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## What's News

### Business & Finance

- ◆ **FTX is moving ahead** with plans to restart its flagship international cryptocurrency exchange, an effort that will face major challenges as regulators ratchet up their oversight of the industry and the company works its way through bankruptcy proceedings. **A1**
- ◆ **The Fed's Powell**, in a panel discussion at the ECB's annual symposium, said he doesn't expect core inflation to return to the U.S. central bank's target until 2025. **A2**
- ◆ **The Fed said** the biggest U.S. lenders remain healthy, a vote of confidence for the financial system after a series of midsize bank failures earlier this year. **B12**
- ◆ **A jump in Apple and Tesla** shares pushed the Nasdaq 0.3% higher, while the S&P 500 and the Dow slipped 0.04% and 0.2%, respectively. **B13**
- ◆ **Nvidia's CFO warned** of possible severe long-term consequences from potential new restrictions on the sale of artificial-intelligence semiconductors to China. **B1**
- ◆ **Prosecutors are** investigating whether a securities broker and his associates traded on information illegally obtained from Morgan Stanley about planned M&A, according to people familiar with the matter. **B1**
- ◆ **General Mills said** sales took a hit in its most recently completed quarter as volumes continue to weaken and retailers trim their inventories. **B1**

### World-Wide

- ◆ **Wagner chief Prigozhin** planned to capture Russia's military leadership as part of last weekend's mutiny, Western officials said, and he accelerated his plans after the country's domestic-intelligence agency became aware of the plot. **A1, A8**
- ◆ **Netanyahu said** he would drop one of the most controversial parts of his plan to remake Israel's court system, stripping it of a provision that would have given the national legislature the power to overturn Supreme Court rulings. **A1**
- ◆ **The Chinese spy balloon** that floated over the U.S. early this year was loaded with American-made equipment that helped it collect photos, videos and other information, U.S. officials said. **A1**
- ◆ **Biden touted "Bidenomics"** in a Chicago speech, part of a messaging blitz aimed at turning around perceptions of his handling of the economy. **A2**
- ◆ **The East Coast was** bracing for the heavy smoke that blanketed Chicago and the rest of the Midwest this week as the U.S. continues to contend with fallout from Canadian wildfires. **A3**
- ◆ **The man who placed** Jordan Neely in a fatal chokehold on a New York City subway pleaded not guilty to criminal charges. **A3**
- ◆ **Died: Lowell P. Weicker Jr.**, 92, former U.S. senator and Connecticut governor. **A6**

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## Bits of Doomed Sub Hoisted Ashore



**GRIM TASK:** Workers in Newfoundland unload debris from the implosion of the submersible Titan that killed five people near the wreck of the Titanic on the Atlantic Ocean floor. **A4**

## Netanyahu Drops Contentious Element of Judicial Overhaul

By DOV LIEBER AND MICHAEL AMON

JERUSALEM—Prime Minister Benjamin Netanyahu of Israel said he would drop one of the most controversial parts of his plan to remake the country's court system, pushing ahead with legislation stripped of a provision that would have

given the national legislature the power to overturn rulings by the Supreme Court. "It's out," Netanyahu said in an interview with The Wall Street Journal that also touched on relations with the U.S., his decision not to supply weapons to Ukraine and his concerns about deepening ties between Russia and Iran.

Netanyahu's initial judicial-overhaul plan, which sparked large-scale unrest that paralyzed the country earlier this year, was opposed by many secular and liberal Israelis who said they feared the measures would give the government too much power and lead to a rollback in civil liberties. *Please turn to page A12*

## China Spy Balloon Carried U.S. Tech

By NANCY A. YOUSSEF

The Chinese spy balloon that floated over the U.S. early this year was loaded with American-made equipment that helped it collect photos, videos and other information, U.S. officials said, citing preliminary findings from a closely held investigation.

Several defense and intelligence agencies, along with the Federal Bureau of Investigation, have analyzed the debris retrieved after the U.S. military detected and shot down the balloon nearly five months ago in an event that added fresh, unexpected volatility to the already fraught U.S.-China relationship.

That analysis found the balloon was crammed with commercially available U.S. gear, some of it for sale online, and interspersed with more specialized Chinese sensors and other equipment to collect photos, video and other information to transmit to China, the officials said. Those findings, they said, support a conclusion that the craft was in- *Please turn to page A4*

◆ **Nvidia warns on costs of** China AI chip curbs..... **B1**

## INSIDE



### SPORTS

Simone Biles plans a comeback, two years after harrowing Tokyo Olympics. **A16**

## FTX Begins Talks on Reboot Amid Regulatory Crackdown

By ALEXANDER SAEEDY

FTX is moving ahead with plans to restart its flagship international cryptocurrency exchange, an effort that will face major challenges as regulators ratchet up their oversight of the industry and the company works its way through bankruptcy proceedings.

The company "has begun the process of soliciting interested parties to the reboot of the FTX.com exchange," said Chief Executive John J. Ray III,

who took over in November when FTX filed for bankruptcy.

The company has been holding early talks with investors about backing a potential restart of the FTX.com exchange through structures including a joint venture, people familiar with the discussions said. FTX would likely rebrand as part of any restart, these people said. The talks include possible compensation for certain existing customers, possibly by offering them stakes in any reorganized entity, the people said. *Please turn to page A6*

Blockchain technology company Figure has indicated its interest in helping back a restart of FTX, people familiar with the matter said. Figure was part of an investment group that bid for the rights to restart Celsius Network, another bankrupt crypto business, but lost out to a consortium backed by Fortress Investment Group.

Other parties that might want to help finance or participate in the restart of FTX must submit initial indications of in- *Please turn to page A6*

## The America's Cup Takes the Fun Out of Snooping on Competitors

Secret surveillance and frogmen are banned as espionage goes legit at top yacht race

By AARON KURILOFF

The America's Cup spies have come in from the cold. For generations, teams in pursuit of yachting's top prize have dispatched undercover operatives seeking crucial sneak peeks at their rivals' boats and technology. Now the surveillance teams, long-lens photographers and frogmen have gone legit.

"Do you have what it takes to be an America's Cup spy?" *Please turn to page A6*

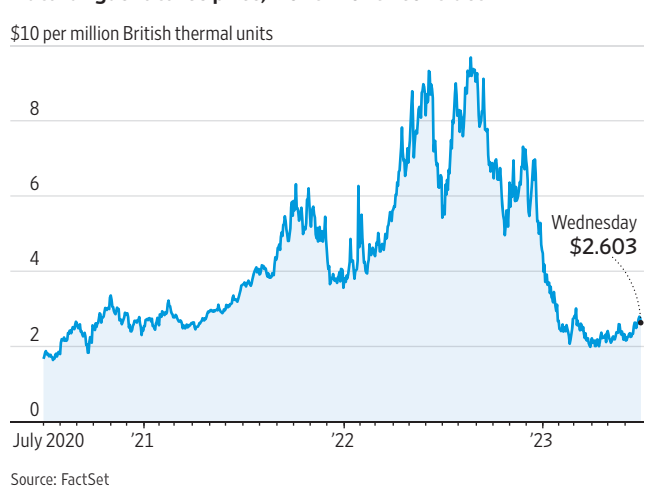
asked one solicitation from the Cup's New Zealand organizers. Applicants should be "capable of capturing good recon at 45 knots" on the waters off cities including Barcelona, Auckland, Cagliari and Pensacola.

Known as the "Joint Reconnaissance Programme," the effort aims to improve transparency, increase safety and reduce costs ahead of next year's Cup competition in Barcelona—scattering what had become an ar-

## Natural-Gas Prices Cool Off

Natural-gas futures for July delivery are down 60% from a year ago, when Europe rushed to replace supplies from Russia. **B1**

Natural-gas futures price, front-month contract





# U.S. NEWS

CAPITAL ACCOUNT | By Greg Ip

## 'Bidenomics' Is a Tale of Two Records



President Biden kicked off a national campaign Wednesday pitching his economic record to a deeply skeptical public.

The challenge: Biden really has two economic records. One of them begins in late 2021 and consists of a series of legislative wins on infrastructure, semiconductor production and renewable energy, which he then preserved in a debt-ceiling deal with Republicans. These policies could shape the economy for years to come.

That record, though, is overshadowed by the record of his first months in office, when his American Rescue Plan pumped \$1.9 trillion of demand into a supply-constrained economy. The result was the tightest job market in memory and a surge in inflation that still hangs over Biden's approval ratings and his prospects for re-election.

In his speech in Chicago on Wednesday, Biden didn't differentiate between these two records: It's all "Bidenomics," which, he said, is about expanding the middle class, bolstering infrastructure, and bringing manufacturing back from overseas. This doesn't really distinguish Biden from other presidents, though.

His early agenda was also not particularly novel. The Rescue Plan was old-fash-

ioned Keynesian demand stimulus, notable mostly for its sheer size. Biden's staff designed it with the economy of 2009 in mind, when newly elected President Barack Obama faced a deep recession to be followed by a sluggish, years-long recovery.

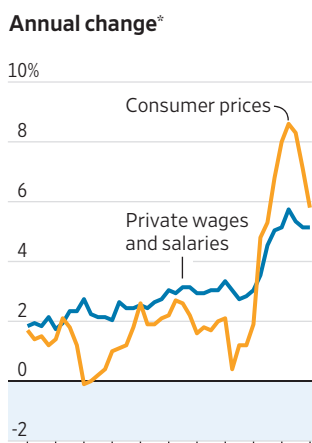
Biden's team is still sticking to that narrative. In a memo released this week, his political strategists Anita Dunn and Mike Donilon write that Biden "faced an immediate economic crisis when he took office" in January, 2021.

Actually, he didn't. By then, the economic crisis brought on by Covid-19 was largely over, even if the health crisis wasn't. As lockdowns were lifted and vaccines approved, businesses were furiously re-hiring. Payroll growth averaged 800,000 a month over the last six months of 2020, in percentage terms the strongest such streak preceding a new president's inauguration since 1952.

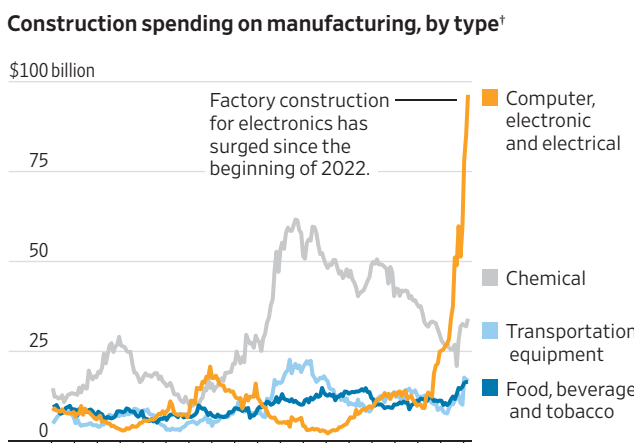
The American Rescue Plan, in other words, was designed to bolster demand in an economy that already had plenty.

Still, the Rescue Plan probably explains why the U.S. recovery has been stronger than in countries with less stimulus. And the tightest labor market in memory particularly benefited historically

Inflation eats up wage gains, while industrial policy spurs factory boom.



\*Quarterly data. †Seasonally adjusted annual rate, constant 2022 dollars  
Sources: Labor Department (consumer prices, wages); Treasury Department (spending)



advantaged groups: Black, Hispanic and low-wage workers.

But many of the benefits of that tight labor market have been negated by inflation.

Inflation is the main reason voters disapprove of Biden's handling of the economy by a 2-to-1 ratio, according to a May poll by the Associated Press and NORC Center for Public Affairs Research.

Historically, voters haven't punished presidents for economic hardship brought on by events beyond their control. George W. Bush's approval rose after the Sept. 11, 2001, terrorist attacks brought on

recession, as did Donald Trump's when Covid first hit in 2020. Since inflation has risen in almost every advanced country since the pandemic, Biden could logically claim it wasn't his fault.

But it's logically inconsistent for Biden to disown inflation while taking credit for tight labor markets since they are mirror images of the same thing: an overheated economy. While economists debate how much stimulus contributed to this overheating, they agree it played a part. Voters are thus less inclined to give Biden a pass.

If Biden's early agenda was

all about macroeconomics—unemployment and inflation—his subsequent agenda has been about microeconomics, i.e., the composition of economic growth. Trump's frequent "infrastructure weeks" never actually led to new infrastructure. Biden got a massive infrastructure bill through Congress in 2021. The Chips and Science Act last year was the largest federal commitment to industrial policy in recent history. The Inflation Reduction Act offered game-changing incentives for renewable energy and electric vehicles.

In a report Tuesday, the

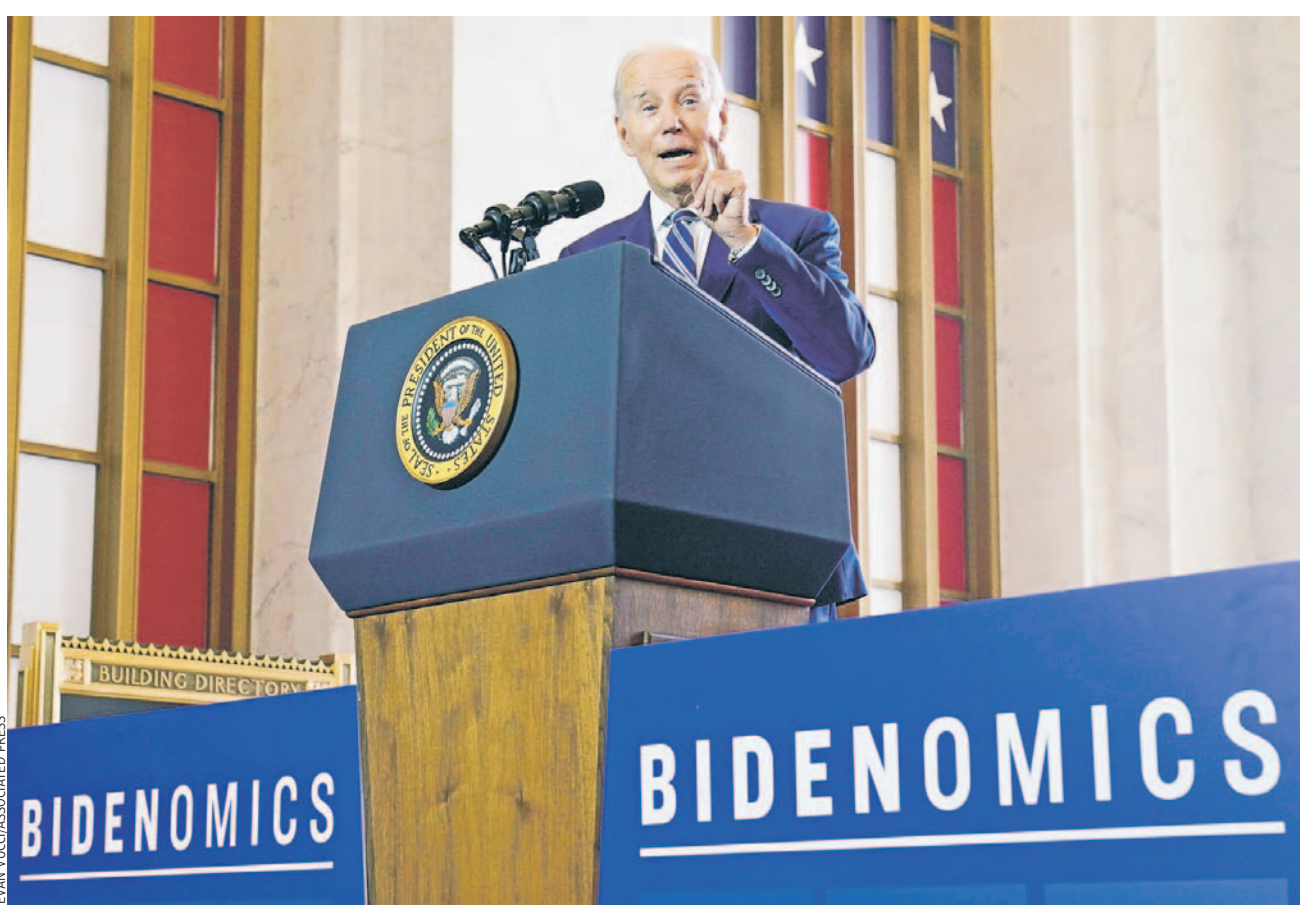
Treasury Department said those initiatives are making an imprint on the economic data. Factory construction, for example, has shot up, particularly for electronics.

This newly assertive role for the federal government in shaping private investment isn't without controversy. Its "buy American" provisions have upset allies, and it has lowered the bar to interventions of questionable merit.

Nor is it likely to change Biden's political prospects: The effects on voters' lives are small and gradual, whereas the effects of inflation and unemployment are big and immediate.

Still, this part of Bidenomics represents a break with the past in ways stimulus didn't. It is also popular: All three laws are backed by voters by large margins, according to polls by Morning Consult, and the infrastructure and semiconductor bills garnered Republican support in Congress. This likely confers staying power long beyond the next election, when inflation has faded from the headlines.

In an interview, Jared Bernstein, chair of Biden's Council of Economic Advisers, said: "When you're engaged in an investment agenda, you're partly playing the long game."



Biden Wednesday branded 'Bidenomics' as a manufacturing blueprint to promote competition and lower costs for the middle class.

## President's New Messaging Blitz Aims to Combat Voters' Pessimism

By Ken Thomas and Annie Linskey

CHICAGO—President Biden doesn't have much time for his economic policies to take root.

His 2024 re-election campaign is well under way, at a time when inflation remains high, and polling suggests a majority of Americans disapprove of his management of the economy. That leaves the president with a limited number of months to turn around perceptions about his ability to steer the U.S. economy out of the aftermath of the global pandemic.

So this week, Biden embarked on a messaging blitz, highlighted by Wednesday's economic speech in Chicago, where he branded "Bidenomics" as a manufacturing blueprint that will promote competition and lower costs for middle-class families.

"Guess what? Bidenomics is working," Biden said, pointing to economic progress in the nation since the pandemic. "Bidenomics is about building an economy from the middle out and bottom up, not from the top down."

The White House has spent months attempting to promote the promise of the \$1 trillion infrastructure law, a multibillion plan to promote the semiconductor industry in the U.S. and a separate law that will spur clean-energy projects, all mea-

sures signed into law by Biden aimed at accelerating more private-sector investments.

Biden's pitch pointed to the addition of 13 million jobs on his watch and an unemployment rate under 4%. And the president billed his approach as a counter to the so-called Reaganomics of the 1980s, which were marked by tax cuts, deregulation and new spending, and the economic policies of former President Donald Trump, whom he referred to as "my predecessor."

Trump's campaign said in a statement that "Bidenomics" is the opposite of Trump's economy, which it said was marked by "low taxes, low regulations, low inflation," and maximized "American energy production for affordable energy, fair trade and no job-killing globalists agreements."

Republicans have sought to link Biden in voters' minds with an economic malaise, pointing to high inflation that has overwhelmed wage gains for many Americans, gasoline prices that have fallen since last year but still remain about \$1 higher than when Biden took office, and increased government spending.

"What he has been putting forth hasn't been successful and people perceive that his policies haven't worked," said Republican pollster David Winston.

Polling has consistently shown public frustration with Biden's economic record. A recent poll by Quinnipiac University showed 41% approved and 55% disapproved of Biden's handling of the economy, though those figures showed improvement since earlier in the spring. A CBS News poll released this month found that nearly two-thirds of U.S. adults rated the economy as fairly or very bad, and it showed 36% approving Biden on the economy, with 64% disapproving.

Celinda Lake, a pollster for Biden's 2020 campaign, said voters tend to make their decisions based on the perceived direction of the economy in May or June of the election year, giving the White House 10 or 11 months to boost the president's numbers. But she said Biden would need to contrast his economic policies with what Republicans might do on issues of taxes and spending, part of Democrats' broader aim to

frame 2024 as a choice rather than a referendum on a relatively unpopular incumbent.

"You have to provide the explanation for people about why this happened, who is the enemy—and that's not natural to Biden's governing style," Lake said.

Biden has talked about his economic agenda as one that builds the economy from "the bottom up," promoting manufacturing jobs to help provide more Americans with a middle-class lifestyle, as opposed to cutting taxes for the wealthiest Americans.

A problem for the Biden administration is that inflation remains above the Federal Reserve's 2% target, and bringing it down to that level will likely include additional interest rate hikes designed to cool the economy or even tip it into a recession.

### CORRECTIONS & AMPLIFICATIONS

The name of Lordstown Motors was misspelled in one instance as Lordsdown in a Page One article on Wednesday about the electric-truck startup's bankruptcy filing.

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

## Strong Growth Snarls Bid to Tame Inflation

By Nick Timiraos and Tom Fairless

The world's major central banks have an unexpected problem: Their economies are surprisingly strong.

The Federal Reserve is likely to keep lifting interest rates even though officials this month decided to slow the pace of increases by holding off on another move higher, Chair Jerome Powell said Wednesday.

Powell said because the Fed had lifted rates so quickly last year, there hasn't been enough time to see the effects of those moves in slowing economic activity and inflation.

"Policy hasn't been restrictive for very long...so we believe there's more restriction coming," Powell said during a panel discussion with other central bankers at the European Central Bank's annual symposium in Sintra, Portugal.

Overall inflation has slowed this year because of falling energy and commodity prices that surged when Russia invaded Ukraine 15 months ago. But central bankers worry because core inflation, which excludes volatile food and energy prices and is deemed a more reliable gauge of future inflation, hasn't slowed much.

Powell said he doesn't anticipate core inflation will return to the central bank's 2% target until 2025.

Central bankers have raised interest rates rapidly over the last year to fight inflation, but have been astonished at the resilience of their economies to higher borrowing costs.

At their policy meeting this month, Fed officials left the benchmark federal-funds rate in a range between 5% and 5.25% after raising it rapidly at 10 consecutive meetings. Another increase at the Fed's July 25-26 meeting would take

the policy rate to a 22-year high.

Most officials at the meeting penciled in two more increases this year. "The reason for that was if you look at the data over the last quarter, what you see is stronger-than-expected growth, tighter-than-expected labor markets, and higher-than-expected inflation," said Powell.

Fed officials see a risk that their past rate increases, together with recent banking-industry stresses, could create a sharper-than-anticipated slowdown. They are trying to balance that against the risk that the economy proves more resilient than expected and inflation stays too high, requiring them to lift rates higher than they would otherwise.

Powell said the Fed hadn't made any formal decision to raise rates at every other meeting. "It may work out that way," he said. "I wouldn't take moving at consecutive meetings off the table at all."

The ECB this month lifted rates by a quarter percentage point, and its president, Christine Lagarde, said officials would very likely increase interest rates again next month.

Lagarde said she had been surprised by the resilience of Europe's economy following enormous disruptions to energy markets and trade from Russia's invasion of Ukraine. "Everybody thought the German model was dead, everyone would be on their knees. Resilience has been demonstrated at every level of society," she said.

Unemployment is at a record low in the eurozone and near a multidecade low in the U.K., which is encouraging workers to press for large wage increases.

◆ Lenders pass stress tests in wake of SVB's failure.... B12

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## U.S. NEWS

# FBI Probes Suspicious Letters Sent To Officials

BY SADIE GURMAN  
AND C. RYAN BARBER

WASHINGTON—The FBI is trying to determine the origin of more than 100 suspicious letters containing apparently harmless white powder that have been sent to public officials in at least seven states in recent weeks, some with muddled messages and bearing the return addresses of dead transgender people, law-enforcement officials said.

Intended recipients of the letters included Supreme Court Justice Clarence Thomas, Rep. Lauren Boebert (R., Colo.) and GOP state lawmakers in Montana and Kansas, where authorities have identified scores of such letters, the officials said. While most of the letters went to Republicans, authorities said a motive remains unknown. The U.S. Postal Service intercepted several letters before they arrived at their target destinations, law-enforcement officials said.

The white powder doesn't appear to be dangerous, based on initial lab testing, but the discoveries have strained law-enforcement resources and shaken public officials who have received them. The suspicious letters have been discovered in Kansas, Florida, Georgia, Colorado, Montana, Tennessee and Washington, D.C., and come as law-enforcement officials have recently warned of a sharp increase in violent threats against elected officials, judges, election workers and lawmakers.

A spokesman for Boebert didn't respond to requests for comment, and neither did a Supreme Court spokeswoman. The court typically declines to discuss security matters involving the justices.

At least some of the letters contained a mix of fonts and languages and the phrase, "it is important not to choke on your ambition," the officials said. Many were signed only with the misspelled phrase "Your secret despiser."

They came in standard, white envelopes with fake return addresses. One return address was for a church, one of the officials said.

The Federal Bureau of Investigation said additional testing will be needed to fully identify the unknown substance in the letters.

"Law-enforcement and public-safety officials are working to determine how many letters were sent, the individual or individuals responsible for the letters, and the motive behind the letters," the FBI said, declining to elaborate on what it said was an "ongoing matter."

In a nationwide call on Wednesday, senior FBI officials and representatives from the Kansas Bureau of Investigation warned state and local law-enforcement agencies to be on the lookout for the letters and alert the FBI.

In recent years, law-enforcement officials have tracked a rise in threats to judges and other officials. The U.S. Marshals Service logged 3,706 threats and inappropriate communications against judges and other protectees in the fiscal year that ended in September 2022, a nearly 60% increase from the 2,357 reported in fiscal year 2016, according to the agency's latest annual report.



Haze from Canadian wildfires descended over downtown Pittsburgh on Wednesday. Officials warned people to wear face masks again if necessary.

# Millions Are Under Air-Quality Alerts

BY ALYSSA LUKPAT

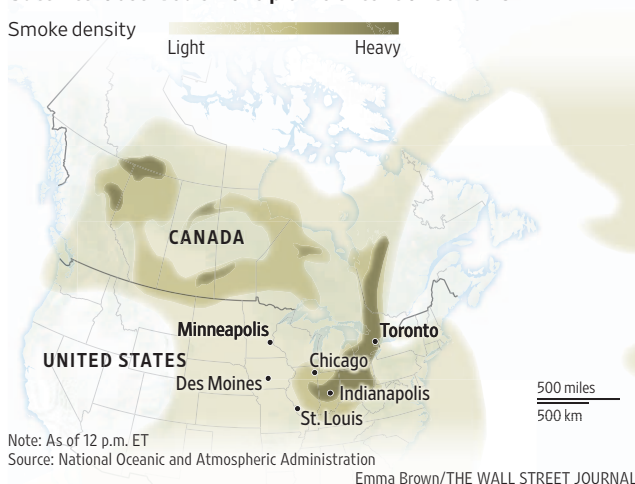
The East Coast is bracing for the heavy smoke that blanketed Chicago and the rest of the Midwest this week as the U.S. continues to feel the consequences of one of Canada's most destructive wildfire seasons on record.

Tens of millions of people in the Midwest and the East were under air-quality alerts Wednesday. Southern winds carried noticeable levels of smoke back into the U.S. starting Tuesday, generating some of the worst air quality in the world in Chicago, Detroit and Minneapolis, said the air-quality information platform IQAir.

Officials warned people to wear face masks again. Smoke polluted the skies in the East earlier this month, halting flights and sending some people to the hospital.

"If you're heading out for the day, especially if you're in

## Satellite-observed smoke plume extent on June 28



a vulnerable group, check the latest air quality information and take steps to protect yourself," New York Gov. Kathy Hochul said in a tweet Wednesday.

Several states in the East and the Midwest, as well as

New York City, were under air-quality alerts. The air was hazy Wednesday afternoon in Washington, D.C., but the smoke wasn't smothering the East like it did earlier this month.

