always looking for pockets of stress."

The process is a delicate balance for lenders, who can hurt their bottom line if they tighten too much.

"It can almost be viewed as a high-wire act," said Gerard Cassidy, an analyst at RBC Capital Markets. "On the one hand, you don't want to be overconservative and shut down lending, but at the same time you don't want your lending standards to fall by the wayside like in 2006."

curities must disclose the nature, scope and amount of compensation they receive. But outside of case-by-case enforcement actions, the commission hasn't specifically articulated its views on what digital assets fall under these obligations, leaving the legal landscape uncertain, lawyers say.

An SEC spokesman pointed to the agency's publicly available framework for determining whether digital assets are securities.

Most suits, filed relatively recently, have yet to produce notable rulings. But a federal judge in California dismissed a proposed class-action lawsuit against Ms. Kardashian and other celebrities, saying the plaintiffs hadn't sufficiently made allegations that celebrity promoters had conspired with others to pump up the value of digital tokens.

Michael Rhodes, Ms. Kardashian's lawyer, said he was pleased with the "well-reasoned ruling."

Some defendants had argued the suit didn't show that investors had relied on celebrity promotion. "Crucially, no named Plaintiff alleges that they in fact viewed either Instagram post before purchasing Tokens during the relevant time period," lawyers for Ms. Kardashian wrote in a court brief.

With the judge's permission, the plaintiffs filed an amended complaint refining their allegations.

# Private-Equity Managers Reluctant To Cut Valuations

By ROD JAMES

will be ready.

Private-equity managers are using all the tools at their disposal to avoid marking down the value of their assets, causing consternation among some of their investors and hampering some limited partners' ability to make new investments in the alternative asset class.

Private-equity firms over the past year have endured a convergence of factors that threaten to make businesses they own less profitable and less valuable, including a steep rise in interest rates, higher inflation and a decline in the value of public equities. However, many general partners have written down the value of their assets only slightly, kept them flat quarter-on-quarter or marked them up, according to several institutional investors and advisers.

For institutional investors in private-equity funds, this creates dissonance between the data that firms are providing and what the investors feel is happening in their portfolios and in the wider economy, according to Jennifer Choi, chief executive of the Institutional Limited Partners Association.

"For the purposes of internal reporting, do investors take the marks as written, make adjustments or do they do something even more comprehensive?" asked Ms. Choi, whose organization represents nearly 600 institutions with combined private equity assets of more than \$2 trillion. "It's challenging to operate in a place of limbo where there's a lack of consistency, so there's a desire for more transparency into managers' assumptions and methodologies."

The way private-equity firms value their portfolio companies is as much art as science, giving managers a lot of leeway. Typically firms use three main methods: comparing their companies with similar publicly traded businesses, comparing them with similar companies that have recently been sold, or using discounted cash-flow, or DCF, models to estimate the current value of the business based on expected future cash flows. In most cases, managers are allowed to change the emphasis they place on each of the methodologies if they believe it gives a truer picture of value, and the fund's advisory board and auditor agrees.

After the financial crisis of 2008 and 2009, when comparable transactions dried up and public market equivalents crashed, many managers shifted to the more speculative DCF valuation model, much to the consternation of their investors, said Brad Young, global chief investment officer, private markets, at pension consultant Mercer. That hasn't been widespread this time around, but if it becomes so, investors

For some fund backers, an unwillingness of managers to write down assets is causing portfolio construction headaches, said Jim Pittman, global head of private equity at Canadian pension manager British Columbia Investment Management Corp., or BCI. The decline of public stocks has caused private equity to become an oversize part of many investor portfolios, restricting their ability to make new investments at a time when more managers are seeking capital for new funds.

The refusal to write down asset values blunts another tool that LPs could employ to free up capital—the market for secondhand fund positions. Last year, average pricing of stakes sold on the secondary market hit a 10-year low of 87% of net asset value, The Wall Street Journal reported. Selling LPs have to take a steep discount to the reported value of a stake to get a deal done, indicative of the mismatch between how assets are being valued and what buyers are willing to pay for them.

There are several reasons why managers aren't writing down the value of their assets.