Canada's wildfire season got off to a destructive start,

with more than 19 million acres burned this year, said the Canadian Interagency Forest Fire Centre. Canada hasn't recorded such a devastating wildfire season in decades.

Canadian officials said there are more than 480 active fires across the country. The smoke reached Europe earlier this month, according to the Copernicus Programme, the European Union's space observation arm.

The smoke also pushed into the upper reaches of the South on Wednesday, with unhealthy air in places including Louisville, Ky., according to AirNow, a government tracking site.

The Midwest and South largely avoided the first round of smoke that turned skies orange in parts of the East. However, much of the South has been whipsawed by a weeklong heat wave and severe storms.

The smoke drifted into parts of the East Coast Wednesday, with more areas expected to be affected Thursday.

Officials measure air conditions using the air-quality index, which classifies air on a scale from good (0-50) to hazardous (301 and higher). The air quality in some Eastern cities at times this month surpassed 400, meaning there were a hazardous number of particles in the air smaller than 2.5 micrometers in diameter that doctors said could pose a health risk.

Climate scientists said the recent fires started because a high-pressure ridge parked itself over much of Canada this spring. The ridge blocked rain from falling, turning forests into tinder. They said the fires likely would continue until the rain returns.

—Erin Ailworth  
and Carl Churchill  
contributed to this article.

# Disenchanted Portland Residents Leave the City

BY ZUSHA ELINSON

PORTLAND, Ore.—Mark Rogers has made a list of things he misses about Portland—its vegan restaurants, Powell's bookstore, public transit—and the things he doesn't—having his things stolen, stepping in human excrement, extreme politics.

The 44-year-old artist moved across the country to Fort Wayne, Ind., last year.

"I don't want to talk trash about my home city, even though there's trash everywhere," Rogers said. "I still love Portland even though it's got some problems, and I wouldn't have left if the housing prices weren't so high."

Portland is losing residents for the first time in years. Long known for being clean, safe and hip, Oregon's most populous city is now struggling with serious crime and homelessness issues. Meanwhile, despite the lifestyle problems, housing continues to cost more in Portland than in many other parts of the

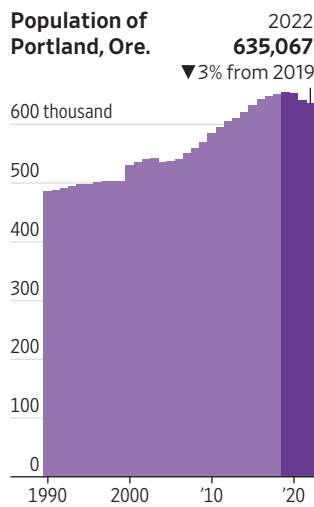
country.

Portland lost nearly 3% of its population between 2020 and 2022, according to the U.S. Census. The drop of about 17,400 to 635,000 was the sixth-largest decline among the 50 largest cities.

Local officials who grappled with a 23% population surge between 2000 and 2020 now find themselves trying to keep residents from leaving. Mayor Ted Wheeler, a Democrat, has come under increasing pressure to address rising violent crime and sprawling homeless encampments.

"Mayor Wheeler absolutely wants to retain and support Portlanders here in the city," a spokesman for the mayor said. "Mayor Wheeler's top priorities remain addressing the homeless crisis, reducing gun violence, improving livability, and strengthening our economy."

Cities across the U.S. are contending with an urban exodus that came with the Covid-19 pandemic. Americans moved to more affordable ar-



Source: Census Bureau

eas in the suburbs and countryside as they sought more space and worked increasingly from home.

The civil unrest that followed the police killing of George Floyd in Minneapolis hit Portland particularly hard. Political infighting between the moderate and progressive wings of the Demo-

cratic Party in Portland grew increasingly bitter. Officials cut police spending and disbanded a unit that was focused on gangs and gun violence in response to protester calls to defund the police. Portland had long been among the safest cities in the country, averaging about 21 homicides a year from 2000 through 2019. Killings rose to record levels during the past two years, however—with 92 in 2021 and 101 in 2022.

Oregon residents voted to decriminalize possession of hard drugs in 2020, leading to more drug use on city streets.

In once-bustling downtown Portland, windows remain boarded up, some storefronts remain empty and open drug use is common. As in other parts of the country, the downtown also has been affected by commuters' slow return to centralized offices.

Some of Portland's more affluent areas have faced the same issues that trouble downtown.

Andrea Lamprecht, 50, a

cardiac nurse, said she was chased by a homeless man while out on a jog in her Alameda neighborhood on the east side of Portland, where the median home price hovers around \$1 million.

She and her husband, Derek Lamprecht, an orthopedic surgeon, had raised their children in Portland. The chasing incident contributed to the couple's decision to move to a quiet rural area about 10 miles outside the city in 2021. "It never felt unsafe before," said Derek Lamprecht. "The character of the city changed."

Wheeler's spokesman said the mayor has taken measures to bulk up the police department along with community-based anti-violence groups. There have been 36 homicides through the first five months of the year compared with 39 in the same period last year.

The city is stepping up its efforts to tackle homelessness, he said, including a new daytime camping ban aimed at keeping the sidewalks clear of tents during the day.



Daniel Penny leaves court after his arraignment in Manhattan.

# Not Guilty Plea in Subway Chokehold Case

BY JAMES FANELLI

The man who placed Jordan Neely in a fatal chokehold on a New York City subway pleaded not guilty to criminal charges Wednesday, in a case that has cast a spotlight on public safety and mental illness in the nation's largest city.

Daniel Penny, a Marine Corps veteran who had been charged with second-degree manslaughter and criminally negligent homicide, entered the plea during his arraignment in a state court in Manhattan after a grand jury voted to indict him earlier this month. State Supreme Court Justice Maxwell Wiley

scheduled procedural deadlines in the case and ordered Penny remain released on \$100,000 bail. Penny's next court appearance is set for Oct. 25.

Neely, a 30-year-old Michael Jackson impersonator who was homeless and had a history of mental illness, was scaring and threatening passengers aboard a moving subway train on May 1 when Penny placed him in a chokehold, according to Manhattan prosecutors.

Penny, 24, held Neely in the chokehold for several minutes—even after the train reached the next station, prosecutors said.

The case has drawn wide

attention. Some progressive officials, including Rep. Alexandria Ocasio-Cortez (D., N.Y.), have said Neely was murdered. Others have helped raise nearly \$3 million for a legal-defense fund for Penny.

Manhattan District Attorney Alvin Bragg said Wednesday, "I hope Mr. Neely's loved ones are on the path towards healing as they continue to mourn this tragic loss."

Steven Raiser, a lawyer for Penny, said outside the courthouse that New Yorkers had a right to defend one another from harm.

"On May 1, 2023, Danny defended his fellow travelers," he said. "Now it's our turn to defend him."

Raiser added that he was looking forward to a Manhattan jury hearing the case because many of the jurors know what it is like to ride the subway.

Neely had struggled with mental illness for several years and had moved in and out of treatment programs, according to his family's lawyers. He pleaded guilty in February to assaulting a 67-year-old woman in 2021. He was placed into a treatment program, but a warrant for his arrest was issued after he failed to appear in court.

Lawyers for Neely's family didn't immediately respond to a request for comment Wednesday.



U.S. NEWS

# Rulings Lift Democrats' Hopes for House Seats

In key decisions, justices reject GOP arguments on congressional maps

By Aaron Zitner

WASHINGTON—Democrats have new hopes of gaining three U.S. House seats in the 2024 elections and offsetting potential Republican pickups as a result of actions in recent days by the Supreme Court.

In one ruling, the justices set the stage for the creation of

additional majority- or nearly-majority-Black districts in Alabama, Louisiana and Georgia, though that outcome isn't assured and is subject to additional court action. Democrats need to gain a net five seats to win control of the House.

Lower courts in the three states have accepted or are considering arguments that existing House maps violate the Voting Rights Act of 1965 by illegally diluting the voting power of Black voters. The Supreme Court this month unexpectedly gave new impetus to plaintiffs in those cases by rul-

ing that the voting rights law required Alabama lawmakers to create an additional majority-Black district. Because Black Alabamians overwhelmingly vote Democratic—while white residents heavily favor Republicans—the decision is expected to shift a House seat.

In a second ruling, handed down Tuesday, the high court affirmed that state courts have the power to determine whether political district maps and voting rules violate state law, rejecting a novel legal theory from North Carolina Republicans that state

legislatures aren't bound by state courts or constitutions.

Together, this month's rulings affirmed the power of two of the most important tools that voting-rights advocates have used to unwind gerrymandered House maps: lawsuits citing state constitutions and remaining provisions of the Voting Rights Act. That law has forced states in many cases to redraw maps when Black or other minority voters are packed into a single district or else spread thinly across several districts, diminishing their power to elect the

candidate of their choice.

Several states with large House delegations are expected to redraw their maps before the 2024 election in attempts to give one party a greater advantage, including Republican-leaning North Carolina and Ohio, and possibly Democratic-dominated New York. But analysts say the court rulings could prompt lawmakers to curtail their most ambitious plans for partisan gains. This could be particularly true in North Carolina, where lawmakers might now be more wary of generat-

ing lawsuits saying the new maps illegally diminish Black voting power.

Still, analysts say, new maps in North Carolina alone could net the GOP as many as four seats, overcoming gains Democrats might make from the Voting Rights Act ruling.

"No one was expecting the Supreme Court to rule as it did in the Alabama case," Erin Covey, an analyst with the nonpartisan newsletter Inside Elections, said. "But now that they have, it kind of evens the playing field on the redistricting front."

## Presumed Human Remains Recovered From Titan

By Talal Ansari

Wreckage from the Titan submersible, including presumed human remains, was handed over to the U.S. Coast Guard after being pulled ashore in Newfoundland, Canada.

The Coast Guard said "debris and evidence" were recovered from the seafloor and would be transported to the U.S. for further analysis.

U.S. medical professionals will analyze the presumed human remains, which were recovered within the wreckage, the Coast Guard said.

Five people died in what was believed to be a catastrophic implosion of the submersible while on an expedition to the wreckage of the Titanic deep in the North Atlantic.

The Titan lost contact with the outside world shortly after the dive began, setting off an urgent aerial and ship-based search. Rescuers combed an area at least twice the size of Connecticut for the 22-foot-long Titan.

Shortly after the submersible's disappearance, a top secret military acoustic-detection system heard what the U.S. Navy suspected was the Titan's implosion, The Wall Street Journal reported. The discovery, relayed to the Coast Guard commander on site, played a role in narrowing the scope of the search.

Using robotic equipment, searchers eventually found the wreckage of the submersible approximately 1,600 feet from the bow of the Titanic. The fatal voyage is under investigation.

The Horizon Arctic, a Canadian ship, was among the rescue teams that deployed a remotely operated vehicle, or ROV, to search for the Titan. A spokesman for Pelagic Research Services, which owns the ROV, said its vehicle "ultimately recovered the wreckage."

Marine Board of Investigation Chair Captain Jason Neubauer said that the evidence will provide critical insight into what happened on the vessel.

"There is still a substantial amount of work to be done to understand the factors that led to the catastrophic loss of the Titan and help ensure a similar tragedy does not occur again," Neubauer said.



An artist's interpretation of pulsars in the Milky Way being affected by gravitational waves produced by a pair of merging supermassive black holes.

## Black Hole in Our Galaxy Is on Crash Course

By Aylin Woodward

Supermassive black holes all over the universe are merging, a fate that will eventually come for the black hole at the center of our galaxy.

These mysterious cosmic structures at the heart of nearly every galaxy consume light and matter and are impossible to glimpse with traditional telescopes.

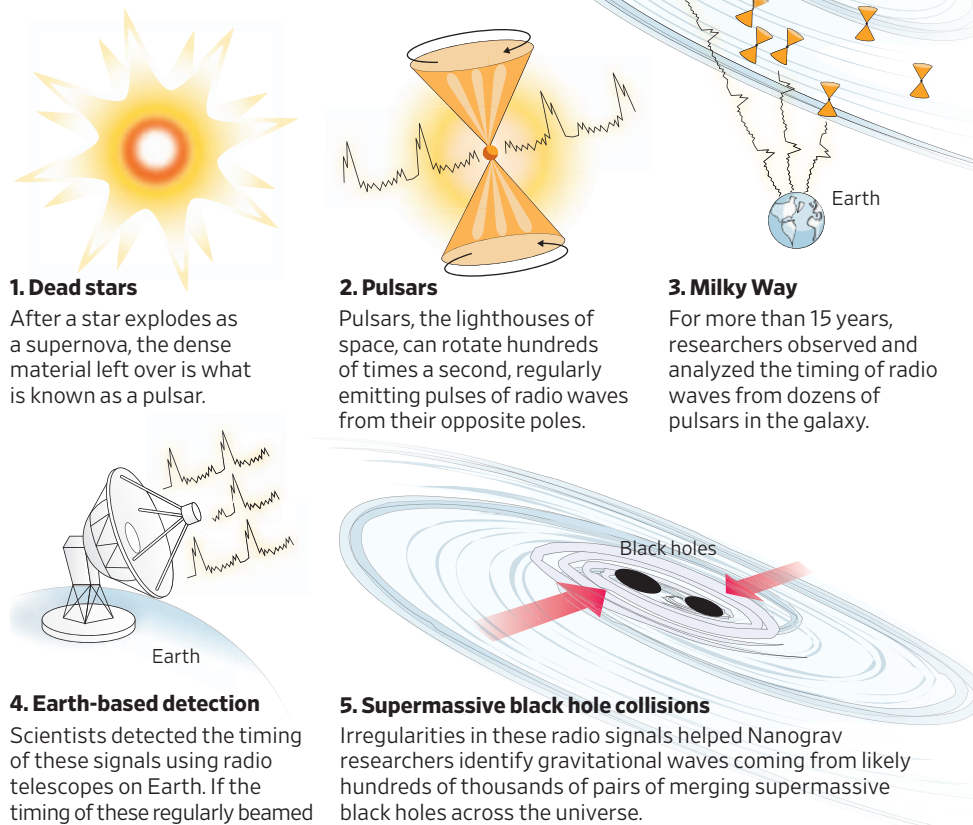
But now, for the first time, astrophysicists have gathered knowledge directly from these titans, in the form of gravitational waves that ripple through space and time. What they learned suggests that the population of massive black hole pairs that are merging numbers in the hundreds of thousands—perhaps even millions. The gravitational waves from these mergers are all contributing to an underlying background hum of the universe that researchers can detect from Earth.

The findings, from a collaboration of more than 100 scientists, help confirm what will one day happen to the supermassive black hole at our galaxy's center known as Sagittarius A\*, as it crashes into the black hole at the heart of the Andromeda galaxy.

"The Milky Way galaxy is on a collision course with the Andromeda galaxy, and in about 4.5 billion years, the two galaxies are set to merge," said Joseph Simon, a University of Colorado, Boulder, astrophysicist and a member of the North American Nanohertz Observatory for Gravitational Waves, or Nanograv, which helped lead the new work with support from the National Sci-

### Colliding Supermassive Black Holes

Scientists at the North American Nanohertz Observatory for Gravitational Waves, or Nanograv, led an international effort to detect gravitational waves from two supermassive black holes combining for the first time. Here is how they made their discoveries:



Source: North American Nanohertz Observatory for Gravitational Waves (Nanograv)

Kevin Hand/THE WALL STREET JOURNAL

ence Foundation.

That merger, he said, will eventually result in the black hole at the center of Andromeda and Sagittarius A\* sinking into the center of the newly

combined galaxy and forming what is known as a binary system. The results were announced in a series of papers published Wednesday in the *Astrophysical Journal Letters*.

"Before now, we didn't even know if supermassive black holes merged, and now we have evidence that hundreds of thousands of them are merging," said Chiara Min-

garelli, a Yale University astrophysicist and another member of Nanograv.

The new work could answer questions such as how these black holes grow, and how often their host galaxies merge, the researchers said.

If scientists understand more about the history of merging supermassive black holes, it could help reveal how they form in the first place, said Masha Baryakhtar, a physicist at the University of Washington in Seattle, who wasn't involved in the research.

Essential to these findings is the detection of elusive gravitational waves, and understanding how they are produced.

Any object with mass that is moving causes these waves—invisible distortion in time and space that were first theorized by Albert Einstein in 1916 but not detected until roughly 100 years later. (Imagine the universe as a trampoline rippling as a bowling ball rolls around on the surface.) In 2015, scientists used the ground-based Laser Interferometer Gravitational-Wave Observatory to detect how short, high-frequency gravitational waves from one merger between less massive black holes jiggled the Earth by less than the width of a single subatomic particle. The effort won them a Nobel Prize.

There are still other things in the universe producing gravitational waves that haven't been detected yet, according to Julie Comerford, an astrophysicist at the University of Colorado, Boulder, and Nanograv member. One of those other sources, she said, could be ripples in space time from the big bang itself.

## China Spy Balloon Had U.S. Tech

Continued from Page One

tended for spying, not weather monitoring as Beijing has said. The officials described the Chinese balloon, with its mix of off-the-shelf and specialized equipment, as an inventive attempt by Beijing at surveillance.

While the balloon took in data during its eight-day passage over Alaska, Canada and a swath of contiguous U.S. states, the craft didn't appear to send that information back to China, the officials said. The

officials declined to say whether the craft malfunctioned, though the Pentagon has said the U.S. military employed countermeasures to prevent information collection by the balloon.

The balloon's detection and shutdown derailed a fledgling effort at rapprochement between Washington and Beijing, leading to recriminations and compounding distrust and tensions between the two powers. Only in recent weeks have the Biden administration and China's Communist leadership begun a fragile reset, with both suggesting they want to consign the balloon to the past.

President Biden this month called the balloon "more embarrassing than it was intentional" for the Chinese leadership.

As long as it doesn't happen again, "that chapter should be closed," Secretary of State Antony Blinken told NBC last week during a visit to Beijing rescheduled after he postponed a February trip over the balloon.

Meanwhile, Chinese officials have expressed concern that should the U.S. investigators' report on the balloon become public, Beijing will be forced into a strong reaction, potentially derailing high-level engagement. Treasury Secretary Janet Yellen is expected to travel to Beijing early next month, following a course set by Blinken, and both governments are trying to engineer a meeting between Biden and President Xi Jinping of China later this year.

The White House and the agencies involved in the inves-

tigation declined to comment. Parts of the U.S. military, including the Defense Intelligence Agency, wanted to put on public display parts of the balloon's debris, the officials said.

So far, the administration has decided to not publicly share its findings on the balloon, one of the officials said.

Members of Congress have been pressuring the administration for what it knows about the balloon's capabilities and why it permitted the craft to pass over bases for intercontinental ballistic missiles and other potentially sensitive military facilities.

After the Air Force shot down the balloon off the coast of South Carolina on Feb. 4, the FBI initially led the examination of the recovered debris. The Defense Intelligence

Agency, among others, also got involved for expertise on military-related equipment, the officials said.

The DIA declined to comment, saying "the investigation is still ongoing." The FBI declined to comment. The State Department and U.S. Northern Command, which is responsible for U.S. military operations in North America and detected and tracked the balloon, referred questions to the Office of the Director of National Intelligence, which declined to comment.

Preliminary findings of the investigation, however, have been circulated within intelligence and defense agencies beginning in the second half of March, the officials said.

Suspended from the balloon, the officials said, was a satellitelike device with sen-

sors, solar panels for power and other devices to scoop up photos, take videos and capture radar data.

With a propeller, the craft could maneuver and loiter over a site for long periods, depending on weather, the officials said.

A further scouring of the debris gave the U.S. information about how the balloon worked, how it was controlled and supposed to transmit data and the sensors on it, the officials said.

China's Foreign Ministry has accused the U.S. of hyping the balloon. A ministry spokeswoman last week reiterated the line Beijing has taken since February that the balloon was a civilian craft that was blown off course.

—Aruna Viswanatha contributed to this article.



-150m  
-500ft

-300m  
-1000ft

-600m  
-2000ft

-1200m  
-4000ft

-6000m  
-20000ft

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PRECISION AT EVERY LEVEL

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## U.S. NEWS

## FTX in Talks Over A Reboot

Continued from Page One  
 interest this week to the company and its advisers, people familiar with the matter said.  
 “I find the restart of FTX a pretty tall order given the recent enforcement actions against U.S. crypto companies and the major reputational damage FTX has suffered,” said Thomas Braziel, partner at 507 Capital, a fund that has become a creditor to bankrupt crypto companies including

FTX and Celsius after buying tens of millions of dollars of customers’ claims.

In January, Ray told The Wall Street Journal that despite alleged criminal conduct at FTX, customers and other stakeholders said the exchange’s business model was fundamentally viable, and he was setting up a task force to explore the exchange’s restart.

FTX is trying to come up with a reorganization plan that keeps its flagship exchange alive in the hopes that will be a better outcome for its millions of customers than closing down. But amid a growing crackdown on crypto by U.S. regulators and new allegations of past misconduct at FTX, participants in the exchange’s bankruptcy said a re-

start is far from guaranteed.

FTX’s efforts to reboot will unfold as U.S. regulators, who have criticized the business models of some of the crypto sector’s largest companies, move to rein in the industry.

This month, the Securities and Exchange Commission sued Binance, the world’s largest crypto platform, and Coinbase, the biggest U.S. platform, separately, alleging they operated as securities exchanges without properly registering their business with the SEC.

FTX’s restart is in part

predicated on the exchange’s ability to recover misspent customer funds, which it could use to return some of the \$11 billion that customers believed was safely stored on the exchange. Those efforts so far have proved a challenge.

## FTX’s restart relies on the exchange’s ability to recover misspent funds.

Investigations overseen by Ray uncovered details of how FTX spent customer funds without their knowledge, making multimillion-dollar investments that ranged from Robinhood Markets, the publicly traded stock-market app, to Modulo Capital, a little-known cryptocurrency

hedge fund started by associates of FTX co-founder Sam Bankman-Fried.

Ray and his legal and financial advisers have hinted that much of the misappropriated money might be impossible to get back. In its first months after taking over, Ray’s team completed a forensic audit of FTX’s assets and identified a shortfall of about \$9 billion owed to customers on its main international exchange, based on \$2 billion of assets and \$11 billion owed to customer accounts.

To plug the \$9 billion shortfall, FTX’s managers have been selling assets and seeking to recover donations and investments made with customers’ cash. However, many of the investments made by Bankman-Fried in the months before the

exchange collapsed are proving to be worth substantially less than FTX paid for them.

The company recently received approval to sell U.S. derivatives exchange LedgerX for \$50 million, a fraction of its original purchase price of \$298 million. FTX is trying to claw back funds from stock-trading platform Embed, which it bought for \$240 million last year. Today, FTX’s managers estimate Embed could be sold for no more than \$1 million.

One of the largest pools of crypto assets that could be distributed to customers is FTT, FTX’s own in-house token. Without a revival of the exchange, the FTT tokens likely could end up being worthless.

—Peter Rudegeair  
 contributed to this article.

## U.S. WATCH



Airport and emergency personnel were on the scene Wednesday after a plane touched down without its nose landing gear deployed at Charlotte Douglas International Airport in North Carolina.

NORTH CAROLINA  
Gear Snafu on Plane Landing

A Delta Air Lines flight made an emergency landing at Charlotte Douglas International Airport on Wednesday after the plane’s nose landing gear didn’t deploy.

The plane had 96 passengers and five crew members on board. There were no reported injuries.

Delta sent an operations-recovery and flight-safety team to Charlotte to recover the aircraft. The National Transportation Safety Board and the Fed-

eral Aviation Administration said they were investigating. Delta said it was cooperating.

Delta flight 1092, a Boeing 717, departed Hartsfield-Jackson Atlanta International Airport at 7:25 a.m. ET, heading to Charlotte when the pilots received a “nose gear unsafe” alert during their approach to the airport, Delta said.

Before arrival, the flight crew flew by the airport’s air-traffic control tower to allow officials there to inspect the plane, which showed the nose landing gear doors were open and the nose gear itself in the up position.

—Wendy Guzman

OBITUARY  
Ex-Connecticut Sen. Weicker, 92

Lowell P. Weicker Jr., a Republican U.S. senator who tussled with his own party during the Watergate hearings, championed legislation to protect people with disabilities and later was elected Connecticut governor as an independent, died Wednesday. He was 92.

Weicker’s death at a hospital in Middletown, Conn., after a short illness, was confirmed by his family in a statement released by a spokesperson.

With a 6-foot-6-inch frame

and a shoot-from-the-hip style, Weicker was a leading figure in Connecticut politics from his first election to the General Assembly in 1962 until he decided against running for a second term as governor in 1994.

Nationally, Weicker’s political marquee burned brightest during the 1973 hearings of the Senate’s special committee on Watergate. One of three Republicans on the seven-member panel, the freshman senator wasn’t afraid to criticize President Richard Nixon, his own party or the attempted coverup.

—Associated Press

WASHINGTON, D.C.  
Healthcare Fraud Targeted

The Justice Department said federal and state charges were filed in recent weeks against 78 defendants, including physicians and business executives, in connection with allegations of more than \$2.5 billion in attempted healthcare fraud.

Officials said the accused made off with about \$1.1 billion by filing bogus claims to Medicare, state Medicaid programs and supplemental Medicare insurance programs offered by

private insurers. The cases include alleged schemes targeting some of the most vulnerable patients in the healthcare system, including the elderly and disabled. “The Justice Department will find and bring to justice criminals who seek to defraud Americans and steal from taxpayer-funded programs,” Attorney General Merrick Garland said.

The Justice Department seized or froze millions of dollars worth of assets including automobiles, cash and real estate as part of the enforcement action, officials said Wednesday.

—C. Ryan Barber

## FROM PAGE ONE

## Snooping Goes Legit At Cup

Continued from Page One  
 mada of chase boats and slashing the number of covert operatives on the payroll.

Now overt, the operatives work in groups of two. One drives a high-performance motorboat, the other takes photos, readings and video recordings. The captured intel goes to a central repository shared with all teams—and the general public.

“It just struck me as a bit of a ridiculous situation, where every team has a team following every other team, all gathering exactly the same information,” said Dan Bernasconi, chief technology officer for defending champion Emirates Team New Zealand, and architect of the program.

That marks a big change for the trophy known as the Auld Mug—one of the oldest in international sports—where yachting etiquette has always tolerated a certain amount of snooping around.

The winner of the roughly quadrennial sailing competition plays a key role in setting the general design of the boats used in the next contest, but the rules allow enough

leeway that technological edges can swing the competition. In 2017, for example, New Zealand upset the defending champion U.S. team in part by installing bicycles on their boat to power its control systems—and bringing in an Olympic bronze-medal cyclist to help pedal. Equally as important as the technological edge was making sure their competitors didn’t catch onto their advantage and copy it.

Some clandestine operations have gone further than others. In the 1980s, Boston reporters stole and published what they thought were plans for a famed Scottish designer’s boat. In fact, he foiled them with a decoy, said R. Steven Tsuchiya, chair of the America’s Cup Hall of Fame selection committee.

A century later, the shrouding of Australia II’s mysterious keel drove Canadian frogmen to try some underwater photography. Security spotted a diver coming out of the water. Doug Riggs’s “Keelhauled: Unsportsmanlike Conduct and the America’s Cup,” recounts how an inflatable British boat nicknamed the Rubbers so persistently that sailors dragged fishing line to try to foul its propeller. Then they fired a mock warning shot with a starting cannon.

By the 1990s, espionage was a regular job. One operative—discovered in 2009 taking photos near the Swiss



Cyclists helped power the Emirates Team New Zealand yacht’s control systems in 2017.

team’s base on Lake Geneva—said in court papers he worked for Larry Ellison’s U.S.-based BMW Oracle Racing team as a sail analyst earning around \$13,000 a month. He also noted he didn’t think he’d violated any laws or America’s Cup traditions.

“Spying has been pretty much an integral part of every one I’ve witnessed,” Tsuchiya said.

Ray Davies, a Cup-winning coach and sailor for ETNZ, said one of his favorite recent operations involved sending observers disguised as tourists to pretend to get off cruise ships near the American base in Bermuda.

“We were getting really good photos of Oracle that way,” he said.

Few know better than the Kiwis how much intelligence can matter: Some team mem-

bers are still kicking themselves after the viral spread of a grainy photo of their 72-foot catamaran soaring above the waves on underwater wings called hydrofoils a decade ago spurred other teams to develop hydrofoils of their own.

New Zealand lost that Cup to the U.S. by one race. Hydrofoils are now standard. So are the bicycles that helped the Kiwis win the rematch off Bermuda in 2017.

“We did that really well with the bikes, kept that under wraps until the very end,” Davies said. “That was a key winning factor in Bermuda.”

Bernasconi, a former engineer with the McLaren team in Formula One, said he came up with the intelligence-sharing effort because the fleet of recon vessels circling each team’s daily sea trials seemed a waste of manpower and fuel,

and increasingly unsafe. He also thought the increased visibility would help fans and media keep up in the years between regattas.

Because winners host the next competition and play a major role in setting the rules, ETNZ’s victory off Auckland in 2021 provided an opportunity to do something about it. Now, each team contributes a member to an oversight panel. The panel chooses the spies following each team, with those-to-be-surveilled abstaining. All other forms of espionage are prohibited.

The syndicates then provide the spies trailing them with their chase boats.

And paychecks. “Each team basically pays for the days the recon unit following them is doing,” said Bernasconi. “So the more sailing we do, the more we have to pay the recon team to spy on us.”

Rodney Ardern has been a Cup sailor and multiple winner since the early 1990s, when recon helicopters whirled above practice. Teammates once caught a diver lurking beneath the launch to photograph their vessel’s undercarriage, then paraded him through the base in a wetsuit. Ardern had already started talking about doing recon for the Swiss Alinghi Red Bull Racing team when the new protocol was released.

“I was like, ‘Oh well, I guess I’m out of a job,’” he said. Instead, he became a spy-

master—Alinghi’s representative on the recon panel. As a team new to the hydrofoiling 75-footers under development for the regatta, the intelligence has particular value.

“There’s a full-time job just going through the thousands of photos and deciphering what’s good, bad and useless,” he said.

One group delighted with the new transparency: fans. Generations of boats were built and tested in secret around the world, hidden from view behind high fences and nondisclosure agreements. Now those eager to geek out on bleeding-edge developments in sailing—or just watch the boats capsize—can do it in near real-time.

Tom Morris is a U.K. dinghy-sailing champion and YouTube creator, whose Muzzy Sails broadcasts analysis of the boats’ hulls, foils, sails and systems to around 25,000 subscribers. Last Cup, he only ramped up once racing started—there just wasn’t enough material available in advance. And what videos and images he could find often were highly stylized, or blurred out key details.

Now he posts regular analyses, with titles such as “America’s Cup Winner Returns...here’s what she’s hiding.”

“It’s been fantastic to get this level of access and discussion at a time in the Cup cycle when teams would normally be silent,” Morris said.



# Seamaster



## PRECISION AT EVERY LEVEL

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Co-Axial Master Chronometer

Since 1948, the Seamaster has served every kind of ocean adventurer from solo free divers to entire racing yacht crews. Continuing this fine tradition is the 38 mm Aqua Terra Co-Axial Master Chronometer in steel, with a new dial in sun-brushed Summer Blue, varnished with a gradient finish to reflect its water resistance of 150M. A special seahorse logo on the back marks the 75th anniversary of our oceangoing icon. Signifying our proud past and enduring commitment to delivering new levels of depth-defying precision.

Ω  
OMEGA



## WORLD NEWS

## Putin's Inner Circle Backs Him, for Now

Following mutiny, weakened president is likely to shuffle army, security chiefs

By ALAN CULLISON

For decades, Russian President Vladimir Putin has assembled a kitchen cabinet of security advisers from his native St. Petersburg to tighten his grip over Russia, manage its factions, and build a vast security apparatus to support an imperialist vision that led to his invasion of Ukraine.

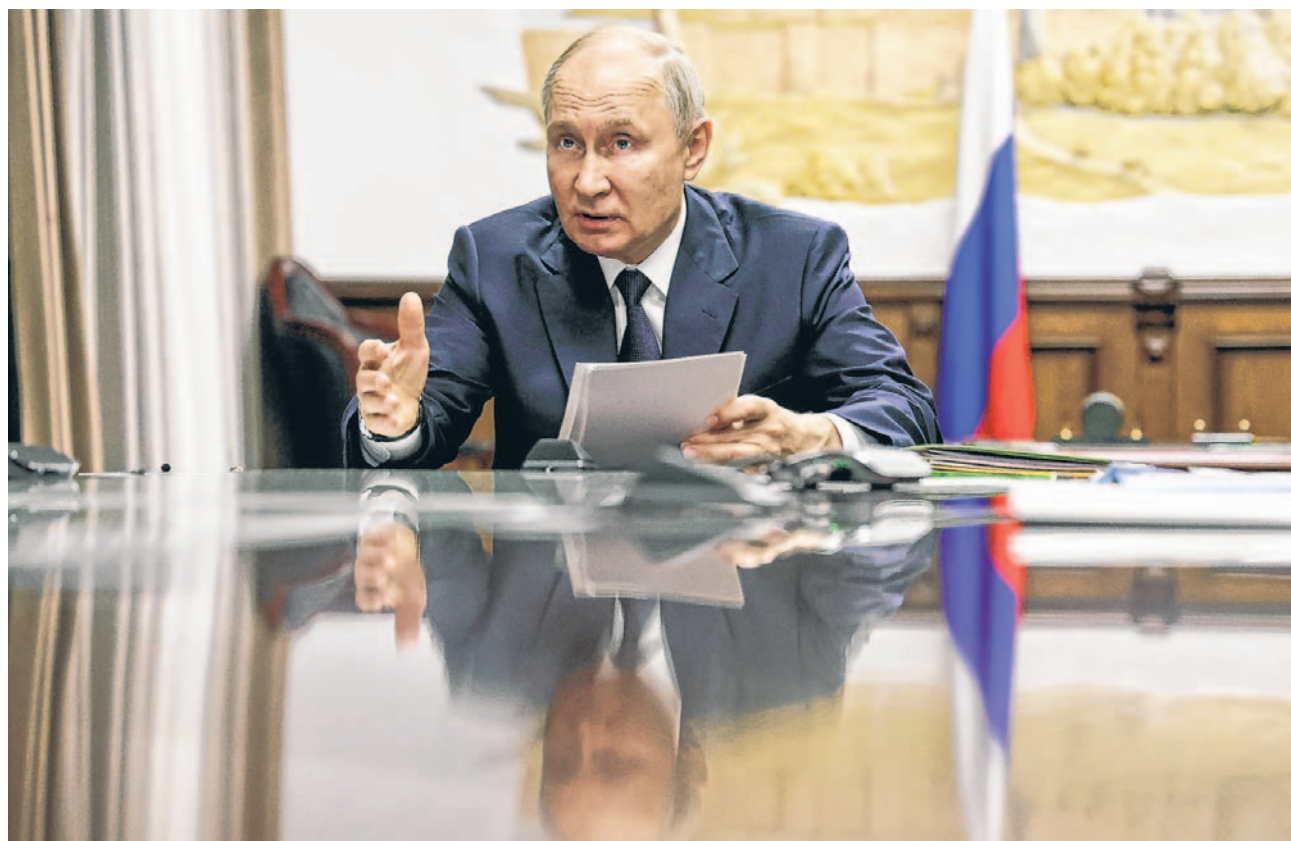
But Putin's image was dented by the abortive mutiny of mercenaries over the weekend that exposed his frailties as a leader—especially when it comes to keeping his protégés from devouring one another.

For now, the power brokers Putin installed in the Kremlin are rallying around him, closing fissures opened by the debacle. But long-simmering resentment about the war in Ukraine, along with rounds of finger-pointing and recriminations inside the Kremlin, could open a power vacuum that disgruntled advisers could exploit, Russia experts say.

"Any Russian leader must be able to do three things to keep the confidence of the elites—protect them from external enemies, protect them from the Russian people, and protect them from each other," said Thomas Graham, a distinguished fellow at the Council on Foreign Relations and former national-security adviser on Russia to the George W. Bush White House.

"He's not performing two of these tasks well—they're not doing well against the external enemy of Ukraine, and he's not handling competition in the elites," Graham said. "He's not forcefully resolving things."

Putin has, during his 23-year reign, surrounded himself with technocrats and career security-service professionals, many of whom he has known for decades and for now have too much to lose to consider challenging him.



Russian leader Vladimir Putin in Derbent on Wednesday. Below, Russian Security Council Secretary Nikolai Patrushev, left, and Alexander Bortnikov, director of the Federal Security Service, attended a Kremlin meeting in Moscow this week.

Putin, like other past Kremlin leaders, must rule over Russia's elites not by the rule of law but by a more atavistic code that is based on fealty and fear. For most of his rule, he has skillfully managed his underlings, partly by pitting one against another. But Kremlin watchers say Putin has become increasingly detached and isolated, consorting with a narrowing coterie of like-minded advisers, depriving him of the information he needs to run the country properly.

The security-service cadres are the ones he must rely upon but also worry about: They protect his order but have the guns to overthrow it. In key security-service positions, Putin has appointed cronies from St. Petersburg, his native city, whom he knew from his own work in the Soviet-era KGB and the mayor's office in the 1990s.

They include Alexander Bortnikov, head of the Federal Security Service, or FSB, Russia's



successor to the KGB, who spent decades in St. Petersburg in the security services before he was called to Moscow early in Putin's presidency. Nikolai Patrushev, secretary of Russia's powerful security council, has known Putin since they worked together as fledgling KGB officers in the 1970s, and succeeded

Putin as head of the FSB in 1999 when Putin was appointed prime minister.

The mutiny within his own military, likely to reinforce Putin's paranoid style of ruling, presents a unique problem for Putin because the leader of the revolt, Wagner founder Yevgeny Prigozhin, is a confidant from St. Petersburg in the 1990s and a mon-

ster of Putin's own making. For years, the Kremlin used Wagner for hacking and military operations abroad that the Russian government could plausibly deny.

Prigozhin's attack on the Russian military appears to be a coda to his role in the Ukraine war, where the Kremlin enlisted Wagner to spearhead some of the costliest assaults.

Resentments over massive losses and military setbacks in Ukraine, which have chipped away at Putin's standing, helped fuel the popularity of Prigozhin, who revealed in his role and became a hero to Russians disgruntled by alleged mendacity and sloth in Russia's military commanders. Prigozhin was given free rein to build a personality cult despite his repeated insults and slights to Russia's defense officials.

His decision to go rogue over the weekend and march to the southern Russian city of Rostov,

seizing a military headquarters and shooting down aircraft, appeared to take Putin by surprise. He waited more than 12 hours before he appeared on TV to denounce the foray, calling it a "stab in the back" of Russia. He appeared flustered and angry on TV again on Monday, denouncing the move without mentioning Prigozhin's name. Prigozhin's troops were given a general amnesty, and he decamped to Belarus, authorities there say.

After the speech, Mikhail Kasyanov, who served as Putin's prime minister from 2000 to 2004, told CNN that Russia's elites are beginning to see Putin "not as a moderator, not a protector of their interests anymore, but as a weak leader who is not a leader anymore."

Alexander Gabuev, director of the Carnegie Russia Eurasia Center, said Putin likely would try to overcome perceived weakness by shuffling senior ranks in the army, security agencies and law enforcement.

The shuffling is likely to hit the Kremlin as well, where Putin will be pressing officials about how much they knew in advance about Prigozhin's plans and why he wasn't stopped.

"Putin will be asking questions about the loyalty of people around him," said Graham, who added that "somebody has to take the blame."

But he said Putin will have to tread lightly, because "the elite will be asking how strong Putin is and how safe they are with him running the country."

Gabuev, of the Carnegie Eurasia Center, said that although some of Putin's elite might oppose his handling of the revolt, and even the war in Ukraine, none dare say it.

"They are too distrustful of each other and managing their own affairs. They don't want to stick their neck out," Gabuev said. "That's exactly the lack of social cohesion, including on the elite level, that allows autocrats like Putin to hold power in Russia."

—Georgi Kantchev and Matthew Luxmoore contributed to this article.

## Russian Turmoil Undercuts China's Diplomatic Push

By BRIAN SPEGELE

**BELJING**—A short-lived insurrection against Russia's government by a paramilitary group—along with the fragility it has highlighted in Moscow—injects new risks into China's relationship with its main partner in challenging the U.S.-led global order.

Since emerging from three years of zero-Covid isolation this year, China has been on the front foot on the global

diplomatic stage, asserting itself in bolder ways to match its stature as the world's second-largest economy.

In the first few months of 2023, Beijing brokered a surprise deal to restore diplomatic ties between rivals Iran and Saudi Arabia; offered to help facilitate peace talks between Israel and the Palestinian territories, as well as Ukraine and Russia; and advanced new development and security initiatives touting leader Xi Jinping's

vision of an international order that stands up to what he sees as U.S. hegemony.

Along the way, Beijing has aligned itself more closely with Moscow in an effort to blunt pressure from a U.S.-led coalition of democracies. Despite historical tensions between their countries, Xi and Russian President Vladimir Putin have forged closer ties with the shared belief that the U.S. and its allies seek to contain them.

Now, the turmoil caused by the Wagner paramilitary group's mutiny has added to pressure on Putin at home and raised fresh questions about Russia's ability to sustain its war effort in Ukraine. That has made Xi's ties with him look increasingly like a liability, undercutting the image of two strong neighbors who are in close alignment.

"For Xi and China, Russian internal turmoil and stumbles in the face of successful Western-backed Ukrainian military opposition and sanctions will

further threaten greater isolation," John K. Culver, a former Central Intelligence Agency officer, wrote for the Atlantic Council think tank, where he is a nonresident senior fellow.

For China, "a pragmatic option would be to reduce tensions with the United States and Europe, but Xi has proven to be more ideological than his recent predecessors," he said.

Beijing has shown no sign that it is backing away from Putin. China's Foreign Ministry

affirmed over the weekend that it "supports Russia in maintaining national stability." It sidestepped questions this week about whether Xi and Putin have spoken in recent days about the Wagner insurrection.

In a sign of the continued close bilateral ties, Russian Deputy Foreign Minister Andrey Rudenko went ahead with a pre-planned trip to Beijing this week, even as Moscow struggled to stabilize itself after the turbulence of the Wagner uprising.

## Ukraine Marks Constitution Day as War Rages



KICKING UP THEIR HEELS: People perform traditional Ukrainian dances during a celebration of the nation's Constitution Day in Lviv on Wednesday. The holiday commemorates the anniversary of parliament's approval of the constitution in 1996.

## Series of Phone Calls Led to End of Uprising

By YAROSLAV TROFIMOV

Belarusian President Alexander Lukashenko in Minsk has offered insights into the drama that unfolded in Russia on Saturday, saying Vladimir Putin called him that day shortly after the Russian president vowed to crush the rebellion by the Wagner paramilitary group.

The Belarusian president said he advised caution, offering to speak with Wagner's owner, Yevgeny Prigozhin. "It's pointless, he's not even picking up," Lukashenko said Putin replied.

"A bad peace is better than a good war. Don't rush," Lukashenko said, and asked for Prigozhin's number.

No one seemed to have a way of reaching Wagner's owner, even after Lukashenko worked the phones with the head of Russia's Federal Security Service, Alexander Bortnikov.

By then, Prigozhin had released a video of himself in the Rostov military headquarters with the Russian deputy minister of defense, Yunus-Bek Yevkurov, after the group took control of the southern Russian city. Lukashenko said he called Yevkurov, who just passed his phone to Prigozhin. "[Prigozhin] was in total euphoria. In the first round, our conversation was just curses for 30 minutes," Lu-

kashenko recalled, saying Prigozhin was in a "half-mad state" and appeared to be under heavy influence of Wagner's commanders.

As Prigozhin insisted to the Belarusian president that he would head toward Moscow, Lukashenko said he warned Wagner's owner that he would be "crushed like a bug." Putin, Lukashenko said, wouldn't accept Prigozhin's demands to replace the minister of defense, but would be willing to guarantee Wagner's safety.

Lukashenko said he told Prigozhin that a defensive line was being created on the approaches to Moscow, and if a Wagner column reached that far, bloodshed couldn't be stopped.

By 5 p.m., Lukashenko said, Prigozhin accepted conditions negotiated by Minsk but needed to hear reassurances from Russia's FSB head, Bortnikov, who wouldn't take his calls. Wagner's fear was that, if it stopped the movement, it would become easy prey for the Russian air force.

Lukashenko said he had to get Bortnikov on the line once again, persuading him to answer Prigozhin's call.

"There are no heroes in this matter," Lukashenko added. "Don't make a hero out of me, out of Putin, or out of Prigozhin, because we have let the situation spin out of control."



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WORLD NEWS

# Kremlin Knew Plan In Advance

*Continued from Page One*  
 mander of the National Guard of Russia, a domestic military force that reports directly to President Vladimir Putin, also said authorities knew about Prigozhin's intentions before he launched his attempt.

"Specific leaks about preparations for a rebellion that would begin between June 22-25 were leaked from Prigozhin's camp," Zolotov told state media on Tuesday.

Western intelligence agencies also found out early about the plans by Prigozhin, Putin's former confidant, by analyzing electronic communications intercepts and satellite imagery, a person familiar with the findings said. Western officials said they believe the original plot had a good chance of success but failed after the conspiracy was leaked, forcing Prigozhin to improvise an alternative plan.

Still, the intelligence raises questions about the extent of Putin's authority after Moscow failed to prevent Wagner troops from marching almost all the way to Moscow despite the Kremlin's knowledge of the conspiracy, people familiar with the matter said.

Prigozhin's plot relied on his belief that a part of Russia's armed forces would join the rebellion and turn against their own commanders, according to this intelligence. The preparations included amassing large amounts of ammunition, fuel and hardware including tanks, armored vehicles and sophisticated mobile air defenses days before the attack, according to Western intelligence findings.

Made aware of the leak, Prigozhin was then forced to act sooner than planned on Friday and managed to capture the southern Russian city of Rostov, a key command point for the invasion of Ukraine. The ease with which Wagner's troops took the city suggests some regular-forces commanders could have been part of the plot, according to Western intelligence.

Western officials said they believe Prigozhin had communicated his intentions to senior military officers, possibly including Gen. Sergei Surov-



Wagner owner Yevgeny Prigozhin, right, posed for a selfie photo with a well-wisher in Rostov, Russia, on Saturday.

kin, commander of the Russian aerospace force. It couldn't be determined whether Surovkin passed this information on to the FSB, or how the agency found out about Prigozhin's plans.

In Washington, U.S. officials said it appeared that Surovkin might have been sympathetic to Prigozhin's aims, but not necessarily supportive of or involved in the mutiny.

Surovkin, who hasn't been seen since Saturday, was the first senior commander to condemn the plot on Friday and urge Prigozhin to stop his men. Forces under Surovkin's command carried out airstrikes on

the Wagner column, the only such attack by regular troops against the insurrectionists.

Other Russian generals also might have backed Prigozhin's plans to shake up the Russian military's high command, U.S. officials said, giving the Wagner leader the confidence to begin his rebellion.

Kremlin spokesman Dmitry Peskov dismissed the reports about Surovkin, published earlier by the New York Times, as speculation and gossip on Wednesday.

Videos posted online by local reporters and bystanders showed Wagner vehicles streaming into Rostov early

Saturday. Prigozhin appeared in footage as he entered the headquarters of Russia's Southern Military District, berating Russia's deputy minister of defense, Yunus-Bek Yevkurov, and the deputy head of Russian military intelligence, Lt. Gen. Vladimir Alekseyev.

After taking the command point without facing resistance, Prigozhin ordered a few thousand men to head to Moscow while he commanded the rebellion from a bunker in Rostov, hoping regular forces would join his quest to topple the military leadership.

The plot would likely have ended in an armed standoff in Moscow if President Alexander Lukashenko of Belarus hadn't offered to mediate, according to the Western intelligence analysis.

Lukashenko suggested hosting Wagner in his country, partly to bolster his own security against possible encroachment by Russia, according to Western intelligence. Putin has long sought to absorb Belarus.

The permanent stationing of Wagner troops agreed as part of the deal to defuse the crisis is meant to serve as Lukashenko's personal security guarantee, Western intelligence said they believe.

Wagner troops faced little pushback on their way to Moscow. There is no evidence that any regular forces switched sides to join them, and some U.S. officials said the help Prigozhin expected in Moscow failed to materialize, forcing him to abort the march to the Russian capital.

Days after the events, the U.S. government is still trying to understand the contours of the mutiny and details of the deal, U.S. officials said.

While Shoigu's position might be safe for now, as Putin doesn't want to be seen firing him under pressure, the defense minister might eventually be ousted, officials said.

Among the likely complications for Western spy agencies, former intelligence officials and Russia analysts said, would be discerning the meaning of intercepted conversations prior to, during and after the rebellion. While some messages might look like idle venting of frustrations about the Russian military to one set of eyes, they could appear to another as awareness of or even involvement in planning operations, they said.

—Warren P. Strobel, Nancy A. Youssef and Dustin Volz contributed to this article.

# Putin Seeks Control of Wagner

*Continued from Page One*  
 cording to diplomats and intelligence officers, Wagner defectors, people briefed on the conversations and a review of international flight data. From now on, however, in Moscow's preferred outcome, those operations would be under new management.

Russia, which for years denied any association with Wagner, appears to be trying to take over the far-flung mercenary network managed by Prigozhin and his lieutenants. After Saturday's failed mutiny, it isn't clear how much it can or how quickly.

"Wagner helped Russia build its influence, and the government is loath to give it up," said J. Peter Pham, former special envoy for the West African Sahel region. "Wagner gave the state deniability. The question is whether they can manage its complexity and deal with additional scrutiny."

At minimal cost and at an arm's length, Wagner helped the Kremlin amass international influence and collect revenues, managed by Prigozhin's holding company Concord and a network of shell companies that helped funnel funds to the Kremlin, according to Western officials and documents viewed by The Wall Street Journal.

## Big money

Wagner companies generate hundreds of millions of dollars a year in Africa, a crucial source of funding to maintain both Russia's influence on the continent and to finance operations in Ukraine, Western officials said. The group's sources of income include exports of Sudanese gold to Russia, as well as diamonds from the Central African Republic to the United Arab Emirates and wood to Pakistan, these officials said.

For years, Wagner Group has worked as a security force for autocratic regimes across the Middle East and Africa, and, more recently, it has been tiptoeing toward Latin America and the Caribbean.

Wagner's mercenaries—backed by political strategists, financiers and geologists to prospect for mineral resources—have become entrenched in Mali, Syria and the Central African Republic. The group has offered help suppressing antigovernment protests in Venezuela and Sudan.

Prigozhin's associates had planned a secret trip to Haiti, as late as February, to offer their services to the government, which is struggling to keep control of Port au Prince, according to classified U.S. military documents leaked onto the videogame chat group Discord. Haiti's foreign ministry didn't return a request for comment.

Around 6,000 or so Wagner personnel perform varied work outside of Russia and Ukraine—from safeguarding



Clockwise from top, Wagner fighters exiting Russian military headquarters Saturday in Rostov; police guarding Wagner's office in St. Petersburg; Wagner ad coming down.

mines and politicians in the Central African Republic, whose civil war dates back a decade—to defending oil wells and government-held territory in Syria.

In Mali, Wagner fighters, backed by Russian-made jet fighters and helicopters, deploy alongside Malian soldiers to Saharan villages falling under the sway of Islamists. Militants have battled the state since 2012.

## Jump ball

The fate of Wagner operations now hinges on whether the Kremlin can simultaneously marginalize Prigozhin and maintain the empire he built on three continents.

Some national security officials, sizing up the prospects, say Washington may have an opening to regain influence on a continent where Russia and China have been digging in.

The Biden administration and European governments have been pushing leaders in Africa to stop working with Wagner and have been tightening sanctions on the group. In January, CIA director William Burns pressured a top

Libyan commander to expel Wagner, amid fears the group could tap in to the country's oil riches.

The Treasury Department designated Wagner as a transnational criminal organization over its actions in the Ukraine war on behalf of Russia.

The U.S. levied sanctions Tuesday against Africa-based gold firms allegedly used by Wagner to help fund its fighting in Ukraine. A State Department spokesman said more actions were coming.

After years denying any Kremlin connections to Wagner, Putin said on Tuesday that the group had been financed by the Russian state for the year ending in May.

In the Central African Republic, the Russian defense ministry—which first sent Wagner there in 2018—is paying for 3,000 of Prigozhin's mercenaries, said Fidèle Gouandjika, the nation's presidential security adviser.

The governments of Mali and Sudan didn't respond to requests for comment. The Kremlin didn't respond to emailed questions for comment.

In Russia, Wagner's men

have until July 1 to sign contracts with the Defense Ministry. Prigozhin, whose plane landed Tuesday in Belarus, has repeatedly said his men would reject the contracts. He hasn't said whether or not he would try to keep control of Wagner's foreign operations while in exile.

Wagner's Telegram and communication channels,

which went dark on Saturday, are back online, said Lou Osborn, an analyst at All Eyes on Wagner, an open-source research group. They are largely all carrying the same message, Osborn said, that Prigozhin is being hailed as the man who could topple Putin.

Russia has told Wagner fighters and workers to stay at their posts, according to a

U.S. intelligence officer, and that refusal to carry out their duties would bring harsh reprisals.

Marat Gaidullin, a former Wagner commander in Syria, isn't sure how the organization can survive without its founder. If Wagner were to leave the Central African Republic, a civil war would break out, he said in an interview last month. For now, there is little evidence of any change in the CAR.

Gouandjika, the country's presidential security adviser, chalked up Saturday's armed advance on Moscow to an argument between Putin and Prigozhin—"a domestic matter," he said, with little consequence for his nation.

To make his point, Gouandjika paused while a Russian-piloted Sukhoi aircraft took off from an airport in the capital of Bangui on a reconnaissance mission.

"It's reassuring to see nothing's changed," he said. "If Moscow decides to recall them and send us Beethovens or Mozarts," he added, "we will have them."

—Summer Said contributed to this article.

## Shadow Men Inside Wagner, Russia's Secret War Company



The Wall Street Journal's latest documentary goes deep inside the lethal global expansion of the Russian private military company Wagner. Scan this code or go to WSJ.com to watch the documentary.





## PAID ADVERTISEMENT



# Poland has successfully achieved independence from Russia in terms of energy supply

The energy crisis sparked by the war in Ukraine underscored the issues arising from Europe's excessive reliance on Russian energy suppliers. Poland was among the first to feel the tremors of this upheaval. Yet, due to the proactive approach of the Polish government and Orlen Group in diversifying feedstock sources and expanding its infrastructure, the country managed to weather these challenging times with minimal disruptions. This experience has affirmed Poland's belief in the security and stability of energy prices, ensured by a diversified portfolio of suppliers.

Orlen was among the first companies in Europe to halt sea-based oil imports at the onset of the Ukrainian war, even before the European Union enforced an embargo on such supplies in December 2022.