It can take time for managers to mentally process that their portfolio companies are worth less than they were a year ago, said several investors, pension consultants and placement agents. Those seeking capital for new funds may also be reluctant to mark down current investments for fear it will make their new fund offerings less attractive.

Some managers and intermediaries contend that private-equity firms aren't writing down portfolios because many of those portfolios are holding up well even as public stocks have declined. Blackstone Inc., for one, said in its most recent earnings report that the value of its corporate private equity portfolio rose by 3.8% in the fourth quarter of 2022. Of a sample of more than 4,500 fourth-quarter private company valuations worked on by investment bank Lincoln International, 85% of European companies saw revenue increases and 62% saw increases in earnings before interest, taxation, depreciation and amortization.



Jim Pittman

# Celebrity Endorsers Face Suits

Continued from page B1

a half-dozen other celebrities as defendants, accusing them of violating California state consumer protection statutes and federal securities laws by inducing investors to purchase Bored Ape Yacht Club NFTs—at artificially inflated prices—without disclosing they had been compensated for their promotions.

In March, Madonna posted on Twitter pictures of an ape NFT and herself, saying, "I finally entered the MetaVerse." Two months later, she received a Bored Ape Yacht Club NFT valued at nearly a half-million dollars as compensation, the lawsuit alleges. Later she promoted the NFTs in media interviews, saying she "was hell-bent on getting an Ape," the lawsuit said.

A representative for Madonna said she paid for her ape NFT. A spokesman for Yuga Labs said in a statement that the lawsuit's allegations were without merit. "We have never paid anyone, famous or not, to join the club," the spokesperson said.

In Florida, a federal lawsuit



Tom Brady is among the endorsers of FTX who are named in a suit.

alleges celebrity promotion of defunct crypto exchange FTX by Mr. Brady and others drove consumers to invest in unregistered securities sold on the company's platform. "This was something where, in part because of the promotions, everybody thought it was safe," said lawyer David Boies, who is representing the plaintiffs.

The defendant celebrities disclosed their FTX partnerships but the lawsuit alleges they violated Florida securities and consumer-protection laws by failing to provide specific information on their compensation in exchange for their

promotion. They are also accused of failing to perform due diligence ahead of promoting FTX products. A lawyer for Mr. Brady declined to comment.

Plaintiffs in the new batch of cases make a mix of claims, some under federal law and others brought under state laws that impose a range of legal requirements on the promotion of financial products. Some lawsuits also have cited state laws prohibiting unfair business practices.

The U.S. Securities and Exchange Commission has said that celebrities who promote virtual tokens it considers se-

his shares now, he would net half of the money he spent on acquiring them, he said. While Mr. Bodine remains in the fund in hopes that its value rises, he continues to be on the hook for a lofty 2% annual fee.

**Digital Currency Group** Chief Executive Barry Silbert launched GBTC in 2013 with the look and feel of an ETF, meaning that shares of the fund could be created and redeemed simultaneously to keep pace with market demand. GBTC halted its redemption program in 2014 after the Securities and Exchange Commission deemed that it violated financial regulations. The trust received a cease-and-desist order related to the redemption program from the SEC in 2016.

Michael Sonnenshein, chief executive of Grayscale Invest-

ments, said the firm always "envisioned GBTC would evolve into an ETF, believing that the continued maturation of the U.S. regulatory environment for bitcoin would result in crypto-based ETFs."

As an ETF, market makers known as authorized participants could create and redeem GBTC shares to ensure that they reflect the underlying value of the bitcoin it holds.

The SEC has so far rejected Grayscale and others' spot bitcoin ETF applications on the grounds that such products are vulnerable to fraud and market manipulation. The regulator has allowed only ETFs tracking bitcoin futures to come to market. In June, Grayscale sued the SEC. The District of Columbia Court of Appeals is scheduled to hear oral arguments in Grayscale's lawsuit on March 7.

Tim Hooker, co-founder of Dynamic Wealth Solutions in Southfield, Mich., is among those advocating for GBTC's transformation into an ETF. His registered investment-advisory firm, which manages \$58 million in assets, owns

## The SEC has so far rejected Grayscale's spot bitcoin ETF application.

about \$266,000 of GBTC shares spread across 22 client accounts.