Oil supply through the Druzhba pipeline to domestic refineries also ceased. Orlen's contract with Rosneft, which delivered 300 thousand tonnes of crude monthly to Poland, expired in January 2023 without renewal. Another contract with Tatneft, supplying to Orlen about 200 tonnes of oil per month, was set to expire in late 2024 but was terminated in April of the same year due to halted deliveries by the Russians. The contract terms allowed Orlen to terminate the contract if crude failed to be delivered for a specified period.

Orlen also ceased importing Russian and Belarusian finished fuels following the outbreak of the war in Ukraine. This step was taken well before sanctions were enacted in this area. Consequently, Poland no longer refines Russian oil or imports finished fuels from the country.

## New contract for crude from North Sea

Over the past few years, the Orlen Group has been actively pursuing diversification of its supplies of energy commodities and exploring oil sources alternative to Russia. During the past five years, the proportion of Russian oil in the company's purchasing portfolio has consistently declined. Originally, Polish refineries were set up to process Urals crude, which is characterized by its high sulfur content. However, at present, Poland imports crude oil from a variety of regions, including the North Sea, West Africa, the Mediterranean, as well as the Persian Gulf and Mexico.

In June Orlen secured further supplies of crude oil from Norwegian deposits in the North Sea. The agreement, which the company signed with BP, provides for the supply of a total of up to 6 million tons of crude during the year of its validity, for the needs of Orlen Group's refineries. This is an amount that accounts for about 15 percent of its oil needs. The crude will be delivered from the North Sea via terminals in Gdansk and Buting. The first oil tanker will arrive at Naftoport in Gdansk next quarter.

## Growing share of Arab crude

A notable shift in Orlen's crude oil supply has been the substantial replacement of Russian crude with supplies from Saudi Aramco, a prominent player in the upstream sector. Saudi Aramco, having acquired a 30% stake in the Gdańsk refinery (previously owned by the Lotos Group, which merged with Orlen), has emerged as a significant partner to Orlen. As part of their collaboration, Saudi Aramco provides Poland, the Czech Republic, and Lithuania with approximately 20 million tonnes of oil annually, meeting approximately 45% of the Orlen Group's demand in these countries.

Despite the efforts made by Orlen to diversify its oil supplies, the Czech Republic still relies on Russian oil flowing through pipelines, as the country currently lacks the infrastructure capacity to pursue alternative sources. These oil purchases are conducted based on a contract signed with Rosneft in 2013. The responsibility for infrastructure development lies with the Czech government. Presently, discussions are underway between Orlen and the authorities to address this issue and explore options for upgrading the infrastructure to reduce reliance on Russian oil imports.

Recent events have highlighted the significance of diversifying energy supply sources, as Europe as a whole has faced the risks associated with excessive dependence on a single supplier. Diversified supply routes play a crucial role in ensuring energy security and shielding against potential product price fluctuations. By embracing diversified supply routes, Orlen is able to maintain stable fuel prices at its stations not only in Poland but also in the Czech Republic, Slovakia, Germany, Lithuania, and Hungary.

## Advantages of a multi-utility group

Orlen's advantageous position is further strengthened by its successful merger with the refining and fuel company Lotos, as well as the gas company PGNiG. This merger has enabled Orlen to establish a significant multi-utility conglomerate with negotiating advantages in the procurement of oil and other products. Additionally, the combination of the production potentials of the three groups yields several benefits. One such benefit is the improved efficiency of hydrocarbon extraction, particularly in the North Sea region. Orlen is now among the top ten largest players operating on the Norwegian Continental Shelf.

As a result, Poland managed to navigate the gas crisis without significant disruptions. The market experienced a period of panic last year, driven by concerns over gas availability, which led to a significant increase in gas prices reaching record levels. In response to Poland's refusal to make gas payments in rubles, as ordered by Russian President Vladimir Putin, Russia cut off gas supplies to Poland as early as April of that year.

In the autumn of 2022, Poland faced the expiration of a long-standing gas supply contract with Gazprom, through which approximately 10 billion cubic meters of Russian gas were imported annually. Poland had previously expressed its intention not to extend this contract and had been actively expanding its infrastructure in preparation for launching alternative import routes. Poland made the decision to construct the Baltic Pipe pipeline, connecting gas deposits on the Norwegian shelf to the Polish transmission system. This pipeline has a capacity of 10 billion cubic meters and the project was successfully completed by the end of September 2022.



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The Świnoujście LNG terminal, which is currently undergoing expansion, was launched earlier. By the end of 2023, the terminal's capacity is expected to increase to 8.3 billion cubic meters per year. Significant investments have also been made to enhance gas connections with neighboring countries. One notable achievement is the commissioning of the GIPL pipeline between Poland and Lithuania. This development has allowed Orlen-owned PGNiG to secure liquefied gas supplies through Lithuania's LNG terminal in Klaipėda, with a reserved portion of the terminal's capacity. Consequently, Poland has been receiving increasing volumes of liquefied natural gas from countries such as Qatar, the United States, and Norway. These investments in gas infrastructure have successfully diversified Poland's gas supply, thereby preventing shortages of natural gas during the previous winter.

## Direction – green energy

Poland's future energy security will depend on the pace of its transition efforts, and Orlen is making substantial investments in the development of renewable energy sources. By 2030, Orlen plans to invest around 320 billion zlotys (71.2 billion euros), with approximately 120 billion zlotys (26.7 billion euros) dedicated to green investments, aiming to make Poland less reliant on fossil fuels.

Orlen is currently constructing an offshore wind farm in the Baltic Sea with a capacity of up to 1.2 GW, and the first electricity from this project is expected to be generated in 2026. The company also has plans for additional offshore wind projects in the Baltic Sea, both in Poland's territorial waters and those of Lithuania. Furthermore, Orlen intends to invest in onshore wind farms, photovoltaics, biogas and biomethane, biofuels, electromobility, and green hydrogen. By the end of the decade, the group aims to have a total green generation capacity of 9 GW.

To ensure stability in the energy system, Orlen recognizes the need for investment in nuclear power, which can provide a reliable and uninterrupted energy supply. The company plans to build small nuclear reactors known as SMRs, each with a capacity of 300 MW. By 2030, at least one such reactor is planned to be operational in Poland. Orlen has chosen boiling-water reactor (BWR) technology, which has been well-known for many years, with over a hundred such units operating worldwide, albeit at a different scale – these units have a capacity of around 1,000 MW. GE and Hitachi will scale down the reactors to 300 MW, while keeping the same technological solutions.

Recent mergers have transformed Orlen into a large conglomerate with diversified revenue streams and an extended value chain, operating in various markets across Europe and globally. The company is involved in oil and gas production, refining, petrochemical production, gas station networks, power generation, gas trading, and transformative investments aimed at strengthening its position and enhancing Poland's energy security. These measures have helped secure stable supplies of raw materials and products at predictable prices, as demonstrated during the Ukrainian conflict. Now, the focus will be on the transition process, through which Orlen aims to strengthen its position in the global market and build a stable future for the benefit of Poland and the region.

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## WORLD NEWS

# Riots Break Out Near Paris After Police Kill Teenager

Video of shooting sparks unrest that leaves government building, cars burned

By MATTHEW DALTON

PARIS—The killing of a teenager by the police set off a night of riots in suburbs around the French capital as authorities mobilized thousands of officers to head off further unrest.

A police officer shot and killed the 17-year-old, identified as Nahel M, Tuesday morning during a traffic stop in Nanterre, a suburb west of Paris, authorities said.

Later in the day, a video of the shooting taken by a witness began circulating on social media. It shows two officers standing next to a stopped car and one pointing his handgun into the driver's side window. The car then

starts to pull away, and the officer fires a shot at the driver.

Lawyers for the teenager's family couldn't be reached for comment.

The officer has been detained, and French prosecutors have opened two investigations into the killing, Interior Minister Gérald Darmanin said Wednesday morning.

"We have all seen these extremely shocking images," Darmanin said. "In addition to judicial sanctions, there could be administrative sanctions if it is decided, as the images clearly show, that these acts don't conform with procedures and the law of the Republic."

President Emmanuel Macron said the killing was inexcusable. "Nothing justifies the death of a youth," he said.

Nahel was driving without a license, authorities said. France allows people to get driver's licenses only starting at age 18. Shortly before the scene in the video, authorities

said, police attempted to stop the teenager for traffic violations, but he kept driving.

Darmanin said 41 vehicles were burned and 31 people detained. A government building in Mantes-la-Jolie, a town west of Paris, was set on fire and destroyed. Darmanin said the government was deploying 2,000 officers in Paris and surrounding areas to maintain order.

Celebrities and politicians condemned the killing, which rekindled criticism that the police are too aggressive. Hundreds of demonstrators were injured during months of rolling protests over Macron's pension overhaul. Dozens were hurt during clashes between police and environmentalists in western France in March.

"I am hurting for France," Kylian Mbappé, the French soccer icon who grew up in a suburb of Paris, said on Twitter. "An unacceptable situation."

Police treatment of minorities in France has come under



Civil unrest followed the deadly police shooting of a 17-year-old in Nanterre, France, on Tuesday.

scrutiny in recent years. A 2017 study by France's independent civil-rights watchdog found that men perceived to be of African or Arab origin were about three times more likely than white men to have experienced a police identity check in the previous five years.

The murder of George Floyd in Minneapolis in 2020 fueled new debate in France about police tactics, with tens of thou-

sands of protesters taking to the streets. The government of Macron denied there was a problem of racism in the police. Later that year, police were filmed on video beating Michel Zecler, a Black music producer, at his studio in France. Zecler said one of the officers called him a "dirty n—" in French, while striking him.

Macron said at the time the images were "shameful for all

of us."

Despite the criticism, French police kill far fewer people than their counterparts in the U.S. The French national police and the gendarmes, which police rural areas, killed 26 people in 2019, according to BastaMag, a French media organization. U.S. police forces killed 1,098 people that year, according to Mapping Police Violence, a group that tracks police killings.

## Netanyahu Dials Back Overhaul

Continued from Page One

"I'm attentive to the public pulse, and to what I think will pass muster," said Netanyahu, who has previously said he wouldn't support an "unlimited override clause." Netanyahu allowed lieutenants to advance the initial legislation, but he has taken control of the plan's substance and messaging since he was forced to pause the effort in March.

The prime minister also said he would revise another controversial piece of the legislation, which would have given the ruling coalition more power to appoint judges. He said he wasn't sure yet what the new version would look like.

The revisions are unlikely to persuade opposition politicians to support the plan. They also risk alienating the religious far-right and ultra-orthodox parties that play a critical role in Netanyahu's coalition government and see the country's courts as too activist and hostile to their agenda.

It is unclear whether they go far enough to forestall a repeat of protests that grew so severe that Netanyahu in March paused the legislation and started compromise talks with the opposition. He said the sides failed to reach agreement and that he would move forward with his own revised plan.

He said that with his new version of the law he was determined to "find a middle

ground" so any changes would "stick for a generation." The opposition said he risks plunging the country back into turmoil if he doesn't return to the negotiating table.

The prime minister said he has also sought a middle ground in Israel's response to the war in Ukraine.

Netanyahu rejected calls from some Washington lawmakers and Ukrainian officials to join the West's effort to arm Ukraine, saying, "We have concerns that I don't think any of the Western allies of Ukraine have." He said he needs to ensure Israel has "freedom of action" in Syria, where Israeli pilots often bomb Iranian targets that are near Russian forces, which prop up Syria's government.

He said he is also concerned that Israeli weaponry could be captured on the Ukraine battlefield and turned over to Iran, which has developed a closer military relationship with Russia in recent months. Specifically, he said Israel couldn't allow the U.S. to give Ukraine the Iron Dome air-defense system—developed jointly with the U.S.—which has protected Israelis from frequent attacks by Iran-backed militants.

"If that system were to fall into the hands of Iran, then millions of Israelis would be left defenseless and imperiled," Netanyahu said. He added that Israel had joined United Nations resolutions condemning Russia's invasion and had delivered an early-warning system for detecting missile attacks to Ukraine.

Ukraine's ambassador to Israel called fears of weaponry ending up in Iranian hands "entirely fictional and speculative assumptions."

Netanyahu said he has conveyed his concerns to Russia



Prime Minister Netanyahu says he aims to 'find a middle ground' with his new judicial revamp.

about its growing military ties to Iran, which has supplied Moscow with drones that have been used on the battlefield in Ukraine. In exchange, Moscow has helped Iran with its cyber capabilities and is considering requests to help Iran with jet fighters, combat helicopters and potentially its missile-production capabilities, the Journal has reported, citing people familiar with the matter.

"It's a very disturbing relationship," Netanyahu said. "We've made our concerns known to the Russians." He declined to comment on what Moscow said in return.

Netanyahu said Israel's relations with the U.S. remained strong, though he has yet to receive an invitation to visit the White House from President Biden. "I think it may take some time, but I think, of course, I should expect to meet President Biden," he said.

The two men have known each other for four decades, but Netanyahu's government has pursued policies that have upset the Biden administration, including approval of new Israeli settlements and raids on Palestinian militants in the West Bank. His far-right senior ministers have been unable to meet with Biden administration officials.

"This issue of the invitation clouds people's views," Netanyahu said. "In fact, the security cooperation, the military cooperation, and the intel cooperation, including cyber, is stronger than it's ever been under our two governments."

Netanyahu could meet Chinese leader Xi Jinping before Biden. Netanyahu's office said this week that he would soon visit China, though no date was given, a decision political analysts said could further strain relations with Biden. Netan-

yahu's office said this would be his fourth China visit and that the U.S. was notified of the visit a month ago. Israeli President Isaac Herzog is set to visit the White House in July.

In the West Bank, where Israel's conflict with the Palestinians has been deadlier than at any point since early 2000s, Netanyahu blamed the Palestinian Authority for failing to provide security. He said he rejected suggestions from some in his government that the authority should be dissolved and said he supported efforts to strengthen the U.S.-backed Palestinian leadership.

"My policy has been to definitely keep the Palestinian Authority. I don't want it to dissolve the way people are talking," he said.

He said freedom of Israel security services to operate anywhere in the West Bank was key to restoring order in the territory. Netanyahu said any peace deal with the Palestinians wouldn't happen soon, saying Palestinians still don't accept Israel's right to exist.

Palestinian Authority officials said that they recognize

Israel's right to exist within its internationally recognized borders, and that Israel's occupation of the West Bank and its Egypt-backed blockade of Gaza are the reasons the conflict continues.

While some Palestinian officials admit their control of the West Bank has eroded, they blame frequent Israeli military raids, a lack of funding and widespread despair over Israel's occupation.

The West Bank has also seen a series of Israeli settler mobs attacking Palestinian towns in revenge for deadly attacks against Israelis. Scores of settlers have set fire to dozens of cars and homes, injured more than a dozen Palestinians and left one Palestinian dead from gunshot wounds, according to the Israeli human rights group B'Tselem.

Netanyahu called the settler attacks "misguided, unacceptable and criminal." The heads of Israel's security services have called the mob violence "nationalist terrorism." Asked if he agreed with his security chiefs, Netanyahu said: "You can call it nationalistic terrorism. It's fine, but it doesn't solve the problem."

Netanyahu said that he would continue seeking peace agreements with more Arab and Muslim-majority countries, and that over time that would bring Palestinians closer to accepting Israel's presence.

"I think peace is possible with additional Arab states, effectively ending the Arab-Israeli conflict," he said. "And I think that would lead to peace with the Palestinians, too."

Netanyahu said he is focused on expanding a series of peace agreements between Israel and Muslim-majority countries in 2020 known as the Abraham Accords.

## WORLDWATCH



BLOOMIN' BEAUTIFUL: A farmer picked lotus seeds in a pond in Jiangsu province in eastern China on Wednesday.

### JAPAN

#### Nuclear Plant Gets Last Check

Japanese regulators began a final inspection on Wednesday before treated radioactive wastewater is released from the wrecked Fukushima nuclear plant into the Pacific Ocean.

The inspection began a day after plant operator Tokyo Electric Power Company Holdings installed the last piece of equipment needed for the release—the outlet of the undersea tunnel dug to discharge the wastewater 1,000 yards offshore.

TEPCO said the Nuclear Regulation Authority inspectors will examine the equipment and its safety systems during three days of inspections through Friday. The permit for releasing the water could be issued about a week later. TEPCO could start discharging the water soon after, but a date hasn't been decided.

The plan has faced fierce protests from local fishing groups concerned about safety and reputational damage. Neighboring South Korea, China and some Pacific Island nations also have raised safety concerns.

Government and utility officials say the wastewater must be removed to prevent accidental leaks and to make room for the plant's decommissioning.

—Associated Press

### GERMANY

#### Millions Leave Catholic Church

More than half a million people formally left the Catholic Church in Germany last year, significantly higher than the previous record as the church wrestles with a long-running scandal over abuse by clergy and with calls for far-reaching overhauls.

The German Bishops' Conference on Wednesday said 522,821 left the church in 2022, up from 359,338 in 2021, the previous record. That compared with just 1,447 people joining the Catholic Church, about the same as the prior year.

The departures left the number of Catholic Church members in Germany at nearly 20.94 million, just under a quarter of the population.

In Germany, people who are formally members of a church pay a so-called church tax that helps finance it in addition to the regular taxes. If they register their departure with authorities, they don't have to pay that. There are some exemptions.

The bishops' conference didn't detail reasons for the departures in an annual release of statistics. But many people have turned their backs on the church in recent years amid fallout from the scandal over abuse by clergy and others.

—Associated Press





Campers in California are seeing vacant campsites that were sold out online. Left, Anza-Borrego Desert State Park. Below, Oceano Dunes State Vehicular Recreation Area.

## Campsites Are Fully Booked. They're Also Half-Empty.

Vacationers' frustrations at limited availability lead to tighter reservation rules for no-shows

By Allison Pohle

Rising interest in camping means prime sites are selling out across the country. So why do so many campsites sit empty on peak nights?

Online booking and cancellation fees mean there is little to gain in letting parks know you're a no-show, campers say. Travelers who make multiple bookings before their plans are set, combined with weather events that reduce availability, make it seem harder than ever to find space.

Travelers looking to pitch their tents or park their RVs at beach campsites in California and lake-side spots in Minnesota are feeling this crunch. Short of showing up in person in hopes of a perfectly timed cancellation coming through, campers are often out of luck.

Dana Andresen, from Ventura, Calif., camps between six and eight months out of the year and says no-shows are common. "It's been kind of shocking how many empty sites I see when I'm being told there's nothing," she says.

Andresen works for Naturalists at Large, an outdoor education company that takes California students on camping trips across the

state. No-shows take spots away from people like her students, she says. At times, students have crowded into campsites, unable to spread into nearby empty ones because they don't know whether anyone will show up, she says.

A California State Parks spokesman says the department gives priority to equitable access, but high demand often exceeds available inventory. He says the department works to make no-show sites available as soon as is appropriate.

The number of people who want to camp has jumped since the pandemic began, according to the Outdoor Industry Association, a trade group. It says that in 2022, 51.4 million people camped in the U.S.

States are responding to complaints over no-shows, making changes at campgrounds across the country. Minnesota started enforcing its no-show policy this spring after grumbling from campers. Proposed legislation in California would penalize those who bail on their spots.

"What we're trying to do is ensure people actually show up to their reservation or cancel," says Rebecca Bauer-Kahan, a California assemblymember representing parts of the Bay Area, who intro-



duced a bill aiming to deter last-minute cancellations and no-shows in state parks.

### Online pros and cons

Many public campgrounds have moved reservations online, which campsite managers say helps with staffing. Reservations also help reassure visitors that they will have a spot, unlike first-come,

first-served campsites.

No-shows are difficult to track because not all campsites are staffed at check-in or checkout. But complaints about no-shows have increased, several state park officials say.

No-show policies vary widely by state, says Sascha Ohler, senior vice president for outdoor recreation at Tyler Technologies. The

company provides online reservation software for state campground sites.

In some cases, campsite managers can't release spots until the morning after the no-show visitor's scheduled arrival date to accommodate anyone having problems reaching the site. Campsite hosts say this means they have to deal with angry customers who don't understand why they can't immediately claim a campsite that appears to be empty.

No-shows complicate plans for both local and out-of-town campers, says Chris Wolstenholme, owner of Around the Park RV Rentals, a rental agency in Denver and Jackson Hole, Wyo. He says many campgrounds often have little cell-phone or internet reception, so it can be difficult for staffers to update campsite availability quickly.

### Tougher measures

Fees can deter visitors from canceling. Campground managers say fees are necessary to deter people from hoarding bookings they have no intention of using.

For California State Parks, which offers about 15,000 overnight camping sites, campers are charged \$8 to cancel and lose the \$8 nonrefundable reservation fee. If they cancel after 6 p.m. the day before arrival, they also lose the cost of one night's stay, which could be \$10 or \$75, depending on the site.

Some people do the math and don't bother canceling, says Bauer-Kahan, who introduced the legislation. Others forget about their reservations made months earlier.

The proposed legislation would eliminate the cancellation fee. It would convert any cancellations made within seven days of the reservation's start date into a credit that could be used to make a reservation in the next five years.

It would also increase penalties for those who don't cancel and don't show, meaning they wouldn't get refunds or credits. People who don't show up three times in a calendar year will be limited in making future reservations.

A spokesman says California State Parks doesn't comment on pending legislation.

Wyoming had success eliminating cancellation fees, says Nick Neylon, the state parks deputy director. State campsites implemented a stricter no-show policy in 2021. No-shows are down 81% so far in 2023 compared with last year, he says.

He also credits more severe penalties for repeated no-shows.

## Ozempic Alone Won't Make You Healthier

By Andrea Petersen

Ozempic and Wegovy can make you thinner, but the drugs alone won't guarantee good health.

For those taking these drugs, exercise is still vital to keep your heart healthy and muscles strong. Exercise lowers your risk of cardiovascular disease, cancer, Type 2 diabetes and Alzheimer's disease, according to scientific studies. And strength training is especially important when you lose a lot of weight quickly.

People taking these drugs to lose weight also need the right foods to provide nutrients, fuel their body and keep them healthy. This approach isn't just about eating better. It's about eating a specific diet tailored to these drugs. If you don't, that could lead to health problems down the road or exacerbate side effects.

Ozempic and Wegovy are popular medications for Type 2 diabetes and obesity, sometimes referred to as GLP-1 drugs. They suppress appetite, slow the emptying of the stomach and make people feel full longer. So they eat less.

With fewer opportunities to get important nutrients, each bite counts more, says Dr. Kimberly Gudzone, director of the healthful eating, activity and weight program at Johns Hopkins Medicine and medical director of the American Board of Obesity Medicine.

"Even though you can survive on

doughnuts and chips, think about veggies, lean proteins and whole grains," she says.

When people lose weight, particularly when they lose a lot of weight quickly as can happen with Ozempic and other GLP-1 medications, they lose not only fat but also lean muscle mass. Lean muscle is important for strength and metabolism, and high-protein foods like chicken, fish, eggs and tofu contain the amino acids that are building blocks of muscle, says Dr. Amanda Velazquez, director of obesity medicine at Cedars-Sinai in Los Angeles.

She advises patients who are losing weight to consume between 0.8 and 1 gram of protein daily for each kilogram they weigh.

### Do squats and lunges

Strength or resistance training is also important to maintain and build muscle. Focus on your legs and buttocks: As your body's biggest muscles, that's where you have the opportunity to build the most mass, says Dr. Todd Shaffer, a professor of family medicine at the University of Missouri-Kansas City School of Medicine.



Diet and exercise still matter when you are taking drugs for weight loss.

Start with squats and lunges with just your body weight, says Neal Pire, an exercise physiologist at the Gym in Englewood, N.J. As you build strength, do them while holding hand weights. Pire also recommends push-ups. Beginners can do them against the wall.

Gudzone is particularly concerned about the loss of muscle mass with her patients ages 70 and older who are on GLP-1 drugs. Muscle loss can lead to falls and difficulty doing daily movements that are important for

remaining independent, such as getting up and down from a chair, she notes. Gudzone says she starts her older patients taking GLP-1 medications on a strength-training routine with a resistance band.

### Drink water even when you may not feel thirsty

The new diabetes and weight-loss medications make people feel less hungry. Velazquez says many of her patients on them are also less thirsty.

To make sure people don't get dehydrated, she advises patients to remind themselves to drink water by setting alarms on their phones and using bottles with ounce markings so they can see how much they are drinking.

### Up your vitamin C and zinc

GLP-1 medications reduce the amount of acid in your stomach. Stomach acid acts as a barrier to bacteria and other bugs. So people on these drugs should consider eating more foods high in vitamin C, like kiwi, lemon and oranges, and zinc, like beans and cashews, says Sue-Ellen Anderson-Haynes, a registered dietitian in the Boston area and a spokeswoman for the Academy of Nutrition and Dietetics.

### Eat slowly and avoid fatty and highly processed foods

The newer weight-loss drugs can come with unpleasant side effects like nausea, vomiting, diarrhea and constipation. Since food sits in the stomach longer, eating quickly can make nausea and vomiting more likely, says Shaffer.

Velazquez steers people away from fried foods and items that are highly processed like chips. These foods sit in the digestive tract longer since they are harder to break down, she says. That can exacerbate side effects.

These kinds of foods, of course, aren't healthy anyway, she says. She reminds patients that weight loss isn't the only aim.

"Our overall goal is health," she says. "Having people have a high quality of life and live as long as possible in a healthy way."





PERSONAL JOURNAL.



**ON THE CLOCK**  
**CALLUM BORCHERS**

# ‘Rage Applying’ to Jobs Is a Really Bad Strategy

Firing off résumés can be ineffective—or lead to a worse spot

It was a lousy day at work. You feel underpaid and overloaded. Seething, you apply for a dozen other positions in less than an hour and relish the conviction that you stuck it to the man.

In reality, you might just be stuck. The idea behind “rage applying” is to channel anger at your current role into a burst of résumé submissions, then gloat when companies line up with attractive offers. The term took off on social media, with people claiming it got them better jobs.

Its effectiveness remains dubious. Plus, dumping tons of résumés can clog candidate pools that already resemble AI-monitored black holes.

Some who have managed to snag new jobs by spraying applications into the ether warn that haste can obscure whether an opportunity is truly a good fit. And many businesses that were willing to hire almost anyone with a pulse last year are cutting head counts back to normal levels.

Recruiters say they’re catching on to rage appliers, and quickly toss them onto “no” piles. Red flags include sloppy mistakes (one staffing pro told me about an applicant who uploaded a receipt instead of a résumé) and generic or missing cover letters. At the interview stage, if a job seeker gets that far, there is a common giveaway, says Linda Ferrante, vice president of RFT Search Group in Michigan. “The easiest way to tell if someone is rage applying is if they just complain about their current job and ask no questions about the opening or the company they’re interviewing for,” she says.

Ferrante lets these doomed candidates vent for a while before delivering a punchline she’s developed for such situations: “I say, ‘Gosh, that awful job sounds just like this one I’m trying to fill.’”



**Linda Ferrante, far left, says rage appliers tend to give themselves away. Anna Taylor prepared before starting to send a stream of applications.**



Johnny Paycheck in 1977.

Contrary to popular myth, a typical job tenure is about the same now as it was then—roughly four years, according to federal data. The steady numbers belie shifting workplace dynamics, however. In the late 1970s, Bureau of Labor Statistics economist Edward S. Sekscenski explained that the median stint was short because of high unemployment, early retirements and an influx of women into the labor force. Today, unemployment is near historic lows, people are ex-

tending their careers, and women represent almost half of workers.

Something different is driving turnover: People are quitting in record numbers and have been for a couple of years. They feel professionally empowered in a favorable labor market, and respond to imperfect jobs by looking for new ones.

“People are seeking control,” says Nicholette Leanza, a therapist in Ohio who specializes in workplace issues. “They’re mad, they feel like their job isn’t fair, and they need to do something about it.”

Leanza says many of her clients are prone to rapid-fire job applications, usually without success. When she probes for their reasons, she sometimes concludes that their work environments are harmful. Just as often, she determines that her clients ought to focus on managing their responses to inevitable conflicts and challenges.

Getting there takes time. The quick-click catharsis of submitting résumé after résumé is tempting for people who want to blow off steam.

**Be careful what you wish for**

Anna Taylor recalls a night of fury a few years ago when she blasted out a stream of applications after being denied a bonus she thought she’d earned.

“I must have sent at least 20,” she says. “I was just, like, click, click, let’s see what happens.”

She got a call the next day and soon accepted an offer from a tech startup. Yet she cautions that her experience doesn’t prove the merits of rage applying.

She’d been contemplating a job change for a while and had a polished résumé and cover letter ready to go—a key difference from those who slap together application materials while fuming. She also took a pay cut. Moving on was worth it, says Taylor, who has since doubled her previous earnings and works in Arizona for a cybersecurity firm. But people shouldn’t imagine that it’s easy to dash off a bunch of applications and collect a raise, she adds.

Vanessa Correa has gone through several spells of frenetic job hunting in the past decade with mixed results. She says a position she initially saw as an escape hatch turned out to be worse than the one she fled.

Her self-imposed rule is to stay in a role for at least a year, and sometimes she browsed listings when she wasn’t even ready to make a move. After a maddening day at work, it felt good to fantasize about exiting.

In one intense stretch, Correa sent out 200 applications. She got 200 rejections. If a cover letter was optional, she almost always skipped it. Looking back, she figures hiring managers likely detected that she was more annoyed by her existing job than interested in any particular new one.

“If that assessment was made, it was correct,” she says.

Correa overhauled her approach this year to land her current position in Washington, D.C., a marketing strategy role at JPMorgan Chase. The job she got was one of two she applied for. She believes the effort and enthusiasm she put into a select number of applications made the difference.

CLOCKWISE FROM TOP: PHOTO ILLUSTRATION BY SAM KELLY/THE WALL STREET JOURNAL; LISTOCK (6); ANNA TAYLOR; LINDA FERRANTE

## Why Fixer-Uppers Aren’t Selling

They want to buy a house. They don’t want to hire a contractor.

Real-estate agents say buyers right now seem in no mood to take on the additional costs and headaches of major renovation projects. There is no national data tracking how much quicker renovated homes sell than unrenovated ones, but there are signs of this change. It is one reason sellers are receiving an average of three offers now, compared with around six a year ago, according to the National Association of Realtors.

The drop in demand for unrenovated homes is mostly driven by high mortgage rates, buyers and their agents said. Fixer-uppers are always a risky proposition for buyers, but now they are more costly as the rates for home loans and construction loans have both increased, on top of high property prices.

This push higher in rates has widened the gap in sale time between turnkey and nonrenovated properties, say agents. For sellers, this means a home in need of repair often sits on the market longer unless they attempt to do more work before listing.

The appetite for renovations is lower both for those shopping for their main property and for second homes, say agents.

Tommy Byrd, 72 years old, looked at about a dozen unrenovated homes in his hunt for a vacation house in Santa Rosa Beach, Fla. He recently decided to limit his search to only renovated homes as he doesn’t want to manage the renovation from another state.

“I’d prefer to purchase a turnkey property,” he said.

Sellers can no longer count on a frenzy of offers from buyers willing to waive inspections on properties in need of repairs, said Lawrence

Yun, National Association of Realtors chief economist.

This means buyers can usually be choosier about homes that need upgrades, such as new hardwood floors, kitchens, bathrooms or even a fresh coat of paint, Yun said.

When Bob Evans, 66, put his two-bedroom Guilford, Conn., condominium on the market last spring, he figured a couple looking for a starter home would look past the dated décor and jump at the roughly \$200,000 asking price.

In the five months or so it was on the market, about 60

“Most home buyers right now simply don’t have enough money left over to invest in major repairs or remodeling,” said Marr.

The decline in home buyers wishing to renovate hasn’t put a dent in overall spending on remodeling. In fact, the market for homeowner improvement and repair projects in the U.S. is projected to reach \$484 billion in 2023, up from \$471 billion last year and \$328 billion in 2019, according to Harvard University’s Joint Center for Housing Studies.

The people willing to take



**Bob Evans got no offers for his unrenovated two-bedroom condo.**

people toured the 1,400-square-foot home that had carpeting and dark wood kitchen cabinets. Not one made an offer.

“They just couldn’t get past the ‘80s-style décor, I guess,” he said.

Evans is spending about \$20,000 to remodel the unit himself, gradually making upgrades such as removing the carpet to show the original wood floors. He plans to relist the condo later this year for about \$250,000.

Anything that sits on the market for more than a month is usually either overpriced or in need of significant repairs or updates, said Taylor Marr, Redfin’s deputy chief economist. Homes stay on the market for a median of 27 days, up from 19 days a year ago, according to Redfin.

on these projects are often existing homeowners who want to upgrade their house without giving up their ultralow mortgage interest rate, real-estate agents and economists said.

In some real-estate markets, so few homes are for sale that buyers may have little choice but to purchase one that needs work, real-estate agents said. In other areas, bidding wars remain common and buyers can still get top dollar for unrenovated houses—it just may take longer.

“Even homes that need renovations are still selling near list price or slightly higher simply because there aren’t enough homes on the market to meet demand,” said Brian Slater, a Realtor in Phoenixville, Pa.

BOB EVANS



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## ARTS IN REVIEW



## CULTURAL COMMENTARY

## Jean-Luc Godard's Tragic Romantic Film



By KRISTIN M. JONES

**'SOMEONE TOLD ME** that you have a very beautiful wife." Words spoken by a predatory American producer, Jerry Prokosch (Jack Palance), to a French screenwriter, Paul Javal (Michel Piccoli), in Jean-Luc Godard's majestic, witty and sorrowful film "Contempt" (1963), they threaten not just a marriage, but the art of cinema itself. One of the greatest works by a director who continually reinvented the language of film, it is a devastating portrait of a marriage's dissolution, an elegy for movies past and a story of money contaminating love and art.

"Contempt" is based on Alberto Moravia's 1954 novel about a man whose wife begins to despise him, but it echoes with allusions, quotations and references to its own making. It opens with Godard's voice reading the credits as Georges Delerue's mournful, romantic score

begins and the cinematographer, Raoul Coutard, is seen filming a tracking shot. Capturing settings in Rome and Capri in widescreen and a palette dominated by vivid reds, yellows and blues, it shows Godard to be one of the medium's great colorists. Its beauty can be appreciated anew on its 60th anniversary in a 4K restoration by StudioCanal opening at Film Forum in New York on June 30, before playing in other North American cities.

Godard created one of the most exquisite passages—a prologue filmed with color filters—when the producers wanted more nude shots of megastar Brigitte Bardot, who plays Paul's wife, Camille. As they embrace in a stylized marital Eden, Camille solicits Paul's opinion on parts of her body, as if offering them for sale. He says he loves her "totally, tenderly, tragically." She gently affirms her feelings.

The story then begins at Cine-

città Studios—deserted, reflecting an industry in crisis—where Prokosch discusses, through his interpreter (Giorgia Moll), hiring Paul, a playwright and former crime novelist working on screenplays, to rewrite an adaptation of "The Odyssey" being directed by Fritz Lang. Moravia's narrator describes the director in the book, Rheingold, as "certainly not in the same class as the Pabsts and Langs." In Godard's film, the great Lang, who fled Nazi Germany in 1933, plays himself, and is a beacon of integrity.

In a projection room, Lang presides over a viewing of dailies, including shots of classical sculpture that are stirring in their simplicity—and infuriating to Prokosch, who envisioned something different from Lang's script. "Finally you get the feel of Greek culture," Lang says sardonically, after the producer hurls a film can like a discus. "Whenever I hear the word 'cul-



Clockwise from top: Brigitte Bardot, Jack Palance and Ms. Bardot, and Michel Piccoli in 'Contempt'

ture' I bring out my checkbook," Prokosch replies, writing Paul a check. Lang grimly recalls that the Nazis used to say "revolver" instead of "checkbook." During the screening, Paul seems troubled by Prokosch's speculation that Penelope was unfaithful. Anxieties about his marriage will shape his own interpretations of Homer.

After the radiant Camille comes to meet Paul, Prokosch invites them to his villa outside Rome for a drink, pressuring her to ride in his red Alfa Romeo, a gleaming comic-book chariot, while Paul, ignoring her discomfort, agrees to take a taxi. When he arrives late, he finds his wife withdrawn.

If cinema, in the form of a director's artistry, is under attack in the projection-room scene, Paul and Camille's new apartment—still being painted—where the second act unfolds, is the site of a more intimate battle. Its decor includes a life-size statue of a girl with a downcast gaze, a shadow Camille. They do ordinary things for a waning day—bathing, changing, discussing dinner—but the scene distills a relationship's deterioration. Paul badgers Camille about her changed mood and whether they should accept an invitation to stay with Prokosch in Capri.

Camille finally admits she no longer loves Paul, in a sequence where the camera tracks back and forth be-

tween them as they sit on either side of a lamp he tensely switches on and off. He accuses her of having feigned affection so he'll finish paying for the apartment. She says, "How can you know what I think?"

Their situation having become more hopeless, they leave—dusk falling like a blue curtain—to meet Prokosch and Lang at a movie theater for a stage show where the producer wants

to see a singer he might cast as Nausicaa. The film on the marquee is Roberto Rossellini's "Journey to Italy" (1954), a touchstone for the French New Wave and another haunting story about a marriage in crisis amid the ruins of the ancient world.

The widescreen compositions take on a breathtaking splendor in Capri, where scenes for "The Odyssey" are being filmed. Paul and Camille are staying in Casa Malaparte, a modernist landmark resembling both a ship and a temple with steps leading to the sky. Paul again encourages Camille to go off alone with Prokosch, and her departure from a shooting location in a boat with the producer is uncannily beautiful. Paul realizes his mistakes too late. She meets her fate in Prokosch's car, her death as exaggerated as a passage from a pulp novel.

The conclusion of Godard's tale, which he called one of "castaways of the Western world, survivors of the shipwreck of modernity," finds Lang still filming "The Odyssey," close to the natural world with which the ancient Greeks lived in greater harmony. The final image in "Contempt" is of the vast, shimmering sea.

**Contempt**

Film Forum, New York, June 30-July 13

*Ms. Jones writes about film and culture for the Journal.*

## DANCE REVIEW

## Staging a Romantic, Overstuffed Ballet

By ROBERT GRESKOVIC

New York

**T**he current season of American Ballet Theatre at the Metropolitan Opera House, through July 22, opened last week with a 12-performance run of "Like Water for Chocolate," the troupe's latest story ballet, which plays through Saturday. The 3-act production, set in early 20th-century Mexico, takes its narrative concerning a pair of thwarted lovers and an implacable matriarch from a 1989 novel by Laura Esquivel, subsequently translated into English and made into a movie in 1992; it's a co-commission with Britain's Royal Ballet, where the work had its world premiere at London's Royal Opera House in June 2022.

With choreography by Christopher Wheeldon, who was inspired by both the film and the book and shares scenario credit with the ballet's composer, Joby Talbot, the 12-scene work includes 19 individually named characters plus incidental ones; it runs two hours and 41 minutes including two intermissions. The result is fre-

quently a vivid theatrical spectacle, with evocative, changeable settings and dance-friendly, period costuming, all by Bob Crowley, harmoniously enriched by Natasha Katz's sensitive lighting and by Luke Halls's impressive video design.

The storyline, which has a cooking theme—actual recipes head each chapter of the novel—spans several decades to tell of Tita, the youngest of three daughters to a stern mother, Mama Elena, and Pedro, who's forced into a marriage with Tita's sister Rosaura while remaining in love with Tita. Ms. Esquivel's genre here is magical realism and "Like Water" includes supernatural dimensions that find their place in Mr. Wheeldon's staging.

The numerous characters and their entanglements, including flashbacks, make for a complicated plot. Though duly spelled out in the program's scene-by-scene synopsis, the stories within stories remain tricky to follow as dance theater.

Ultimately, as a choreographic creation, the physical inventions of "Like Water" prove long on limber posturing and emotive gesturing, but short on artfully arranged and articulated steps to distinguish its performers. "Like Water" is more of an atmospheric event than a balletic one.

Some of this feeling arises from Mr. Talbot's score, which underpins the action with a sonorous flow that incorporates sounds from the ocarina and other indigenous instruments but shies away from creating musical high points for choreographic showcases. The death of



SunMi Park and Daniel Camargo in 'Like Water for Chocolate'

pointed accompaniment that might distinguish the main characters through dancing keeps too many of them in a monotonous groove of gestural business.

Mr. Wheeldon has Tita regularly flex her feet at times to indicate her tensing up in anguish. Elena is ramrod rigid in life and, eventually, as a ghost in a fright wig, harridan haughty. Pedro, apart from isolated excursions of bounding, turning leaps, is reduced to partnering and carrying Tita in sometimes strained lifts.

As Tita's sisters, Rosaura appears mostly distracted, while Gertrudis remains a feisty rebel. She's fea-

tured in act one, when—having consumed quail in rose-petal sauce with aphrodisiac effects as prepared by Tita—the flame-haired free soul leads a protracted tango-like number that turns into a striptease with support and partnering from lascivious spirits who emerge from under her table, which transforms into a burlesque stage.

Episodes involving all these characters and others introduced along the way, including those from the next generation of the families and revolutionary soldiers, keep the action lively but not readily comprehensible. A fiesta gives further

prominence to Gertrudis, as well as to her revolutionary lover, Juan Alejandro. But like the quail scene, this one feels strung out.

"Like Water for Chocolate" concludes with a pas de deux accompanied by a Talbot aria—sung soaringly in the pit by Maria Brea—that is based on lines from "Sunstone," a poem by Octavio Paz. The choreography, for Pedro, now in tights, and Tita, now in a translucent night dress, features couplings and lifts that feel ecstatic here and ungainly there, until a coup-de-theatre moment when, amid projections of bursting flames, the entwined couple rises into the flies (flying effects by ZFX).

I caught three of the four leading casts planned for the run, and all proved able. Standouts included Cassandra Trenary's fleet Tita, Daniel Camargo's earthy Pedro, Chloe Misseldine's riveting Rosaura, Catherine Hurlin's quicksilver Gertrudis and, in equal measure, Carlos Gonzalez's and Michael de la Nuez's blazing Juan Alejandro.

At each performance, the audiences around me cheered eagerly following the ballet's fiery conclusion. Similar reactions might have occurred all along the way had singular, stellar dance opportunities provided distractions from puzzling out the narrative.

**Like Water for Chocolate**

Metropolitan Opera House, through July 1

*Mr. Greskovic writes about dance for the Journal.*



# SPORTS

## Simone Biles Plans a Return to Gymnastics

The superstar gymnast hasn't competed since her roller coaster experience at the Tokyo Olympics in 2021

By LOUISE RADNOFSKY AND ANDREW BEATON

Simone Biles plans to return to elite gymnastics competition, two years after her record-shattering career seemed likely over after a Tokyo Olympics in which a harrowing condition caused her to dramatically withdraw mid-event, only to return days later to win a medal.

The seismic announcement that Biles is taking steps toward a comeback came with a dry delivery: her name appeared on a list of entries for the U.S. Classic, a low-profile August competition open to all current or former elite gymnasts, from which they can qualify for the national championships.

The revelation came with no additional details and no promises about the now 26-year-old Biles's intentions. But the move opens the door for her to pursue a berth in the 2024 Paris Olympics, and marks a first step in that direction.

The development, seven years after she became an international sensation at the Rio Games, is every bit as stunning as her abrupt withdrawal from the Olympic all-around team final in July 2021 after performing one vault, saying later that she was disoriented and unable to perform safely or effectively.

Biles's condition—which she described as “the wires just snapped”—had defeated a gymnast who had not been defeated in all-around competition since 2013. Her poise under extreme pressure and ability to pull off feats that involve twisting while simultaneously turning had broken difficulty barriers in the sport. Then, seemingly, it had broken her.

After she pulled out of the team competition in Tokyo, the competition rosters for each subsequent event were closely watched, as she scratched herself from defending her all-around, floor and vault titles, and also withdrew from the uneven bars final.

Then, suddenly, she returned once more under the bright lights of the Ariake Gymnastics Centre to



Simone Biles is set to return to competition, opening the door for her to pursue a berth in the 2024 Paris Games.

compete in the balance beam final. With a dismount modified to remove twisting, she took a bronze medal.

She hasn't competed since. In a post-Olympic exhibition tour of the U.S. in the fall of 2021, she performed modest skills and limited her twisting, while nodding to her experience in Japan in a number that included a montage of news coverage and the song lyrics “I get overwhelmed.”

She was championing mental health causes—including in a partnership with the embattled telehealth provider Cerebral—and later planning a wedding and hinting at a move to Green Bay, Wis., where her new husband Jonathan Owens has signed to play for the Packers.

During her career, Biles racked up 25 medals from the world championships, as well as four Olympic gold medals, two bronzes

and one silver from the now-notorious Tokyo team final. She has performed at least five first-of-their-kind skills in competition, four of which now bear her name, and expanded the limits of what was considered possible.

With such a glittering résumé, it

seemed highly probable that Biles could be retired—particularly when the alternative was returning to the harsh glare of being out on the floor. She had previously said the

matter was “up in the air” and that she would be in Paris for the Olympics—but that it might well be as a spectator. There is also the matter of her condition in Tokyo, known to gymnasts as the “twisties,” involving a sudden onset of disorientation that causes athletes to lose skills they have comfortably performed for years. Biles had explained at the time that she had lost the ability to know where her body was in the air, giving her no idea how she was going to land, or whether she would be able to land on her feet.

Other professional athletes have compared it to the “yips”—potentially triggered by mental factors, but with physical consequences. In basketball that might mean missing a free throw. In gymnastics it could result in a broken neck. In Japan, Biles trained in a secret gym as she attempted to re-

### The U.S. Classic has been a launchpad for other Olympians attempting comebacks.

seemed highly probable that Biles could be retired—particularly when the alternative was returning to the harsh glare of being out on the floor. She had previously said the

gain her skills and confidence—while her teammates continued to compete in events that Biles sat out. She repeatedly said she was taking it one day at a time, offering no guarantee that she would compete again at the Games—until the day before she did—or ever again, beyond that.

That is likely to play out similarly in the coming months and the ramp-up to the Paris Olympics in 2024.

Biles had been glimpsed training in the Texas gym her family owns, which has emerged as a powerhouse center for other elite gymnasts. But she has made no grand pronouncements about her next steps—which could include attending the national team training camp in July, or her end goals.

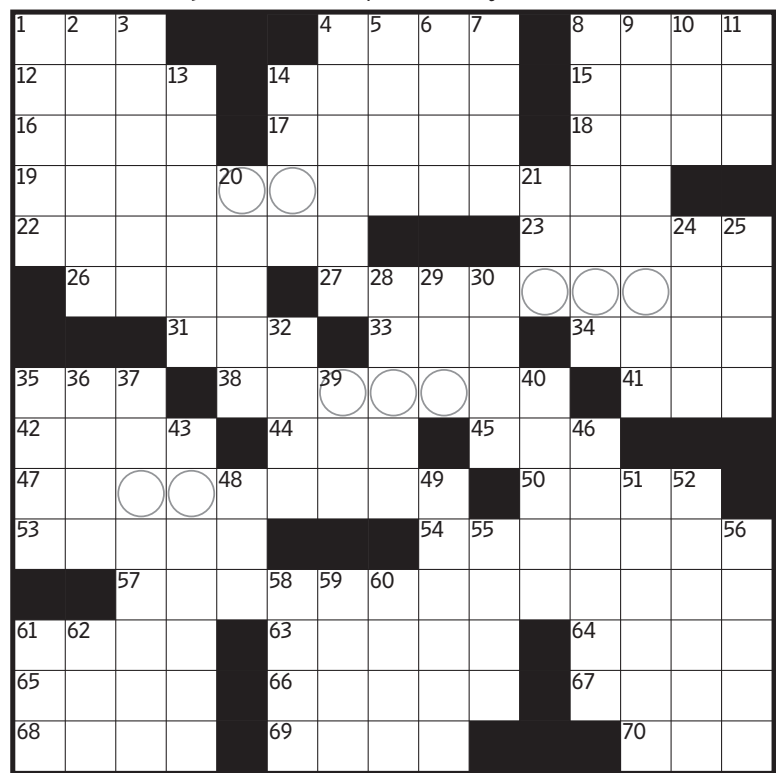
Instead, the prospect that she was considering a reappearance was teased by former NFL quarterback Brady Quinn, who is married to U.S. women's national team strategic lead Alicia Sacramone Quinn and blurted out on a podcast last month that “I don't know if this is public or not: Simone Biles is returning to compete.”

The U.S. Classic has been a launchpad for other Olympians attempting comebacks—among them, the 2012 Olympic gold medalists Gabby Douglas and Aly Raisman, who used it to propel them onto the Olympic team for the 2016 Games.

This year that will include Sunisa Lee, who won the all-around title in Tokyo after Biles pulled out, and who had announced in the fall that she would be making a run at Paris 2024 after completing her sophomore season at Auburn University. Two other members of the U.S. Olympic squad in Tokyo who have been competing in NCAA gymnastics, Jade Carey and Jordan Chiles, are also on the roster.

It isn't clear just how much Biles would attempt—or how much she is currently capable of—ahead of the event. But the mere sight of her on the competition floor is likely to be an extraordinary moment, making it official: in whatever form it takes, Simone Biles is back.

### The WSJ Daily Crossword | Edited by Mike Shenk



- 24 Watson of “Little Women”
- 25 “Whoa, that’s a mind-blowing thought!”
- 28 Notation used for Unix permissions
- 29 West known for double-endtreads
- 30 Overthrows, maybe
- 32 Subtracting
- 35 Anxiety about exclusion, for short
- 36 Peak
- 37 Starchy fried cylinder
- 39 Letters before a gamer tag, perhaps
- 40 Zonked out
- 43 Clothing set given at a baby shower
- 46 Spicy, in a way
- 48 Agent
- 49 Flinches
- 51 Jambalaya ingredient
- 52 Flap one’s gums
- 55 Whacks, mob-style
- 56 Minute
- 58 Network in a Disney+ bundle
- 59 Smoothie ingredient
- 60 Diplomacy skill
- 61 Sch. fundraiser, often
- 62 Caterer’s vessel

### IS THERE AN ECHO IN HERE? | By Chase Dittrich & Jeff Chen

- |  |   |  |   |
|--|---|--|---|
| <b>Across</b>                                  | 31 Khan Academy founder Khan                    | 63 Knitting project                              | 7 Move slightly   |
| 1 “I’ve just noticed something!”               | 33 Sedona or Santa Fe                           | 64 Make-do screwdriver                           | 8 Her “Boating Party” is in the National Gallery of Art |
| 4 They might be renewed                        | 34 Significant volume                           | 65 Home run pace                                 | 9 Outdoor scene, in a script                            |
| 8 Yield  | 35 Cocoa butter, e.g.                           | 66 Diplomacy goals                               | 10 Scottish river                                       |
| 12 Hurdles for seniors                         | 38 People on a paleo diet                       | 67 Dazzler and Jubilee, e.g.                     | 11 Source of samaras                                    |
| 14 His “Boating” is in the Metropolitan Museum | 41 Focus of XXL magazine                        | 68 It gets you a hand                            | 13 Singer with a Fantasy perfume                        |
| 15 Eponymous skater Paulsen                    | 42 Shimmery stone                               | 69 Trifling quibbles                             | 14 The end of a Jenga game, e.g.                        |
| 16 Denny’s competitor                          | 44 Rocksteady precursor                         | 70 Ask too much of someone?                      |   |
| 17 Beach-closing bacteria                      | 45 Sharp shooter?: Abbr.                        | <b>Down</b>                                      | 1 Brand that sponsors many runners                      |
| 18 Bouquet bit                                 | 47 Foot bones                                   | 2 “You’re so funny, Dad, that I forgot to laugh” | 20 Squad’s stars  |
| 19 Was hardly expected                         | 50 Untroubled                                   | 3 ___ Fireball (cinnamon candy)                  | 21 It might have some pluses or minuses                 |
| 22 Japanese art that’s hands-on                | 53 Showy daisy variety                          | 4 No matter, so to speak                         |   |
| 23 Like galleys                                | 54 Words equivalent to a mic drop               | 5 ___ about (roughly)                            |   |
| 26 Parcel measure                              | 57 “Do as I do,” and a hint to what the circled | 6 Modern sigh                                    |   |
| 27 Snapshot, of sorts                          | 61 Finish a hole                                |  |   |

#### Previous Puzzle’s Solution



## WNBA’s Superteam Era Has Been Launched In Las Vegas and New York

Candace Parker has joined A’ja Wilson in Las Vegas.

By ROBERT O’CONNELL

**THE WNBA’S NEWEST** superteams, formed in a rush of midwinter signings and trades, haven’t yet played one another. Over 24 hours in the first week of summer, the Las Vegas Aces and New York Liberty showed why that detail hasn’t stopped them from becoming the league’s most heavily hyped rivals.

Saturday night in Vegas, the Aces—last year’s champions who, in a nod to their city’s hallmark lack of restraint, added two-time MVP Candace Parker to their roster over the offseason—beat the Indiana Fever, 101-88. It was their 12th win in their first 13 games, and the 11th time their offense, frictionless and fierce, had racked up more than 90 points.

The next afternoon in New York, the Liberty fell behind the Washington Mystics 13-0 out of the gate, then climbed back to prevail in overtime, 89-88. Breanna Stewart, a two-time Finals MVP with the Seattle Storm who signed with the Liberty in February, banked in the layup that tied the game and canned the free throw that won it. Those shots extended what has become a four-game Liberty

winning streak, preserving their hold on the league’s third-best record and strengthening their claim as Vegas’ primary challenger.

“Stewie’s a competitor. She has this really strong will to win,” Liberty coach Sandy Brondello said after the game, “and she’s gonna bring people along.”

The Aces and Liberty will finally meet Thursday in the desert, in a potential preview of what might become, a few months from now, an anticipated rematch in the WNBA Finals. Parker and Stewart account for only a fraction of the total star wattage. New York’s offseason spending spree also included trading for Jonquel Jones, a versatile frontcourt player who won the 2021 MVP, and signing four-time All-Star guard Courtney Vandersloot. The imported trio joined Sabrina Ionescu, until recently co-owned the WNBA record for career triple-doubles.

Parker, for her part, came to an Aces team already overstocked: with the elegant left-handed forward and 2020 and ’22 MVP A’ja Wilson, the ignitable scoring guard Kelsey Plum, the floor general Chelsea Gray. Com-

bined, the two clubs now field the recipients of 35 All-Star nods and 32 All-WNBA honors. Their players have won a total of six MVP awards.

“When I thought about coming to the Liberty, it wasn’t because of any decision that anyone else had made,” Stewart said at her introductory press conference in New York, dismissing the notion that the Aces’ massing power out West prompted an East Coast countermeasure. She acknowledged, though, that the mutual stockpiling gave the winter a jolt of fun.

“Player movement, fan engagement, is gonna go from one team to another,” Stewart said. “It’s just gonna make it more exciting, make things more spicy.” The joining-up was made possible, in part, by a loosening of free-agency restrictions in the WNBA’s 2020 collective-bargaining agreement, which rolled back the number of times a franchise could designate a “core player” and keep them from changing teams.