Mr. Hooker, 32 years old, said he acquired these GBTC shares for clients who wanted bitcoin exposure in their port-

folios in 2019. He picked GBTC because it was the only bitcoin fund available for individual retirement accounts. The fund was trading at a 15% to 20% premium to net asset value at the time, he said.

If GBTC fails to transform the trust into an ETF, Grayscale's Mr. Sonnenshein has said the firm would explore a tender offer for up to 20% of the fund's shares outstanding. Daniel Sanyoon Kim, 28, a software-startup founder in San Francisco, bought five figures worth of GBTC shares in his IRA in 2020. He sold them all at a discount after the collapse of crypto exchange FTX in November, losing more than \$10,000, he said.

Mr. Kim, who worked at venture capitalist Tim Draper's eponymous firm, said the financial troubles brewing at

Grayscale's sister company, crypto lender Genesis Global Capital, gave him cause for concern.

Genesis filed for bankruptcy this month after pausing withdrawals on Nov. 16. The move froze about \$900 million of retail funds lent to Genesis by crypto exchange Gemini's "earn" program.

"We've seen so many bad things happen over the past year," Mr. Kim said. "FTX's user agreement literally says they wouldn't touch your funds. If you already see these sketchy things, how can you feel safe about anything?"

Grayscale's Mr. Sonnenshein said that Genesis is an affiliate firm to Grayscale and not a counterparty or service provider for GBTC. Genesis "does not impact any of our products' operations," he said.

# Bitcoin Trust Locked In

Continued from page B1

figures worth of GBTC shares for his retirement account in 2020, the fund was trading at a 10% premium. At the time, bitcoin was rising rapidly alongside other risky asset classes. The premium flipped to a discount in February 2021, partly in response to the launch of the first spot bitcoin ETF in Canada.

On Friday, GBTC traded at a 41% discount to bitcoin's price of around \$23,000.

If Mr. Bodine were to sell

## Exchange-Traded Portfolios | WSJ.com/ETFResearch

Largest 100 exchange-traded funds, latest session					ETF					ETF					ETF					ETF																																																																																																																																						
Monday, January 30, 2023	Symbol	Closing Price	Chg (%)	YTD (%)	ETF	Symbol	Closing Price	Chg (%)	YTD (%)	ETF	Symbol	Closing Price	Chg (%)	YTD (%)	ETF	Symbol	Closing Price	Chg (%)	YTD (%)	ETF	Symbol	Closing Price	Chg (%)	YTD (%)																																																																																																																																		
SPDR S&P 500	SPY	402.47	-1.27	4.8	ISHMSCIEM	EEM	41.45	-2.01	9.4	SPDR S&P MidCap	MDY	472.37	-1.11	6.7	Vanguard LC	VV	182.68	-1.34	4.9	SPDR S&P Div	SDY	127.18	-0.55	1.7	Vanguard MC	VO	216.28	-1.27	6.1																																																																																																																													
SPDR S&P 400	QQQ	290.27	-2.02	9.0	ISHMSCIEAFE	IEFA	66.72	-0.67	8.2	Tech Select Sector	XLY	134.09	-1.91	7.8	Vanguard DC	VOE	142.64	-0.89	5.5	SPDR S&P 600	VOX	109.49	-0.70	1.2	Vanguard MS	VMS	46.96	-0.55	3.2	SPDR S&P 300	SPX	402.47	-1.27	4.8	Vanguard Real Est	VNO	89.19	-1.27	8.1	SPDR S&P 400	QQQ	290.27	-2.02	9.0	Vanguard Health Care	VHC	131.66	-0.90	-3.1	Vanguard S&P 500 EFT	VOD	368.21	-1.25	4.8	SPDR S&P 500	IVV	402.47	-1.27	4.8	Vanguard ST Bond	BSV	76.02	-0.14	1.0	SPDR S&P 600	QQQ	290.27	-2.02	9.0	Vanguard ST Corp Bd	VCSH	76.15	-0.13	1.3	SPDR S&P 400	QQQ	290.27	-2.02	9.0	Vanguard Total Int	VTI	201.21	-1.34	5.2	SPDR S&P 600	QQQ	290.27	-2.02	9.0	Vanguard Total Stk	VTV	142.49	-0.74	1.5	SPDR S&P 500	IVV	402.47	-1.27	4.8	Vanguard Div	VIG	154.13	-0.75	1.5	SPDR S&P 600	QQQ	290.27	-2.02	9.0	Vanguard Short-Term	VGSH	58.16	-0.10	0.6	SPDR S&P 600	QQQ	290.27	-2.02	9.0	Vanguard Div Int	VNDX	48.41	-0.41	2.1	SPDR S&P 600	QQQ	290.27	-2.02	9.0	Vanguard Div	VIG	154.13	-0.75	1.5	SPDR S&P 600	QQQ	290.27	-2.02	9.0	Vanguard Div	VIG	154.13	-0.75	1.5	SPDR S&P 600	QQQ	290.27	-2.02	9.0	Vanguard Div	VIG	154.13	-0.75	1.5