“I don’t want to say it’s moving into an era of super-teams now, because I feel like you’ve seen it before in terms of just really good players playing together and being able to win together,” Jones said.

—Rachel Bachman contributed to this article.



## OPINION

## The Court Wrestles With Rights



**WONDER LAND**  
By Daniel Henninger

Like the Milan fashion show, the nine justices of the Supreme Court are saving their most stunning cases for last. Thursday and Friday likely will see the release of



pute to the states.

We know now that Republicans took losses in the midterm elections because of their commitment to a virtually total ban on abortion, which had been their dug-in public position for decades. What's politically noteworthy in retrospect is that opinion polls, such as Gallup, showed for years that the public's view of abortion was more nuanced than the two dug-in sides, with a majority always believing abortion should be legal only under certain circumstances. That nuance, subject to local beliefs, is now showing up in state statutes.

A few months ago, GOP presidential candidate Nikki Haley gave a speech on abortion that remains a template for respecting good-faith beliefs on both sides, while arguing ultimately for a right-of-center policy on abortion. Before the *Dobbs* decision, no major politician would have attempted any such argument.

The current battle over the high court—the attacks on Justices Samuel Alito, Clarence Thomas and Brett Kavanaugh—is the political left's attempt to create a court (or intimidate this one) that would return to the *Roe* standard of creating nationalized, one-size-fits-all legal rights for issues of their choosing, such as gender identity or race-based legal entitlements.

In his opinion for the court in *Dobbs*, Justice Alito wrote: "We do not pretend to know how our political system or society will respond to today's decision overruling *Roe* and *Casey*." He was right. What happened with abortion in the states after *Dobbs* strongly suggests that Americans do not want to forfeit their opinions forever to a national authority on issues that are so deeply personal.

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the Harvard and North Carolina affirmative action cases and the case out of Colorado pitting a website designer's religious rights against gay rights. None of these rulings are likely to produce the furor of last year's *Dobbs* decision overturning the constitutional right to an abortion, which sent thousands into the streets. Abortion, if nothing else, has the distinction of producing more household-name Supreme Court cases than any other area of national dispute. *Griswold*, *Roe*, *Casey* and now *Dobbs* define the trajectory of America's battle over rights—what they should be and who is entitled to them.

### Americans don't want to forfeit forever their views on abortion or other personal issues.

*Dobbs* may sit as the most famous because it displaced *Roe*, decided in 1973. In addition to left-wing media riots, the *Dobbs* decision put in motion a great state-based debate over what limits should be applied to abortion. The U.S. and its polarized cultural politics would be better off if we had more *Dobbs*-like debates about the meaning and limits of the many rights claims that emerged after the *Roe* case, increasingly for discrete classes of Americans.

I think it's possible to argue that the nation's drift into irreconcilable cultural polarization began not with Donald Trump's election in 2016, but on June 7, 1965, when the Supreme Court in *Griswold v. Connecticut* established a right of privacy. That case released the rights monster.

Aside from its role as a precursor to the *Roe* decision, *Griswold* is remembered for Justice William O. Douglas's dictum that the novel privacy right was discoverable inside the Constitution's "penumbras formed by emanations."

Penumbras and emanations—one wonders how much time Douglas spent coming up with a constitutional justification based on two of the most malleable words in the English language. As poetry, they're lovely. The only comparable word in common usage today is "whatever." Whatever is what you say when you have run out of thought.

In the event, Douglas's constitutional clouds drifted forward inside the court. Justice Harry Blackmun in *Roe* cited *Griswold*'s "Bill of Rights or its penumbras" to justify the creation of a national abortion right. Once the Supreme Court established that the already expansive Bill of Rights had penumbras, we were off to the rights races.

Joe Biden has been chasing rights penumbras since his Senate days. In 1987, he got into a bizarre rights debate with Robert Bork during Bork's confirmation hearings for his nomination to the Supreme Court by Ronald Reagan.

Bork told Sen. Biden he disagreed with the *Griswold* argument that married couples needed a constitutional right of privacy to use contraceptives. Bork said they were already protected by the Fourth Amendment's prohibition on unreasonable government searches.

Mr. Biden insisted the cops might wiretap a couple's bedroom to see if they're using contraceptives. "They could, couldn't they," Mr. Biden said. "Unbelievable," Bork replied. "Unbelievable."

Bork's ultimate Senate defeat was itself one of the defining events in the country's polarization. What matters here is that Bork and others back then warned that finding such deeply personal rights inside the Constitution was perilous.

Abortion had quickly devolved into two phrases—pro-life and pro-choice, which in the ensuing years effectively meant being against all abortion or for any abortion. Last year's *Dobbs* decision transferred this all-or-nothing dis-

stages singing "Start Me Up," why should Mr. Biden's age hold him back? The president can run in the mold of Alec Guinness as Obi-Wan Kenobi in "Star Wars" or Sean Connery as John Patrick Mason in "The Rock," a man whose years and evident abilities have made him a wise and reliable badass. Or so the theory runs.

In my political consulting years, I liked finding how an opposing candidate's supposed strength was really a weakness. It's an interesting twist to emphasize an obvious weakness in an attempt to flip it to a positive. But what works in showbiz doesn't always work in politics.

Some 80-year-olds still have what it takes to film a movie, but Mr. Biden can't rely on retakes or editing. He has no computer-generated imagery or stunt doubles. Voters can see his increasing difficulty communicating and growing frailty.

Nor can Mr. Biden rely on the familiarity of performing the same song and concert routine he's done for a lifetime. As president, every day brings new challenges, different problems, unfamiliar settings and unrelenting pressure.

There are leaders sharp as a tack at 100 (think Henry Kissinger). But Mr. Biden's age problem isn't that it's merely a GOP talking point; it's reality. It's simply a fact

that the president isn't at the top of his game, or close to it. His utterances often generate concern, even among supporters. There's no reason to think things will get better and every reason to believe they'll get worse.

Messrs. Katzenberg and Clooney's advice might work if life were a little more like television and movies, in which voters are often depicted as easily misled by convoluted political theatrics.

### A legendary producer says age can be a strength. But politics doesn't allow retakes.

Take "The Candidate" (1972), starring Robert Redford as Bill McKay, an idealistic environmental lawyer recruited to challenge a popular California Republican senator. Guided by a Machiavellian consultant, Mr. McKay is told to trim his views and offer voters pablum. Aided by a sleazy union boss and boosted by the endorsement of his estranged father, a respected former governor, Mr. McKay wins. It's all artifice and fraud. "What do we do now?" is the movie's final line.

This idea is carried to an extreme in "Wag the Dog" (1997). A political operative played by Robert De Niro and

a Hollywood producer depicted by Dustin Hoffman concoct a fake war in Albania to distract attention from the president's sexually assaulting a teenage girl in the Oval Office two weeks before the election. The bogus war diverts the public from the president's scandal long enough for him to win. (Spoiler alert: Mr. De Niro orders Mr. Hoffman killed at the end.)

Such scripts make for popular movies, but they're the wrong way to view a real presidential election. Voters are hardly perfect and sometimes make mistakes. But in general, the story that comes closest to real life is Hans Christian Andersen's "The Emperor's New Clothes." By a presidential campaign's end, as with the emperor at the parade's conclusion, many swing voters sense when they're being conned and see through it. Trying to run an entire presidential campaign on a false narrative is a prescription for disaster.

Mr. Biden's deterioration is a difficult problem. Messrs. Katzenberg and Clooney won't solve it unless they manage to cast him as Benjamin Button.

Mr. Rove helped organize the political-action committee *American Crossroads* and is author of "The Triumph of William McKinley" (Simon & Schuster, 2015).

## Biden II: Hollywood Searches for the Plot

By Karl Rove

President Biden has a problem. In the RealClearPolitics average of recent polls, his favorable rating is 42.5%. The specifics look worse: His job approval on foreign affairs is 40.7%, on the economy 38.3%, on crime 37.3%, on immigration 33%, and on inflation 32.6%. To top it off, Donald Trump, who's been indicted twice, leads Mr. Biden 44.1% to 43.5%.

Don't worry, Democrats. Hollywood is riding to the rescue! In addition to being DreamWorks Animation's CEO and a movie-making legend, Jeffrey Katzenberg is one of the Biden campaign's seven national co-chairmen. Now he and George Clooney have messaging advice for Team Biden—turn the president's greatest weakness into his strength.

Though a May ABC poll found that 68% of Americans think Mr. Biden, who will turn 82 shortly after the 2024 election, is too old to be president, Mr. Katzenberg suggests that Mr. Biden embrace his age as evidence of wisdom and maturity and respond to questions about it with humor.

If Harrison Ford at 80 can star in the new Indiana Jones movie ("Dial of Destiny" is out this Friday) and Mick Jagger can celebrate six decades with the Rolling Stones by strutting across concert

## Don't Let AI Steal Your Company's Data

By Matt Calkins

A financial analyst I know recently asked ChatGPT to write a report. Within seconds, the software generated a passable document, which the analyst thought would earn him plaudits. Instead, his boss was irate: "You told Microsoft everything you think?"

This scene is playing out at countless organizations. Innovative employees find new uses for artificial intelligence while their employers worry about losing sensitive data. Businesses are learning that large language models are powerful but not private. Before the technology can give you valuable feedback, you have to offer it valuable information.

Many executives aren't will-

ing to make that trade. They don't want to compromise their greatest asset, let alone train an algorithm that could be used by their competitors.

Yet what good is an asset if you don't have access to it? Corporate data are like gold mines beneath every large organization, but they're often

### Businesses can make the best use of it by bringing it in house.

stored in inconvenient ways. Troves of company-specific material are effectively wasted because they're poorly organized and thus not consulted when needed. The data assets of large organizations require

a connective technology to realize their true worth. AI can become that technology by absorbing an enterprise's data and translating them into a highly accessible algorithm.

Given security concerns, however, many organizations won't ship their data to large tech companies. Instead, they will bring AI inside the tent, to train and deploy it within their own companies. I call this approach private AI.

Such technology isn't hard to implement. Take a publicly sourced large language model, such as StarCoder or Bloom, many of which are available on marketplaces like Hugging Face. Then, train it on your own data sets, and you'll get a competent model that can address the kind of situations your business faces. Private AI

can handle communications from customers and will be able to read, route and prioritize incoming correspondence.

Private AI, like all artificial intelligence, will require oversight. Expect to keep humans in charge—as editors and decision makers—for as long as you can project. The technology likely won't pass the Turing test or plan your next dinner party, but it will help corporations save considerable time on tasks without sacrificing valuable data assets. With time, it might become like the custom software application: a commonplace way for corporations to remain autonomous and unique.

Mr. Calkins is CEO of *Applan*, a business software company.

BOOKSHELF | By Barton Swaim

## The Philosophy Of Freedom

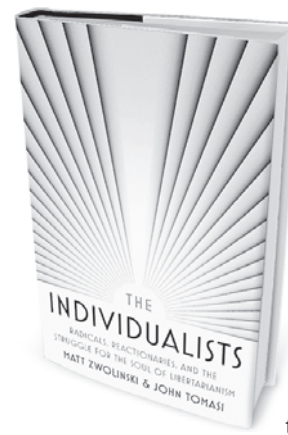
### The Individualists

By Matt Zwolinski and John Tomasi  
(Princeton, 416 pages, \$35)

Most politically attuned Americans will have some idea of what libertarianism is. Some think of it as an embrace of "business" or "capitalism" in all its forms; others as the anything-goes morality of 1960s radicalism. Still others, coming nearer the truth, will know libertarians as the people who want government "out of the bedroom and the boardroom," as the slogan has it. In fact, as we are reminded by John Tomasi and Matt Zwolinski in "The Individualists," libertarianism is a bit of all these things. It is a wildly diverse and inveterately fractious political tradition whose adherents have taken opposite sides on nearly every important political question.

The book documents libertarian thought, from its origins in the second half of the 19th century until now, on an assortment of topics, including markets, poverty, racial justice and the international order. The authors themselves claim the libertarian label and write clearly and charitably about all factions of the philosophy.

What is libertarianism, anyway? The easy answer: an approach to politics that seeks to minimize state coercion and maximize individual liberty. That generalization, though, covers a multitude of disputes. Most libertarians support legal abortion, for example, and some oppose it, in both cases for reasons of individual sanctity. In the



absence of any easy formulation for what all libertarians think, Messrs. Tomasi and Zwolinski propose six "markers": property rights, individualism, free markets, skepticism of authority, negative liberties, and a belief that people are best left to order themselves spontaneously. Libertarians, the authors contend, keep all six principles in view at the same time.

They divide libertarianism into three historical eras, each responding to particular threats to liberty. The "primordial"-era

libertarians—Frédéric Bastiat (1801-1850) in France, Herbert Spencer (1820-1903) in Britain—formed their ideas in opposition to socialism. In 19th-century America, the great threat to liberty wasn't socialism but slavery. Early American libertarians like the journalist Lysander Spooner (1808-1887) saw slavery "primarily through the lenses of *authority* and *property* rather than of *race*," the authors write. "Libertarians condemned slavery as an unjust usurpation of individual sovereignty and a denial of the individual's rightful entitlement to the fruits of their labor." There was wisdom in understanding chattel slavery as theft—a definable crime—rather than as a form of the more nebulous sin of racism.

During the Cold War—the authors' second era—libertarians tended to align with conservatives in opposition to central planning and devoted their attention mostly to economic subjects. It was an uneasy alliance. Libertarians and conservatives were both anticommunist on questions of personal liberty and economics, but the right favored military buildup and libertarians hated militarism. The two camps clashed on crime, drug legalization, abortion, obscenity on the airwaves and more. Already in 1969 the libertarian economist Murray Rothbard (1926-1995) urged his readers "to go, to split, to leave the conservative movement where it belongs."

The alliance largely dissolved in the years after the fall of the Berlin Wall. Libertarians, quite as much as conservatives and liberals, experienced a crisis of identity. With socialism discredited everywhere, what held libertarianism together? In the 21st century, the movement in the U.S. has consisted in an assortment of competing, often disputatious intellectual cadres: anarchists, anarcho-capitalists, paleo-libertarians (right-wing), "libertarians" (left-wing) and many others.

### Libertarians seek to limit state coercion and maximize individual liberty. They also tend to avoid life's biggest questions.

"The Individualists" is a superb work of intellectual history. Anyone wishing to understand a modern political denomination encompassing such diverse creatures as the anarchist Albert Jay Nock, the priestess of capitalism Ayn Rand, the politician Rand Paul and the billionaire philanthropist Charles Koch ought to have a copy on his shelf. The book confirmed my belief, though, that modern libertarianism suffers from two intrinsic deficiencies.

The first: Libertarians' unwavering concern for individual rights and loathing of coercion cause them to ignore the rights of communities to govern themselves. "They care about the freedom of individual human beings, not of collective entities," as Messrs. Tomasi and Zwolinski plainly put it. But a world in which groups of people—neighborhoods, cities, states—can't set their own rules without one or two individuals crying foul and denying them that authority is not a world defined by liberty.

The second is an outgrowth of the first. A polity, if it's to function and endure, must offer its members a reason to remain attached, in their loyalties and affections, to the collective. That requires some engagement with ultimate questions—questions about the good life, morality, religious meaning, human purpose and so on. Modern libertarians are allergic to all such topics. Almost the only figures who mention such things in "The Individualists"—Adam Smith, William Lloyd Garrison—lived and died in the 18th or 19th century.

These two deficiencies have led, in my view, to a kind of exhaustion in libertarian thought. Messrs. Tomasi and Zwolinski proclaim their affiliation with something called Bleeding Heart Libertarianism. BHL, as it's termed, favors a reconciliation of the philosophy of Friedrich Hayek, who advocated for property rights and free markets, with the left-liberalism of John Rawls, who prescribed vast state power to achieve the ends of social justice. The Niskanen Center in Washington, D.C., with which the authors are loosely associated, is dedicated to squaring this circle.

I find the attempted Rawls-Hayek synthesis totally unconvincing, but the more pertinent point is that it's an attempt to smuggle big questions of justice and morality into the studiously amoral philosophy of libertarianism. "The Individualists" explains and defends the libertarian impulse with scholarly rigor. The book also works as an obituary.

Mr. Swaim is an editorial-page writer for the Journal.



## OPINION

## REVIEW &amp; OUTLOOK

## Stuck on the Airport Tarmac

Americans are looking forward to summer vacation and included in the package: A scenic view of the tarmac at LaGuardia airport. The Federal Aviation Administration is blaming travel mayhem this week on thunderstorms, but the underlying reason you'll pay more to arrive late to the beach is decades of government mismanagement.

United Airlines CEO Scott Kirby said on Monday that "the FAA frankly failed us this weekend," as staffing shortages compounded delays and cancellations from bad weather in New York. The FAA is denying staffing problems, but this air-traffic jam has been months in the making.

The FAA earlier this year predicted a 45% increase in flight delays, and the agency has been pushing airlines to cut flights in particular to and from busy New York. Airlines have staffed up as they recover from pandemic disruption and try to meet increasing consumer demand. But cutting routes means fewer choices and higher fares for the long-suffering traveling public.

The FAA acknowledges that the New York area is at about 54% of its staffing target, versus the 80% average in other parts of the country. The New York area's John F. Kennedy, LaGuardia and Newark airports weathered more than 41,000 delays related to staffing shortages in summer 2022.

The situation is "a direct result of the FAA's own failure to solve long-running staff shortages," as Republican Sen. Ted Cruz, ranking member on the Commerce Committee, said in a letter this spring to Transportation Secretary Pete Buttigieg. The Transportation Department inspector general last week scored FAA's "limited efforts to ensure adequate controller staffing."

The FAA years ago proposed redesigning

New York's air space, to include combining facilities to make controllers more efficient. That project crashed and burned thanks to political parochialism. New York Democrat Chuck Schumer in press releases touts his "fierce advocacy" in fighting an integrated facility that might have moved air-traffic controllers from Long Island and allowed more efficient staffing. He's pandering to the flight-controllers union, and it's too bad there's no union representing Americans sitting in seat 36B.

This illustrates why the U.S. would benefit from spinning off air-traffic control from government, as countries such as Canada have done to salutary effect. Air-traffic control could rely on user fees, instead of taxes, and not be hostage to special-interest politics.

The FAA has also struggled to upgrade technology. A classic example is controllers passing around paper strips that track a flight. An FAA plan to roll out electronic flight strips at 49 major airports isn't set to finish until 2029. Technology such as 360-degree cameras obviate the need to put every controller in a tower at the end of the runway. But the FAA has shown little interest in remote towers.

Under a private air-traffic regime, the FAA would be free to focus on its core mission: Safety regulation. That looks more urgent as near-misses happen more frequently at airports across the country. Air-traffic reform stalled in Congress under the Trump Administration thanks to opposition from hobbyist pilots and private aviation companies.

The idea dates back to Al Gore's 1990s pitch for reinventing government. Mr. Buttigieg could revive his political fortunes by working with the GOP to make it a reality. As it is, he'll take the heat for summer delays. Summer travel dysfunction doesn't have to be inevitable. It's the product of incompetent government.

### Expect delays and higher fares owing to FAA incompetence.

## Bidenomics in One Lesson

As it gears up for the 2024 re-election campaign, the White House is undertaking a political salvage operation over the economy. President Biden is now embracing what we have long called Bidenomics as a badge of honor, and he's telling tales about how splendid everything is and why he deserves credit for it.

The White House is going on this PR campaign because it can read the polls. Mr. Biden's approval rating on the economy is 38.3% in the latest Real Clear Politics average. People don't think the economy is all that great. So in Chicago on Wednesday Mr. Biden touted all the new construction going on from the spending that Democrats passed in the last Congress. And there's no denying that when you spend literally hundreds of billions of dollars to subsidize certain industries, you can get new plants.

But then why are voters so unhappy? The answer can be found in one lesson by looking at the nearby chart. It tracks average real hourly earnings for all workers in the private economy across the Biden Presidency, and it tells an ugly

story about the impact of the worst inflation in 40 years and the standard of living. This is the inflation that Mr. Biden did so much to ignite with all of his spending.

In 1982-84 dollars, which takes account of inflation, average hourly earnings were \$11.39 when Mr. Biden took office but started to decline immediately and didn't stop falling until inflation peaked in June 2022. They have bounced up a little but were still back only to \$11.03 in May. That's a 3.16% decline in real earnings for the average worker across the 29 months of the Biden Presidency.

These are official Labor Department statistics. Mr. Biden can't deny them, so he had someone fudge the point by writing in his Chicago remarks that, "Look, pay for low-wage workers has grown at the fastest pace in over two decades." We'd like to see how his economists cherry-picked the data to justify that one.

All of which reminds us of the old Marx Brothers joke: Who are you going to believe, me or your own eyes? Regarding Bidenomics, Americans should believe their own eyes.

Average hourly earnings of all private workers, 1982-1984 dollars



Source: Bureau of Labor Statistics

## The Incredible Expanding Chips Act

Bureaucrats excel at pushing their policy agendas through gaps in the law, and the Commerce Department is showing how it's done. The agency is expanding a subsidy to dictate social policy, pushing progressive causes on companies in many more industries.

Commerce Secretary Gina Raimondo said Friday she is broadening a program that was previously limited to computer-chip manufacturers. Her agency is charged with handing out \$39 billion in aid to chip companies under the Chips and Science Act that Congress passed last summer. But as usual in Washington, legislators left final details in the hands of Biden administrators.

In February Ms. Raimondo announced the aid would come with strings attached. Any firm seeking a chip grant of more than \$150 million must submit an employee child-care plan "in tandem with community stakeholders," which means unions and progressive groups. Grant recipients of all sizes must also adopt the Biden Administration's "Good Jobs Principles," which include a commitment to diversity, equity and inclusion as the government defines it. None of this is specified in the Chips Act.

Yet now Commerce is expanding the program along with the strings. Grants originally meant for chip makers will also be made available for suppliers, Ms. Raimondo says. That includes producers of chemicals, silicon, custom tools and more—a much larger cross section of the economy. The aid will be hard to decline for companies eager to keep a competitive edge, but they'll have to join their chip maker customers in submitting to administrative social dictates to get the cash.

Naturally, Ms. Raimondo claims this is

### More companies can get grants, if they adopt progressive social policy.

strictly business. "We can have as many fabs as we want, but the reality is, we also need the supply chain—the chemicals, the material, the tools," she told the press last week.

But it's also political business. Commerce is leveraging the subsidies to coerce companies to impose social policies it couldn't pass through Congress. The more companies it draws into its subsidy maw, the broader its political reach in allocating capital.

The Chips Act subsidy pool is finite, which means that the more companies that can tap it, the less cash will be available for the chip makers. Ms. Raimondo said in May that the program was already "vastly oversubscribed" with more than 200 grant requests, and that "not everybody who wants money will be able to receive it." Don't be surprised when the companies start lobbying Congress for another round of subsidies to compensate.

Meanwhile, this U.S. version of French industrial policy has produced an arms race of subsidies around the world. All of the top international players in chip production, including China, South Korea and the European Union, have increased their subsidies since Congress passed the Chips Act. Lawmakers boast about domestic deals like Micron Technology's proposed plant in upstate New York. They're less likely to mention the same company's plan to build advanced chips in Japan with a grant from Tokyo, or its new plant in India.

Once the subsidy train gets going, everyone gets on board and it's hard to stop. The U.S. is moving fast along the track of state-run capitalism. Republicans who voted for the Chips Act have handed more power to the Biden Administration to run more of American business.

## LETTERS TO THE EDITOR

### Education Reform, From Innovation to Apology

I have a big smile on my face after reading Eva Moskowitz's "Phonics Finally Gets Its Due in New York" (Cross Country, June 24). My mother, a 1950 home-economics graduate, taught me and my three brothers all to read using phonics—before we entered first grade. My mother then went back to school in her 40s and became a primary teacher. Her motto was, simply, "Once you can read, you can do anything."

What I find tragic today is knowing that this too shall pass. It seems that even when we can read, we fail to read history. What we have learned about how reading is taught

will all be forgotten after another generation determines that this "old way" isn't good enough. Then we may have to wait another 20 years to rediscover phonics, once again.

MEGAN REID  
Pasco, Wash.

Now that New York City's schools chancellor has apologized to parents on the matter of reading instruction, I can't help but wonder if our public schools will be issuing another apology 20 years from now: for teaching critical race theory to our children.

JOHN CUGIA  
Concord, Calif.

### Where You Stand Depends on Where You Sit

In "ProPublica Misleads Its Readers" (op-ed, June 21), Justice Samuel Alito proves that reasonableness is in the eye of the beholder. Consider that the left screams that Justices Alito and Clarence Thomas should have recused themselves for accepting free travel, while the right screams that Federal Trade Commission Chair Lina Khan should recuse herself from all things Amazon based on her prior writings. Both sides say that their targets can't be fair and impartial in their duties.

Justice Alito concludes of his own case, "It was and is my judgment that these facts would not cause a reasonable and unbiased person to doubt my ability to decide the matters in question impartially." Ms. Khan takes a similar position. After the screams subside and the dust settles, it seems clear that, in today's America, whether one is a "reasonable and unbiased person" depends solely on one's perspective.

ROBERT A. WALLER JR.  
Cardiff, Calif.

### AI Is No Replacement for a Nurse's Intuition

I see artificial intelligence simply as another tool to help us provide better care to our patients ("Nurses Clash With AI Over Patient Care," Page One, June 16). From a stethoscope to an electrocardiogram, tools provide information that, together with my clinical judgment, knowledge and experience, help me make the proper diagnosis and decide on the appropriate treatment. Relying too much on any one modality, including AI, could lead to incorrect diagnoses and treatments.

The wide-ranging possibilities and "black box" nature of AI raise the danger of over-exuberance in some people and fear in others. We need a little of both. Especially in the early days, AI will be no substitute for astute clinical judgment.

This was made clear to me last year when my grandson was born prematurely in London. One night in the neonatal intensive-care unit, an experienced nurse thought "something wasn't right" about how his blood was clotting after his many pinprick blood tests. On a hunch, she sent off specialized laboratory tests and discovered that he had severe he-

mophilia. If she hadn't pursued that intuition, the problem might not have been diagnosed for weeks or months, and he might have been in danger of severe bleeding from simple manipulations and blood tests.

ANTHONY MERCANDO, M.D.  
Bronxville, N.Y.

I've been a nurse for 43 years, and I have been told that I have great instincts for early detection of problems with patients. These instincts are based on tools and facts I have learned over the years. Just as I depend on things like blood pressure, temperature and lab results, I use the algorithms to tell me who is deteriorating and needs intervention. Should an algorithm not seem to fit the patient's situation, it is my job to inform the attending physician so that the proper treatment will occur.

Algorithms have been an incredible addition to our arsenal in catching problems early. We aren't using magical hunches; we are using science.

SHERRY FLYNN  
Bradenton, Fla.

UC Davis Medical Center's nurses are among the best in the nation, and we trust their judgment over tech tools, which don't replace humans but improve patient care and reduce errors. Every healthcare provider quoted in the article stated that care decisions are made by people, not AI, and that technology is simply a tool to aid human decision-making.

The sepsis algorithm that a nurse complained about in the article has produced one of the nation's lowest sepsis-mortality rates. A nurse also complained about having to use a medication-error-prevention tool (which isn't AI) that matches up patients and medicine according to a physician's order. Proper nursing practice isn't overriding a physician's plan of care without permission, but rather calling the physician to discuss changing the plan of care if she saw it was ineffective.

J. DOUGLAS KIRK, M.D.  
Chief Medical Officer  
UC Davis Medical Center  
Sacramento, Calif.

### Schiff and the Cherry Tree

It is apocryphal that George Washington never told a lie, but it is verifiable that Adam Schiff has seldom told the truth ("John Durham Testifies, yet 'Collusion' Lives" by Holman Jenkins, Jr., Business World, June 24). Yet Rep. Schiff's cohort in Congress can see no harm in his deceptions.

MATT RERES  
Heathrow, Fla.

### Sacramento Is My Marketing

Regarding your editorial "Gavin Newsom's Tax Evasions" (June 15): I focus most of my tax practice on helping overtaxed Californians flee the state. Every time there is another proposal to raise taxes, my phone starts ringing: a potential customer. The Democrats in Sacramento are the perfect marketing plan. Before long, they will have provided me the resources to establish my own tax domicile elsewhere. What will occur when they realize that only financially challenged citizens remain to support their endless spending plans?

ALAN HANSEN, C.P.A.  
Redwood City, Calif.

### CORRECTION

The so-called Texas House in Concord, Mass., owned by the family of Henry David Thoreau, was moved from its original site to another. A review of the book "Henry at Work" (June 7) incorrectly said the house hadn't been moved.

Letters intended for publication should be emailed to wsj.letters@wsj.com. Please include your city, state and telephone number. All letters are subject to editing, and unpublished letters cannot be acknowledged.

### Pepper ... And Salt

THE WALL STREET JOURNAL



"Meets expectations. That's so hurtful."



## OPINION

A Resounding Reaffirmation of *Times v. Sullivan*By Lee Levine  
And Matthew L. Schafer

Donald Trump said in 2016 that he wanted to “open up our libel laws” to make it easier to sue news organizations for defamation. Two Supreme Court justices later raised questions about the landmark ruling *New York Times Co. v. Sullivan* (1964). But on Tuesday the high court laid these questions to rest—in a case that on its face had nothing to do with defamation law.

*Counterman v. Colorado* flew under the radar for most Americans, even journalists. The case posed the question of what state of mind the government must prove to secure a

## Six justices reject Clarence Thomas’s view that the landmark defamation case should be overturned.

criminal conviction for speech that constitutes a “true threat” of unlawful violence. In deciding it, however, six of the nine justices reaffirmed the central holding of *Sullivan*.

The court held unanimously in *Sullivan* that defendants in state defamation cases are protected by the First Amendment. Libel cases brought by public officials, Justice William Brennan wrote, must be considered “against the background

of our profound national commitment to the principle that debate on public issues should be uninhibited, robust, and wide-open.”

To provide the “breathing space” First Amendment freedoms need, the court formulated the “actual malice” standard, which requires that plaintiffs who are public officials (extended in later cases to include all public figures) demonstrate that a defendant knew the libelous statement was false or probably false—in other words, that it published a “calculated falsehood.” That rule provided serious protection to speakers who might be targeted with baseless libel lawsuits, or who published erroneous information in good faith.

The court spent the next several decades further limiting the ability of well-heeled litigants to shut down criticism using libel law. Throughout, *Sullivan* has stood as the court’s foundational declaration of the “central meaning” of the Constitution’s protection of “freedom of speech or of the press”: that the First Amendment provides “a core of protection of speech without which democracy cannot function, without which, in Madison’s phrase, ‘the censorial power’ would be in the Government over the people and not ‘in the people over the Government.’” as legal scholar Henry Kalven Jr. put it in a 1964 law-review article.

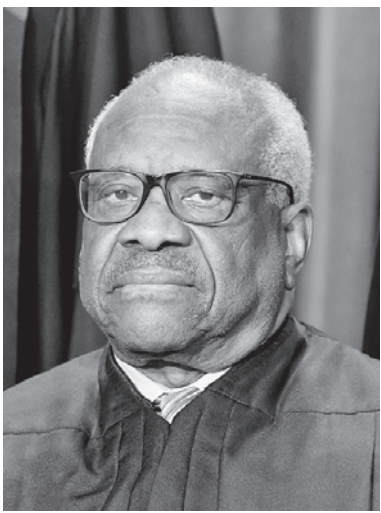
But Justice Clarence Thomas issued a lone dissent against *Sullivan* in 2019. He described it and subsequent rulings as “policy-driven decisions masquerading as constitu-



Justice Kagan wrote for the court. Justice Thomas filed a dissent.

tional law” and called on the court to overturn them. Justice Neil Gorsuch didn’t go quite that far in 2021, but he questioned whether *Sullivan*, even if correctly decided, had rendered it impossible for public figures to vindicate their falsely damaged reputations in court. He also noted that Justice Elena Kagan had questioned aspects of *Sullivan* when she was a law professor. Earlier this year, Florida lawmakers introduced a pair of bills to eviscerate the protections of *Sullivan*—a gambit designed to create an opportunity for the court to reconsider the precedent.

The Media Law Resource Center issued a white paper defending *Sullivan* and detailing the risks to democracy if it were overturned and



REUTERS/ASSOCIATED PRESS

defending its historical pedigree. One of us (Mr. Schafer) argued in an academic paper that “at the Founding and shortly after, courts were cultivating an *American* understanding of the freedom of the press and libel,” which informed *Sullivan* and its progeny. As Chief Justice William Rehnquist once said, *Sullivan* “altered the rules of the game of American politics, and speech, as a matter of fact, making American public officials more accountable, the American media more watchful, and the American people better informed.”

In *Counterman*, the court invoked *Sullivan* generally, and its actual-malice rule specifically, to vacate the criminal conviction. Writing for a five-justice majority, Justice Ka-

## Biden Follows Jimmy Carter’s Failed Middle East Model

By Mike Watson

Jerusalem  
Little in the Middle East is going America’s way. Iran’s uranium enrichment is approaching weapons grade, Beijing is brokering deals between Tehran and Riyadh, and the Arab League has welcomed Syria’s brutal Bashar al-Assad back into the fold. At a time like this, one would think the U.S. would be working hand in glove with one of its last steady allies in the region: Israel. A recent trip to the Jewish state revealed this isn’t the case.

There’s no shortage of issues primed for cooperation. Jerusalem is concerned about Iran’s nuclear enrichment and well-equipped proxy armies. Those items should also worry Washington, and working on them together could lead to deeper engagement on such issues as the burgeoning Russia-Iran arms trade and China’s regional influence. Prime Minister Benjamin Netanyahu reportedly hopes that China’s Middle East maneuvers will force President Biden to tend to the region better.

Yet rather than focus on American interests in the region, the Biden administration has poured its energy into meddling in Israel’s judicial re-

form and demanding more engagement with the Palestinians. The closest the administration has come to advancing urgent U.S. interests is prodding Israel to export weapons to Ukraine and occasionally raising concerns about Chinese investments in sensitive areas.

The president’s pursuit of backward priorities is fundamentally contradicting his regional goals. Much like President Obama, Mr. Biden seems intent on pacifying Iran. Even after two years of failed talks, he seems to think that an agreement pausing Tehran’s nuclear program will eventually lead to a diplomatic breakthrough that will resolve America’s and its allies’ concerns—or, failing that, give the U.S. enough time to make a graceful exit from the Middle East. Unfortunately for Mr. Biden, the mullahs haven’t rushed to return to the nuclear deal Mr. Obama crafted and Donald Trump exited. The administration is now reportedly working on a more limited “understanding” with Iran.

This leaves Israel with less incentive to follow American priorities, particularly on Ukraine. As things stand, Israel isn’t likely to risk antagonizing the Kremlin by arming Ukraine because Moscow’s bases in

Syria grant it an effective veto over Israel’s airstrikes on Iranian assets and proxies in Syria. Russia’s tacit assent will become even more important if Mr. Biden’s “understanding” gives Iran more resources to threaten the Jewish state.

The president’s desire to draw down the U.S. military presence across the Middle East also weakens his hand. As Washington’s ability to exert force in the region declines, so

## U.S. interests and regional stability suffer when the president harangues Israel rather than works with it.

will its influence, particularly over the domestic arrangements of other countries. If China’s presence grows and America’s wanes, Israel will have to respond accordingly. Jerusalem may not court Beijing as assiduously as some of the Gulf states have, but it will become less responsive to Washington’s concerns.

To a certain extent, a mismatch of national priorities is unavoidable in any alliance. By virtue of geography,

Iranian aggression is a much more pressing worry for Israel than the U.S. But, as in most relationships, what you get from an alliance depends on what you give. Reducing military presence in the Middle East and maintaining a friendly demeanor toward Tehran both have consequences.

The problem comes when a leader isn’t prepared to stomach them. For Richard Nixon, who wanted America’s allies to handle non-Soviet security challenges without U.S. assistance, losing influence on human rights was an acceptable price for trimming America’s global commitments. Jimmy Carter found this bargain revolting and U.S. military deployments unpalatable, so he harangued America’s friends and foes on human rights and other issues to little effect.

Mr. Biden is in danger of repeating the mistakes of the Carter years, and the Palestinians would be the biggest losers. Having grown disenchanted with Henry Kissinger’s security-focused, incremental approach to Arab-Israeli negotiations, Mr. Carter decided to try for a comprehensive peace with all of Israel’s neighbors. Rather than slog toward a settlement with the Palestinians, Soviets, and Syrians, leaders in Egypt and Israel sidestepped the White House peace

effort and instead pursued a bilateral agreement. Egypt got the Sinai, Israel got peace, Mr. Carter got a photo-op for hosting the final round of talks, and the Palestinians got nothing.

Today’s regional dynamics are just as unpromising for the Palestinians, and Mr. Biden’s actions are making things worse for them. The Palestinians have exasperated their fellow Arabs and have few willing international partners; this leaves scant prospects for serious diplomatic intervention. With a final-status solution between Israel and Palestine out of view, the best chance to help Palestinians is to stabilize the Middle East so countries can devote more time to lower-priority issues. Mr. Biden’s Iran policy, however, is making the region more unsettled.

Human-rights advocates often denounce balance-of-power thinking as bloodless and amoral, but their causes fare better when America’s geopolitical situation is stronger. If Mr. Biden is determined to reach an “understanding” with Iran, he should stop delivering sanctimonious lectures to the Israelis.

Mr. Watson is associate director of the Hudson Institute’s Center for the Future of Liberal Society.

## The Endocrine Society’s Dangerous Transgender Politicization

By Roy Eappen  
And Ian Kingsbury

A federal court last week struck down an Arkansas law banning the provision of sex-change procedures—off-label “puberty blockers,” opposite-sex hormones and surgery—to minors. In the June 20 ruling, Judge James M. Moody Jr. repeatedly cited the Endocrine Society, the professional organization of physicians who specialize in hormones. He wrote that the society has “published widely-accepted clinical practice guidelines for the treatment of gender dysphoria” that “were developed by experts in the field” and “are recognized as best practices.”

In truth, over the past decade transgender activists have co-opted the Endocrine Society and other professional organizations to promote such treatments for adolescents and even young children. Their guidelines are based on flimsy evidence, giving the appearance that invasive and irreversible treatments are beneficial for young patients despite a growing body of evidence to the contrary. The guidelines have been used by lawmakers in states such as California

and New York to endanger children—and now by judges to block state efforts at protecting youngsters.

A few days before Judge Moody’s ruling, we attended the annual meeting of the Endocrine Society, of which one of us (Dr. Eappen) is a member. We found that endocrinologists are aware of the society’s failings and rue its elevation of transgender activism over medical expertise and patient needs.

## Members we spoke with take exception to the group’s guidelines on ‘gender-affirming care.’

The Endocrine Society endorsed medical “transition” for young people in 2017. It published the “clinical practice guidelines” for the “treatment of gender-dysphoric/gender-incongruent persons” that Judge Moody cited. At the time, there was little good research on this issue, and the Endocrine Society admitted the guidelines were largely based on evidence of “low” or “very low” quality. The soci-

ety nonetheless recommended that some children receive a “hormone regimen that will suppress the body’s sex hormone secretion, determined at birth and manifested at puberty.”

At this year’s meeting, we had frank and fruitful discussions with endocrinologists who provide hormonal treatments to kids with gender dysphoria, as well as some who don’t. Without exception, they acknowledged that the society’s evidence base for pediatric gender transition is weak, at best. Yet while they’re aware of the guidelines’ shortcomings, they’re afraid to voice their concerns. The society’s full-throated endorsement of gender-affirming care implied condemnation of anyone who holds differing views. Medical professionals are being cowed into silence and coerced into providing treatments they know are dangerous to children.

Perhaps the most telling interactions were with European endocrinol-

ogists, who were there to discuss the latest research and treatments in the specialty. Those we spoke with expressed surprise that the U.S. hasn’t banned, or at least severely restricted, such treatments for adolescents and children.

England, Sweden and Finland have all taken this path, and Norway is likely to follow. Belgium, France, Ireland and Italy are also raising concerns. These countries are following the science, which shows that the claimed benefits of hormonal intervention for young people fail to outweigh the risks.

Most disturbing, endocrinologists on all sides of this debate told us that practitioners aren’t complying with the precautions set forth in the society’s guidelines. Despite the document’s call for careful mental-health screening and its acknowledgment that most cases of childhood gender dysphoria naturally resolve during puberty, endo-

crinologists recognize that some of their peers are rushing young patients to irreversible hormonal treatments. Every endocrinologist we spoke with supports doing more to ensure that these guardrails are enforced, and many favor erecting new ones.

Judge Moody’s ruling cites the Endocrine Society’s guidelines in a lengthy section titled “Findings of Fact,” which is essentially a recitation of transgender ideology. A trial judge’s findings of fact are all but unreviewable on appeal. By allowing ideologues to hijack their organization, endocrinologists are making themselves complicit in a scientifically baseless movement that inflicts serious harm on children’s physical and mental health.

Dr. Eappen is a practicing endocrinologist in Montreal and a senior fellow at Do No Harm. Mr. Kingsbury is Do No Harm’s research director.

## Notable &amp; Quotable: Hunter and the Hatch Act

Stuart Baker and Michael Ellis writing on the Journal’s website, June 28:

In the waning days of the 2020 presidential election, . . . the New York Post published damning excerpts from a laptop left by Hunter Biden in a Delaware repair shop. Seeking to squash the story, 51 former U.S. intelligence officials fired off an open letter claiming the reporting had “all the classic earmarks of a Russian information operation.” . . . We now know the letter was a partisan hit job. . . .

The Hatch Act prohibits federal employees from using their official positions to engage in partisan political activities. . . . If the letter’s signatories had still been on the federal payroll, the Hatch Act would have prevented them from aiding the Bi-

den campaign. Once they left government, however, the Hatch Act ceased to apply. They were free to invoke their intelligence credentials to craft political talking points.

Congress can end this bad behavior. As part of an effort to depoliticize the intelligence community, lawmakers should extend the Hatch Act’s restrictions to senior intelligence officials who continue to hold security clearances after they’ve left government. Postgovernment clearances are meant only to serve the government’s interests, but when senior officials enter the private sector, they routinely retain security clearances as a perk, which allows them to advise their old agencies and also pursue high-paying consulting gigs.

An extension of the Hatch Act would be a restriction of these senior officials’ First Amendment rights, but

the Supreme Court explained in *U.S. Civil Service Commission v. National Association of Letter Carriers* (1973) why special restrictions on certain government jobs are constitutionally justified: “It is not only important that the Government and its employees in fact avoid practicing political justice, but it is also critical that they appear to the public to be avoiding it, if confidence in the system of representative Government is not to be eroded to a disastrous extent.”

That concern is still valid. The public also has a compelling interest in avoiding unverifiable and corrosive claims that argue for or against the election of a particular candidate. That interest outweighs a limited restriction on the speech of former senior officials, all of whom could engage in political activity if they relinquished their security clearances.

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## Nvidia Warns on Costs of AI Curbs

Chip maker sees long-term impact from restrictions on chip sales to China

By ASA FITCH AND YUKA HAYASHI

Potential new restrictions on the sale of artificial-intelligence semiconductors to China could come with a hefty long-term cost for the American chip industry—and another setback for U.S. rela-

tions with Beijing. The potential export controls would prevent Nvidia and other chip makers from shipping chips used to create powerful AI systems to China without first obtaining a license. The consequences could be severe, said Colette Kress, Nvidia's chief financial officer. "Over the long term, restrictions prohibiting the sale of our [AI chips] to China will result in a permanent loss of opportunities for the U.S. industry to compete and lead in

one of the world's largest markets, and the impact on our future business and financial results is there," she said during a webinar. Nvidia shares sank nearly 2% on Wednesday following The Wall Street Journal's report that new restrictions were being considered by the Biden administration. Chip stocks, as measured by the PHLX Semiconductor Sector index, fell nearly 1%. AI calculations largely take place in data centers filled

with servers that feature chips from Nvidia and its competitors. Nvidia specializes in graphics-processing units, or GPUs, that have been adapted to excel at AI. Roughly 20% to 25% of the company's revenue in the data-center division that houses Nvidia's AI chips have come from China historically, Kress said, although that includes many products that aren't affected by the U.S. restrictions. There would be no significant immediate finan-

cial impact if the restriction goes into place, she said, because Nvidia's chips are in high demand across the globe. The timing of any potential ban on AI chip exports is still uncertain, as chip makers including Intel and Nvidia lobby the administration to ease any new restrictions or drop them altogether. To avoid angering Beijing, no action is expected. *Please turn to page B4*

◆ **Heard on the Street: Curbs threaten Nvidia, China...** B14

## U.S. Probes Broker Tied To Morgan Stanley Deal Plans

By JAMES FANELLI AND CORINNE RAMEY

Federal prosecutors in Manhattan are investigating whether a securities broker and his associates traded on confidential information illegally obtained from Morgan Stanley about planned mergers and acquisitions, according to people familiar with the matter.

In a subpoena issued last month, prosecutors sought records related to Spartan Capital Securities broker Jordan Meadow and his communications with five people, including a former Morgan Stanley employee, about potential M&A deals. The subpoena, reviewed by The Wall Street Journal, said the Manhattan U.S. attorney's office was investigating possible insider trading, securities fraud and other offenses.

Prosecutors are investigating whether Meadow accessed a former Morgan Stanley executive assistant's email account to gain confidential information about those deals, one of the people familiar with the matter said. Morgan Stanley hasn't been accused of wrongdoing.

Meadow was asked to provide any records, including emails and communications on encrypted messaging platforms, over the past three years that pertain to a dozen companies, the subpoena said. Nearly all of the companies identified in the subpoena either acquired another company or were acquired during that period, public records show. On many of the deals, Morgan Stanley acted as a financial adviser to one of the companies involved, records show.

One of the deals involved semiconductor giant Broadcom's planned acquisition of software maker VMware. The subpoena also asked for records related to Canadian pa-

*Please turn to page B12*

## General Mills Sales Fall Short of Forecasts

By DEAN SEAL

General Mills said sales took a hit in its most recently completed quarter as volumes continue to weaken and retailers trim their inventories.

The maker of Cheerios cereal and Bisquick pancake mix reported Wednesday that its top line rose 3%, boosted by higher prices that food makers have been using for more than a year to pass through higher costs to consumers.

Volumes, meanwhile, fell 6%, with the biggest drop-offs recorded in the Minneapolis-based company's international and North American retail markets.

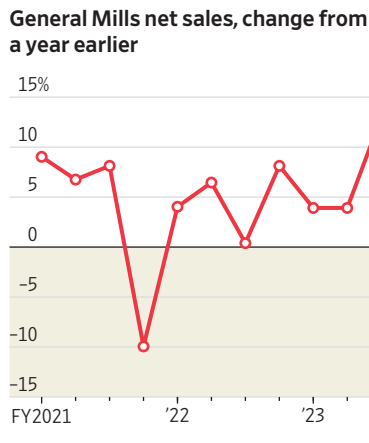
Inventory reductions by North American retailers also hurt sales. Executives said on a call with analysts that some of General Mills' big customers are working to get inventories in check as pandemic-era supply disruptions abate and interest rates and inventory carrying costs rise. "In retrospect, perhaps it shouldn't have been a surprise, but it certainly was an order of magnitude," said Chief Executive Jeff Harmening, adding that the draw-down isn't specific to General Mills and doesn't appear to be a red flag for the company or the broader industry.

Total sales for the fiscal fourth quarter ended May 28 came to \$5.03 billion, missing Wall Street analyst forecasts for \$5.18 billion, according to FactSet.

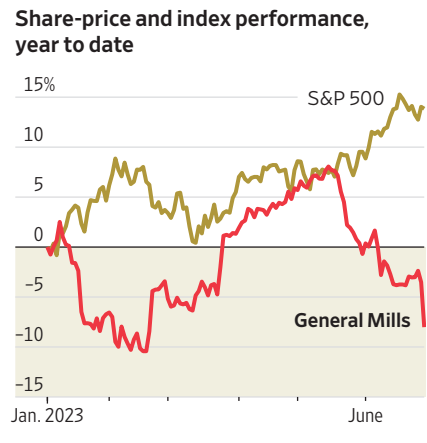
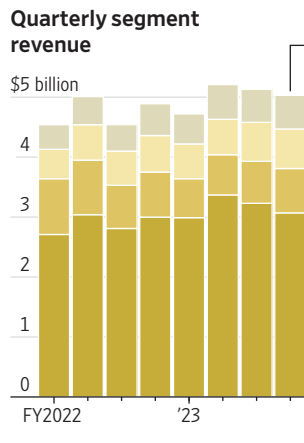
*Please turn to page B2*



The maker of Cheerios and other packaged foods said sales volumes declined by 6% in its most recently ended quarter.



Note: Fiscal year 2023 ended May 28.



Sources: S&P Capital IQ, the company (sales, revenue); FactSet (performance)

## Press Eyes Impact of Artificial Intelligence

By ALEXANDRA BRUELL

Several large news and magazine publishers are discussing the formation of a coalition to address the impact of artificial intelligence on the industry, according to people familiar with the matter.

The possibility of such a group has been discussed among executives and lawyers at the **New York Times**; Wall Street Journal parent **News Corp**; **Vox Media**; Condé Nast parent Advance; Politico and Insider owner **Axel Springer**; and Dotdash Meredith parent **IAC**, the people said.

A specific agenda hasn't been decided, and some publishers haven't yet committed to participating, the people said. It is possible a coalition may not be formed, they said.

While publishers agree that they need to take steps to protect their business from AI's rise, priorities at different companies often vary, the people said. Such differences could create a hurdle when it comes to setting an agenda in a coalition, they said.

Collaboration among competitive large publishers is rare, and the talks are indicative of the existential threat generative AI technology represents both to the industry and society.

Generative AI, a type of artificial intelligence that can generate text, images and other content. *Please turn to page B2*

## Ecstasy Promoter Seeks to Sell Shares as Lifeline

By MATT WIRZ

The Multidisciplinary Association for Psychedelic Studies, a nonprofit pioneer in the movement to legalize psychedelic drugs, is strapped for cash and turning to the market for a lifeline.

MAPS is working on an \$85 million private share sale to keep itself afloat until mid-2024, when it hopes to start selling MDMA, also known as Ecstasy,

in the U.S., people familiar with the deal said. MDMA remains illegal, but is one of the most promising treatments for intractable post-traumatic stress disorder.

The legalization advocate is planning a private stock offering for its public-benefit corporation, or PBC, the people said. The Series A financing would value the business at about \$200 million, they said.

A spokesman for MAPS de-

clined to comment.

The deal would set MAPS roughly on par with Atai Life Sciences, a publicly listed psychedelic drug developer backed by Christian Angermayer and Peter Thiel. Atai has a market capitalization of about \$240 million, down from \$3 billion two years ago, before the onset of a steep decline in investor appetite for biotech stocks.

The Food and Drug Administration is expected to approve

within 12 months MAPS's proposal for MDMA-assisted therapy for PTSD, potentially boosting valuations across the industry, investors and analysts said.

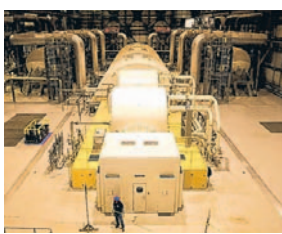
But MAPS needs a financial bridge to make it that far. The nonprofit was forced to stop clinical trials in Europe this spring and currently has enough cash for two months of operations, the people familiar with the matter said.

The FDA granted research into the drug breakthrough status in 2017, but if the approval process drags on it could put a severe cash drain on MAPS.

"Ultimately the MAPS launch of MDMA for PTSD is, to us, the most important next step," Patrick Trucchio, a biotech analyst at investment bank H.C. Wainwright, said at a conference held by MAPS in

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### INSIDE



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Microsoft, Activision CEOs vow not to block games from rivals if deal closes. **B4**

## Natural-Gas Prices Expected to Stay Low

By RYAN DEZEMBER

Natural gas is starting the summer at less than half the price it was a year ago.

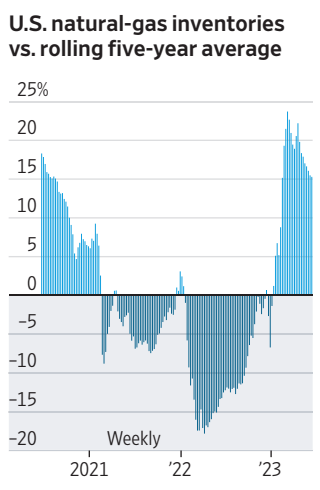
Cheaper natural gas should mean lower electricity bills for a lot of American households when they crank up their air conditioners. Makers of chemicals, cat litter, fertilizer, paper, wallboard and steel have told investors over the past few weeks that lower gas bills are easing cost pressures and bolstering profit margins.

Despite a 15% rally this month, spurred by triple-digit temperatures in Texas and elsewhere, prices for the power-generation fuel aren't expected to surge this summer like they did in 2022, when energy markets were shocked by Russia's invasion of Ukraine.

By late August, natural-gas prices had shot to their highest level in more than a decade, due largely to Europe's rush to replace Russian supplies with imported liquefied



Unusually warm weather has left a lot of gas unburned.



Source: Energy Information Administration

natural gas from the U.S. European buyers paid up for LNG cargoes and stockpiled gas for a winter that never really arrived. Unusually warm weather on both sides of the Atlantic left a lot of gas unburned and ample supplies heading into summer, when demand picks up to power air conditioners.

The least amount of gas in seven heating seasons was withdrawn from domestic storage facilities between Nov. 1 and the end of March, according to Energy Information Administration data.

Natural-gas futures for July delivery ended Wednesday at \$2.603 per million British thermal units, down 60% from

a year ago. August futures settled at \$2.668.

Goldman Sachs Group analysts expect prices to remain around the current level this summer. The investment bank has forecast summer prices to average \$2.85 per million BTUs, down from an earlier estimate of \$3.30.

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Shares of food producers fell after General Mills' results. J.M. Smucker finished Wednesday's trading 3.7% lower.

## General Mills Sales Decline

Continued from page B1

General Mills shares slumped following the report. The stock closed down 5.2% at \$76.72, making it the worst performer in the S&P 500. They have fallen 8.5% so far this year.

Other food producers fell as well. Shares of **J.M. Smucker** lost 3.7%, **Conagra Brands** shed 3.5% and **Hormel Foods** dropped 2.6%. Shares of **Kellogg**, **Mondelez International** and **Kraft Heinz** also lost ground.

Looking ahead to its next fiscal year, General Mills said it expects to annual sales to grow 3% to 4% through strong marketing and further price adjustments. Harmening told analysts that most of General Mills' planned price increases have taken place, though a few could be forthcoming.

"There may be a category where we need a little bit more and maybe a geography where we need a little bit more because the inflationary prices are different," Harmening said.

Input cost inflation is expected to persist and make up 5% of the total cost of goods

sold for the next year, primarily due to higher labor costs in sourcing, manufacturing and logistics, General Mills said.