MARKETS

Pipeline Inspector Files for Chapter 11

By Alexander Saeedy

Cleveland Integrity Services, a provider of inspection services to oil and gas pipelines, filed for bankruptcy...

The Cleveland, Okla., company said in court filings on Monday that it struggled to recover from a drying-up in capital spending at oil-and-gas companies that began in 2020.

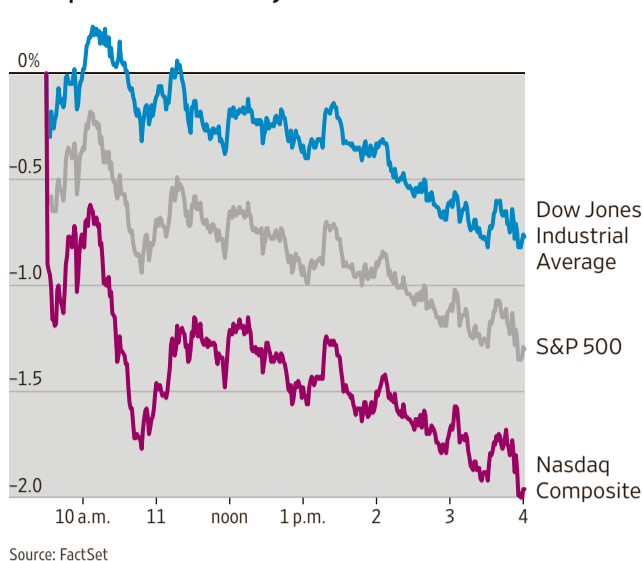
Owl Rock has offered to forgive \$30 million in debt to acquire the business, which is owned by private-equity firm First Reserve Corp.

Despite the rebound in energy prices since Russia's invasion of Ukraine last year, Cleveland Integrity's customer spending and demand haven't returned to pre-2020 levels.

The company has faced a number of lawsuits that allege it underpaid its pipeline inspectors, some of which were settled out of court.

Cleveland Integrity wasn't able to refinance the loan facility held by Owl Rock, which originally matured last September and was subsequently extended.

Index performance Monday



Source: FactSet

Stocks Fall Ahead of Fed, Earnings

Investors brace for big week for tech sector, with earnings due from Alphabet, Apple

By Will Horner and Hardika Singh

Stocks fell, with investors growing cautious at the start of a bumper week of central-bank meetings and corporate earnings.

The S&P 500 fell 52.79 points, or 1.3%, to 4017.77, while the Dow Jones Industrial Average fell 260.99 points, or 0.8%, to 33717.09.

The Nasdaq Composite declined 227.90 points, or 2%, to 11393.81.

Stock markets have been volatile in recent weeks, driven by signs of softening inflation and hopes that the Federal Reserve will continue to moderate—and eventually halt—its interest-rate increases.

In the S&P 500, 48 of last year's 50 worst-performing stocks are up this year, notching an average gain of 17% through January, according to Dow Jones Market Data. In

comparison, 30 of last year's 50 best-performing S&P 500 stocks are up, posting an average advance of less than 1%.

"You're seeing a lot of them come back powerfully in the month of January," said John Quealy, chief investment officer at Trillium Asset Management.

Investors are gearing up for another important week of corporate results, with earnings due from more than 100 members of the S&P 500 index. In tech, Spotify and Snap report Tuesday, Facebook parent Meta Platforms follows Wednesday, and the sector giants Amazon, Google parent Alphabet and Apple are all set to report Thursday.

"The market has had a flying couple of weeks. But as we get closer to the Fed meeting, cautiousness is something that is certainly going to creep in," said Seema Shah, chief global strategist at Principal Asset Management.

Of the 11 sectors in the S&P 500, 10 posted declines to start the trading week. Energy, information technology and communication services were the biggest laggards. Only consumer staples ended in the



GE Healthcare gained 2% after its first earnings report as a stand-alone company.

green.

Fed officials are broadly expected to raise interest rates by a quarter of a percentage point when their two-day meeting concludes Wednesday, lowering the size of the increase for a second straight meeting.

Despite that, investors remain cautious about the economy. The Fed, under Chair Jerome Powell, is determined to tame inflation, and many believe the Fed is unlikely to quickly begin lowering interest rates as it has done in the past.

Markets believe that "the bleak period of 2022 could quickly be going into the rearview mirror," said Stuart Katz, chief investment officer at Robertson Stephens.

Shares of several major auto makers fell Monday after Ford Motor said it would cut prices and boost production of its Mustang electric crossover.

Ford's stock declined 38 cents, or 2.9%, to \$12.89.

Tesla shares fell \$11.24, or 6.3%, to \$166.66, the worst performer in the S&P 500. Deep price cuts across the company's U.S. lineup this month sparked a backlash from customers, many of whom paid thousands of dollars more for their vehicles just weeks earlier.

GE Healthcare Technologies shares gained \$1.42, or 2%, to \$71.50, one of the top five performers in the S&P 500, after the company reported its first quarter as a stand-alone publicly traded company.

The yield on the benchmark 10-year Treasury note climbed to 3.550% from Friday's 3.517%. Bond yields and prices move in opposite directions.

A surprisingly strong inflation reading from Spain muddied the outlook for interest rates in the eurozone. The European Central Bank and Bank of England are expected to raise interest rates this week, with policy decisions from both due on Thursday.

"There is an emerging divergence between the Fed and the ECB," said Charles Diebel, head of fixed income at Medio-

lanum International Funds. "The forward-looking inflation data continues to move south in the U.S. In Europe, it is clear that the data isn't yet doing the same."

In commodity markets, oil prices fell. Brent crude, the international oil benchmark, dropped \$1.76, or 2%, to \$84.90 a barrel.

In Europe, the Stoxx Europe 600 fell 0.2%, led by losses for technology companies.

Markets in mainland China and Taiwan reopened following the Lunar New Year holiday. Early Tuesday, the Shanghai Composite was down 0.15% and Hong Kong's Hang Seng Index was down 0.1%. South Korea's Kospi was down 0.3% after Samsung reported a decline in operating income. S&P 500 futures rose 0.15%.

AUCTION RESULTS

Here are the results of Monday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

Table with 3 columns: Applications, Accepted bids, and 13-Week/26-Week values for various Treasury auction metrics.

Both issues are dated Feb. 2, 2023. The 13-week bills mature on May 4, 2023; the 26-week bills mature on Aug. 3, 2023.

The Wall Street Journal CIO Network Summit

March 14, 2023 | 8:00 a.m.–5:00 p.m. PT | Palo Alto, California

SPEAKERS

Sunny Bedi, Chief Information and Data Officer, Snowflake

Martin Casado, General Partner @al6z

Rumman Chowdhury, Co-Founder and General Partner, Parity Responsible Innovation Fund

Jae Evans, CIO, Oracle

Matthew Prince, Co-Founder and CEO, Cloudflare

OVERVIEW

The Wall Street Journal CIO Network will meet on March 14 following a bracing year for many technology stocks and executives. Calls to cut costs and seek greater efficiencies across the enterprise present a challenge and an opportunity for CIOs.

At the CIO Network's first in-person summit since 2019, we'll hear from leading technology CEOs, corporate CIOs and investors. We'll discuss the technologies they're still investing in—including cloud computing, artificial intelligence, machine learning and cybersecurity—and the steps they're taking to cut costs elsewhere.

Membership is by invitation: CIONetwork@wsj.com. Learn more at CIONetwork.wsj.com/inquire

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