The food producer projects adjusted earnings, which strip out one-time items, to rise 4% to 6% from the \$4.30 a share it logged in the last fiscal year.

In the most recently completed quarter, adjusted earnings were \$1.12 a share, above analyst forecasts for \$1.07 a share, according to FactSet. General Mills' profit fell by about one-quarter from a year ago to \$614.9 million, or \$1.03 a share.

Gross margins were driven lower as higher costs offset gains from raised prices and positive shifts in the mix of products General Mills sold. The company's overhead costs were up as well, as were its restructuring costs as it continues to streamline its supply chain.

General Mills said restructuring, impairment and related exit costs were \$56 million for the fiscal year, compared with a recovery of \$26 million in the year before.

The company's pet-food business, which has dragged on results in the past, was a bright spot during the quarter. Higher prices drove revenue up 7% despite a slight dip in volumes, and the segment's operating profit jumped 18%. The company said it sold more dry pet food and dog treats, though wet pet food sales were down.

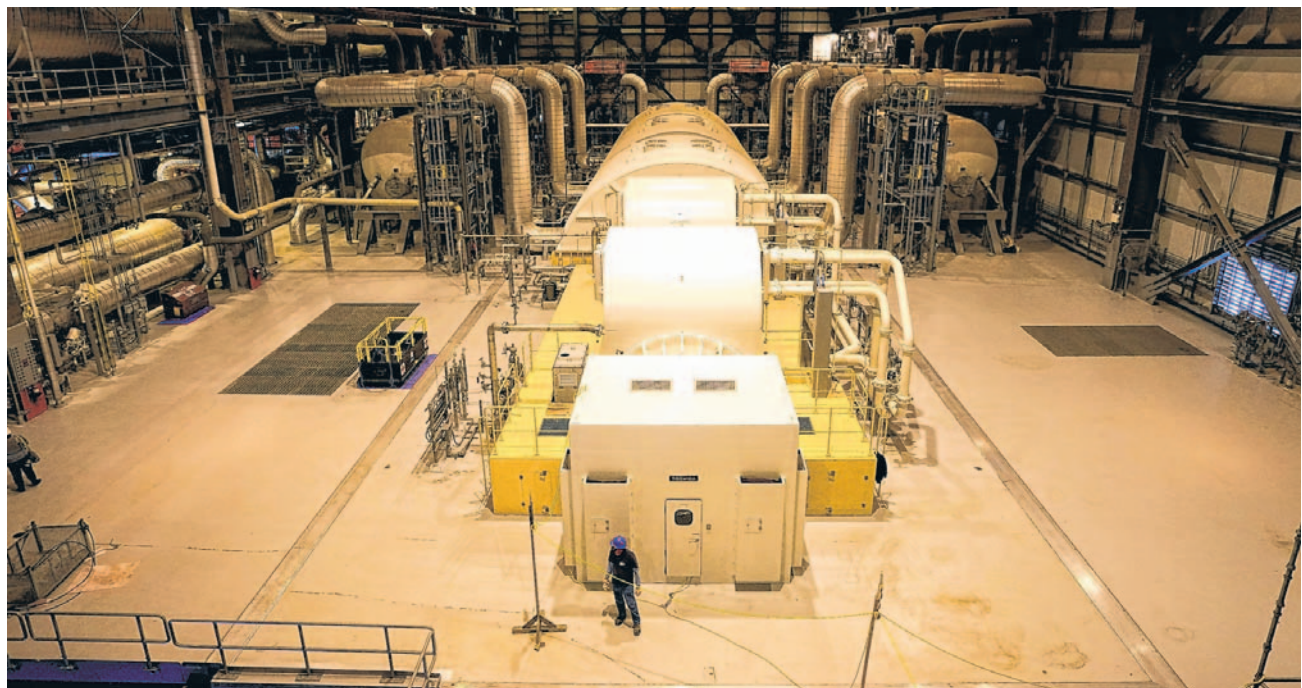
concerns that AI could reshape many industries.

In recent months, publishing executives have begun examining the extent to which their content has been used to "train" AI tools such as ChatGPT, how they should be compensated and what their legal options are, the Journal previously reported.

Of particular concern is that the tools provide information directly to users, eliminating the need to follow links to information sources, such as articles.

Even before AI's rise to prominence, publishers have sought to get compensated for tech platforms' use of their content but traditionally structured deals on their own.

## BUSINESS & FINANCE



The alleged motivation for the spying was based in part on issues related to a nuclear-power plant in Georgia.

# A Spy Scandal Sparked Probe And Turmoil at Southern Co.

By KATHERINE BLUNT

On a late spring day in 2017, a private investigator parked outside a fitness center in an Atlanta strip mall and covertly recorded video of a personal trainer as she entered her business.

Forty-five minutes later, the investigator took photos as the woman returned to her car and drove away. He next followed her for 25 minutes to the home of her then-boyfriend, Tom Fanning, who, as chief executive of **Southern Co.**, had for years been one of the energy industry's most powerful figures.

The following day, while parked in Fanning's neighborhood, the investigator photographed the executive running up a hill near his house. The investigator compiled the innocuous findings from his four days of surveillance into an eight-page report and billed his client more than \$6,800 for the work.

Atlanta-based Southern, one of the largest utility companies in the U.S., was bedeviled for much of the past year by the espionage effort, which led to an internal investigation but no public explanation. Word of the surveillance surfaced last summer in a lawsuit between consultants in a firm that for decades has done work for Alabama Power, a Southern subsidiary. One of them alleged that at the direction of Alabama Power officials, the other consultant ordered surveillance of Southern executives to possibly gain internal leverage.

When Fanning learned of the effort last summer, he was incensed, according to people familiar with the matter. He hired outside law firms to probe the allegation that someone within Alabama Power was behind it.

Now, nearly a year after the spying became public, the investigation is largely complete—and the company says it has no idea who ordered the operation or why. Fanning, 66 years old, retired last month after more than a decade atop the utility company. He remains executive chairman. Last winter, the CEO of Alabama Power stepped down.

The company's board, which was briefed on the results of the investigation, has discussed how to implement better oversight of Southern's operating units and the consultants they engage, according to people familiar with the matter. "We conducted a thorough internal investigation of this matter and were unable to substantiate the allegation

that the highly inappropriate surveillance of Tom Fanning was authorized by any employee of the company," a Southern spokesman said.

Through the spokesman, Fanning declined to comment.

In November, about three months after the start of the investigation, Mark Crosswhite, then CEO of Alabama Power, abruptly announced plans to retire at the end of the year. The 60-year-old had been a serious contender to succeed Fanning as Southern CEO, people familiar with the matter said. The people said the surveillance allegations and investigation played a role in his decision to leave.

Crosswhite, who stayed on as a consultant and, according to securities filings, drops off the payroll at the end of this month, didn't respond to requests for comment.

The Southern spokesman said the spying allegations played "zero factor" in succession planning.

Southern recently reached a milestone when one of two new reactors at a nuclear-power plant in Georgia produced electricity for the first time. The reactors, the first in the U.S. to be built from scratch in decades, are billions over budget and years behind schedule. Among other things, the alleged motivation for the spying was based in part on issues related to the plant's troubles.

The allegations spilled out of a lawsuit filed in 2021 stemming from an acrimonious split between Joe Perkins and Jeff Pitts, who worked together at an Alabama consult-

ing firm called Matrix. Pitts alleged in court filings that Perkins, at the direction of Alabama Power executives, had ordered surveillance of Southern executives to influence corporate decision making.

Pitts signaled his intent to subpoena Southern and Alabama Power for surveillance-related documents. Within days, lawyers for the companies sent a letter to Pitts demanding he cease to make any requests or disclosures that would involve the companies in the lawsuit. Pitts and Perkins soon settled their dispute.

Southern then hired attorneys with Atlanta law firm King & Spalding, as well as Birmingham, Ala.-based White Arnold & Dowd, to perform an investigation into the allegations, according to people familiar with the matter and documents reviewed by The Wall Street Journal.

In communications reviewed by the Journal, Pitts conveyed to Southern's attorneys that Perkins consulted with Crosswhite before ordering surveillance on Fanning and his then-girlfriend, the personal trainer. The idea, Pitts alleged, was part of a plan to put pressure on Fanning and the company's board as they contemplated corporate restructuring.

At the time, Fanning was under significant pressure. The company lost \$1.38 billion in the second quarter of 2017, its first loss since 1998.

Southern was struggling to build a power plant in Mississippi designed to run on coal and capture much of the carbon dioxide emitted in the pro-

cess. The project's costs had ballooned, and the Securities and Exchange Commission was investigating its accounting practices and cost-control measures. The company said at the time it was cooperating with the investigation, which ended without the agency taking any enforcement action.

Southern was facing serious challenges in expanding the nuclear plant in Georgia. The plant, known as Vogtle, was to have been completed by 2017 but was substantially delayed. Construction costs surged to nearly double the original estimate, and the company revised its completion estimate to 2021 at the earliest.

As the projects bled money, Southern began considering whether to consolidate certain functions of Southern's three utilities to save costs over time. Bain, a consulting firm, began exploring the potential benefits of consolidation, according to a person involved in the effort. Executives within Alabama Power were resistant to the idea, the person said.

Pitts alleged Perkins and Crosswhite were concerned that consolidating resources could result in job losses and potentially affect succession planning across the company.

Pitts alleged Perkins told him to undertake surveillance of Fanning and his girlfriend, saying "the company wants this."

The surveillance began on a Wednesday, June 14, 2017, with findings that were less than explosive. "Through discreet methods, we determined that the fitness center was closed due to the installation of a new air conditioning system," the investigator wrote.

Two days later, after following the trainer from the gym to Fanning's house, the investigator parked and waited for Fanning to arrive in his Lexus. He lingered for hours after the car pulled into the driveway. The next day, a Saturday, the investigator drove by Fanning's house at 10:45 a.m. and noted a newspaper on the driveway. He returned at 2:30 p.m. and noted it was picked up.

The private investigator billed Matrix for the surveillance work and listed Pitts as the recipient on the invoice. He charged \$150 for finding license-plate numbers for both Fanning and his girlfriend, \$4,275 for the surveillance and \$127.50 for producing a report and video, plus other miscellaneous expenses.

Southern said it found "no indication" the company or its subsidiaries paid for the operation.



Tom Fanning retired as Southern Co.'s chief executive earlier this year, although he remains executive chairman.

## Press Weighs AI Effort

Continued from page B1

ficial intelligence that can create various types of content including text, images and audio, has become a buzzword since OpenAI's ChatGPT was launched late last year. The chatbot—which can eloquently answer seemingly any question, but is sometimes spectacularly wrong—became an overnight global phenomenon, fueling

For instance, News Corp and the Times each have reached sizable deals with Alphabet's Google, the Journal previously reported.

News publishers are being represented as a group by News Media Alliance, which has been behind a push for legislation in the U.S. that would allow publishers under a certain size to collectively negotiate for compensation from tech giants such as Google for the use of their content.

A handful of executives in publishing have been vocal about AI and its implications for the news industry.

IAC Chairman Barry Diller at a recent industry event warned of AI content scrap-

ing—or the use of text and images available online to train the AI tools—and said that publishers in some cases should "get immediately active and absolutely institute litigation."

Axel Springer CEO Mathias Döpfner told the Journal earlier this year that media companies must take ChatGPT and other AI developments seriously.

News Corp Chief Executive Robert Thomson, who has been one of the most vocal critics of the AI tools, recently warned that intellectual property was under threat due to the rise of AI. Beyond the Journal, News Corp owns a series of publications including Barron's, Mar-

ketWatch and news organizations in the U.K. and Australia.

"Firstly, our content is being harvested and scraped and otherwise ingested to train AI engines," he said at a recent industry event. "Secondly, individual stories will be surfaced in specific searches. And, thirdly, our content will be synthesized and presented as distinct when it is actually an extracting of editorial essence."

OpenAI didn't respond to a

request for comment.

In response to criticism about AI companies scraping content off the internet and feeding it into their training models, OpenAI CEO Sam Altman earlier this year told the Journal: "We've done a lot with fair use"—a legal provision that allows for copyright material to be used without permission in certain circumstances.

Altman also said OpenAI has struck deals for content, when warranted.

## Collaboration among competitive large publishers is rare.



## BUSINESS NEWS

# Bed Bath's Intellectual Property Sold

Deal with Overstock.com includes website, domain names

By DENNY JACOB

Overstock.com has completed a \$21.5 million acquisition of certain intellectual-property assets of Bed Bath & Beyond following the home-goods retailer's bankruptcy this year.

The purchase includes Bed Bath & Beyond's website and domain names, which Overstock plans to use as a single online shopping site in the U.S. and Canada.

The all-cash deal wrapped up under a process supervised by the bankruptcy court,

Overstock said Wednesday.

Other assets purchased include Bed Bath & Beyond's trademarks, trade names, patents, customer database, loyalty-program data and other brand assets related to the Bed Bath & Beyond banner.

They exclude any assets associated with Bed Bath & Beyond's bricks-and-mortar business as well as the Buybuy Baby and Harmon banners and their assets.

Overstock said it plans to relaunch Bed Bath & Beyond's domain in Canada within the next week, followed weeks later by a relaunch of a refreshed website, mobile app and loyalty program in the U.S. It will hold a call with analysts Thursday to discuss the deal.

Overstock shares rose 4.9% in after-hours trading



Excluded are any assets associated with Bed Bath & Beyond's bricks-and-mortar business.

Wednesday to \$26.80. They had been up by nearly a third this year.

The Wall Street Journal this month said Bed Bath & Beyond was fielding interest from Overstock for the intel-

lectual property behind the main company banner, citing people familiar with talks.

After years of losses and an acute cash crunch, Bed Bath & Beyond filed for bankruptcy in April.

Bed Bath & Beyond is in talks to keep its Buybuy Baby chain open through a possible sale to the private-equity owner of the children's apparel retailer Janie & Jack, the Journal reported.

# Costco to Restrain Sharing of Club Cards

By NGAI YEUNG

Costco Wholesale is cracking down on card sharing.

The largest wholesale club in the U.S. by locations, which requires customers to pay for an annual membership to shop in its stores, is now asking to see photo identification along with customers' membership cards at its self-checkout registers.

"Since expanding our self-service checkout, we've noticed that nonmember shoppers have been using membership cards that do not belong to them," the company said in a statement. "We don't feel it's right that nonmembers receive the same benefits and pricing as our members."

According to Chief Financial Officer Richard Galanti, the rising number of individuals who weren't cardholders making transactions at self-checkouts first came up at an operations meeting a few months ago.

"It's a really small percent of members who are doing it," he said. "But when you're dealing with millions of transactions, even a very small percentage is something you would want to correct."

Galanti said Costco wrote the company statement about membership crackdowns last week, when media outlets began making calls to ask about it.

"I think the story is bigger than the issue," he said. "The story seems to have taken on a life of its own."

The company recorded sales of \$222.7 billion in its most recent fiscal year. Membership fees, which are reported separately from total sales, reached \$4.2 billion, a 9% increase from a year ago.

The company said its policy of asking for membership cards at checkout hasn't changed. Costco said its membership fees help offset expenses, allowing the company to offer lower prices to customers.

# University Sues Over Cyber Insurance Payout

By JAMES RUNDLE

The University of California is suing a number of insurance firms for refusing to pay out on cyber policies nearly 10 years after hackers breached data on millions of patients at its health system.

The university's board of directors, known as the regents, filed suit in the Superior Court for California against various syndicates operating through the Lloyd's of London insurance marketplace, claiming the school should have been covered by policies purchased before the incident. The regents allege the syndicates have refused to engage in dispute resolution by asserting that the statute of limitations applying to the claims had expired.

The cyberattack on the University of California Los Angeles Health system, disclosed in May 2015 and detected in late 2014, exposed sensitive data on around 4.5 million current and former patients. Victims sued UCLA Health in 2015 in multiple lawsuits, which were consolidated into a single action later that year, alleging the system failed to properly protect their private information.

UCLA Health settled that lawsuit in 2019 for \$7.5 million



A cyberattack on the UCLA Health system exposed sensitive data on about 4.5 million patients.

and incurred additional costs related to incident response and providing identity protection for victims. The university filed insurance claims to recoup these expenses. The insurers, which the regents said they couldn't name in the complaint, have refused every claim, saying that UCLA Health failed to satisfy cybersecurity requirements under the contract terms. The university denies that it didn't meet cybersecurity requirements in the policies.

The University of California declined to comment. Lloyd's didn't respond to a request for comment.

The regents said they were forced to file the lawsuit after the syndicates declined to participate in alternative dispute resolution proceedings, as stipulated in the policy. The insurers said the statute of limitations for claims on the policy expired on June 7, 2021, the complaint said.

Sherilyn Pastor, head of the insurance coverage group at law firm McCarter & English, said that statutes of limitation are a fairly frequent issue with insurance disputes. She said companies should closely read their contracts and check if the deadlines for filing claims are shorter than those

in state law.

Arguments between policyholders and insurers can drag on for years and run into limitations because assessing damages from an incident isn't easy, she said.

"You may not actually know if you've sustained a loss by virtue of the breach until a later point, and so you need to know the law, because it may be that there is something that has happened that extends your period, or that the period isn't even running yet," Pastor said.

Insurers have faced a number of lawsuits stemming from cyberattacks, with some cases

taking years to work their way through courts after the initial incident. Some relate to disputes over the handling of renewals and other areas, and many focus on what is or isn't covered by a policy.

In May, a New Jersey court ruled that insurers must cover costs incurred by pharmaceutical giant Merck, after the company in 2017 fell victim to the NotPetya virus, which the U.S. has said was released by Russia. Moscow denies the allegations, but insurers argued that the incident fell under an exclusion for acts of war. Lloyd's has since directed its syndicates to exclude attacks launched by nation states from cyber policies.

Food producer Mondelez in November settled with its insurers over NotPetya damages totaling over \$100 million.

# Judge to Decide Whether Legend Venture Should Get a Receiver to Protect Assets

By TED BUNKER

A federal judge will soon decide whether to put Legend Venture Partners, which faces civil securities fraud allegations related to pitching pre-IPO shares to individuals, under a receiver to protect what is left of investor assets.

The Securities and Exchange Commission sought the action after telling Judge Lewis Kaplan in the U.S. District Court for the Southern District of New York that Legend arose from StraightPath Venture Partners, which also faces securities fraud allegations from the agency. The judge put StraightPath under a receiver last year.

On Tuesday, Judge Kaplan issued an injunction to prevent the firm from violating securities laws following a hearing in which Legend lawyers opposed a receivership. The firm's lawyers have also said the SEC's securities fraud allegations won't stand up under court scrutiny.

The SEC has alleged that Legend's principals managed boiler rooms of sales agents for StraightPath before starting the firm in September 2021 and followed StraightPath's script in pitching privately held shares to investors.

The agency effectively shut down StraightPath, which has denied the fraud charges, in February 2022, about the same time as Legend began soliciting investors, according

to court filings.

Lawyers for Legend haven't filed a formal response to the SEC's fraud allegation, but they protested the agency's call for a receiver, saying in court Tuesday that it is unnecessary since the \$22.3 million in remaining investor cash has been committed to purchasing shares in seven companies ahead of their expected initial public offerings.

"This is not StraightPath," Legend lawyer Patrick Smith told the judge. "There are no Ponzi allegations."

The agency's complaint against StraightPath said that the Jupiter, Fla.-based firm had collected at least \$410 million from around 2,200 individuals since 2017 and used commingled investor cash to make Ponzi-like payments to earlier investors in its funds.

The regulator wants New York-based Legend placed under the same receiver as StraightPath, noting that most Legend investors had also invested in StraightPath funds to acquire shares in pre-IPO companies. But Legend lawyers have argued that the two cases differ markedly.

On Tuesday, SEC lawyers told Judge Kaplan that a receiver is needed to protect

what is left for more than 320 investors who ponied up over \$35 million for access to seven pre-IPO securities. The agency has said that more than \$9 million of that money went into the pockets of Legend principals and over \$3.25 million went to sales agents.

In its fraud complaint filed last week, the agency said the firm concealed markups on share prices that averaged from 46% to 105%, even as sales agents and investor communications suggested that the firm wouldn't charge upfront fees or commissions. The SEC subpoenaed Legend last October, leading the firm to cease soliciting new investments, according to its lawyers.

About a year ago, Judge Kaplan named Melanie Ciganowski, a former bankruptcy court judge now with the Otterbourg law firm in New York, as StraightPath's receiver. She later reported that the firm had sent more than \$30 million to Legend or people associated with it to pay sales commissions.

Smith, the Legend lawyer, has said that there is virtually no cash available to the firm, so nothing for a receiver to protect. In papers filed ahead of Tuesday's court hearing, he said that Legend "does not

concede that the SEC has a fraud claim based upon undisclosed markups" of share prices imposed on investors.

Legend disclosed several times to each investor that there would be markups and that the price they paid "was higher than Legend's cost, thus advising investors that Legend was not passing through these investments at cost," Smith said in court filings. "Investors were advised that Legend would earn profit from the price difference."

According to the SEC, Legend used two former StraightPath boiler rooms—offices in lower Manhattan where some 45 sales agents made hundreds of cold calls daily to solicit investments—and employed unregistered agents. The agency said the firm made little or no effort to determine whether its investors met regulatory requirements to purchase unregistered securities.

Agents pitching Legend funds falsely told investors that it would only collect fees once pre-IPO shares could be converted to publicly traded securities following an IPO, the SEC said, adding that agents told prospective investors that they would double or triple their investments.

Judge Kaplan asked the lawyers for the SEC and Legend to develop an alternative to a receiver and present arguments for and against adopting that alternative by next week.

**The SEC wants Legend placed under the same receiver as StraightPath.**

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**BANKRUPTCIES**

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION**

In re: ATHENEX, INC., et al., Debtors.<sup>1</sup>

Chapter 11  
Case No. 23-90295 (DRJ)  
(Jointly Administered)

**NOTICE OF DEADLINES FOR THE FILING OF (1) PROOFS OF CLAIM, INCLUDING REQUESTS FOR PAYMENT PURSUANT TO SECTION 503(B)(9) OF THE BANKRUPTCY CODE**

**The Claims Bar Date is July 21, 2023 at 5:00 p.m. prevailing Central Time**  
**The Governmental Claims Bar Date is November 10, 2023 at 5:00 p.m. prevailing Central Time**

PLEASE TAKE NOTICE OF THE FOLLOWING:  
**Deadlines for Filing Proofs of Claim.** On June 22, 2023, the United States Bankruptcy Court for the Southern District of Texas (the "Court") entered an order (Docket No. 314) (the "Bar Date Order") establishing certain deadlines for the filing of proofs of claim, including requests for payment under section 503(b)(9) of the Bankruptcy Code (collectively, "Proofs of Claim"), in the chapter 11 cases of the following debtors and debtors in possession (collectively, the "Debtors"):

DEBTOR	CASE NO.
Athenex, Inc.	23-90295 (DRJ)
Athenex Pharma Solutions, LLC	23-90296 (DRJ)
Athenex Pharmaceutical Division, LLC	23-90297 (DRJ)
Athenex R&D LLC	23-90298 (DRJ)
Cell Medica, Inc.	23-90294 (DRJ)
Kuur Therapeutics Inc.	23-90299 (DRJ)

**The Bar Dates.** Pursuant to the Bar Date Order, all entities (except governmental units), including individuals, partnerships, estates, and trusts that have a claim or potential claim against the Debtors that arose prior to May 14, 2023, no matter how remote or contingent such right to payment or equitable remedy may be, including requests for payment under section 503(b)(9) of the Bankruptcy Code, **MUST FILE A PROOF OF CLAIM** on or before July 21, 2023, at 5:00 p.m., prevailing Central Time (the "Claims Bar Date"). Governmental entities that have a claim or potential claim against the Debtors that arose prior to May 14, 2023, no matter how remote or contingent such right to payment or equitable remedy may be, **MUST FILE A PROOF OF CLAIM** on or before November 10, 2023, at 5:00 p.m., prevailing Central Time (the "Governmental Bar Date"). All entities holding claims arising from the Debtors' rejection of executory contracts and unexpired leases are required to file Proofs of Claim by the date that is (a) the later of the Claims Bar Date or the Governmental Bar Date, as applicable, and (b) the date that is thirty (30) days following entry of the order approving the Debtors' rejection of the applicable executory contract or unexpired lease (the "Rejection Damages Bar Date"). All entities holding claims affected by an amendment to the Debtors' schedules of liabilities filed in these cases (the "Schedules") are required to file Proofs of Claim by the later of (a) the Claims Bar Date or the Governmental Bar Date, as applicable, and (b) 5:00 p.m., prevailing Central Time, on the date that is thirty (30) days from the date on which the Debtors mail notice of the amendment to the Schedules (the "Amended Schedules Bar Date").

**ANY PERSON OR ENTITY WHO FAILS TO FILE A PROOF OF CLAIM, INCLUDING ANY REQUEST FOR PAYMENT UNDER SECTION 503(B)(9) OF THE BANKRUPTCY CODE ON OR BEFORE THE CLAIMS BAR DATE OR THE GOVERNMENTAL BAR DATE, AS APPLICABLE, SHALL NOT BE TREATED AS A CREDITOR WITH RESPECT TO SUCH CLAIM FOR THE PURPOSES OF VOTING AND DISTRIBUTION ON ANY CHAPTER 11 PLAN.**

**Filing a Proof of Claim.** Each Proof of Claim must be filed, including supporting documentation, by either (1) electronic submission through PACER (Public Access to Court Electronic Records at <http://ecf.tsb.uscourts.gov>), (2) electronic submission using the interface available on the Claims and Noticing Agent's website at <https://dm.epig11.com/athenex>, or (3) if submitted through non-electronic means, by U.S. Mail or other hand-delivered system, so as to be actually received by the Claims and Noticing Agent on or before the Claims Bar Date or the Governmental Bar Date, or any other applicable Bar Date, at the following addresses: **By First-Class Mail: Athenex, Inc., Claims Processing Center, c/o Epig Corp of Restructuring, LLC, P.O. Box 4421, Beaverton, OR 97076-4421; If by Hand Delivery or Overnight Mail: Athenex, Inc., Claims Processing Center, c/o Epig Corp of Restructuring, LLC, 10300 SW Allen Blvd., Beaverton, OR 97005.**

**Contents of Proofs of Claim.** Each Proof of Claim must: (1) be written in legible English; (2) include a claim amount denominated in United States dollars; (3) clearly identify the Debtor against which the claim is asserted; (4) conform substantially with the Proof of Claim form provided by the Debtors or Official Form 410; (5) be signed by the claimant or by an authorized agent or legal representative of the claimant on behalf of the claimant, whether such signature is an electronic signature or ink; and (6) include as attachments any and all supporting documentation on which the claim is based. Please note that each Proof of Claim must state a claim against only one Debtor and clearly indicate the specific Debtor against which the claim is asserted. To the extent more than one Debtor is listed on the Proof of Claim, a Proof of Claim is treated as if filed only against Athenex, Inc., or if a Proof of Claim is otherwise filed without identifying a specific Debtor, the Proof of Claim may be deemed as filed only against Athenex, Inc.

**Electronic Signatures Permitted.** Proofs of Claim signed electronically by the claimant or an authorized agent or legal representative of the claimant may be deemed acceptable for purposes of claims administration. Copies of Proofs of Claim, or Proofs of Claim sent by facsimile or electronic mail will not be accepted. Unless otherwise ordered by the Court, any original document containing the original signature of any party other than the party that files the Proof of Claim shall be retained by the filing party for a period of not less than 5 years after the Debtors' cases are closed, and upon request, such original document must be provided to the Court or other parties for review.

**Section 503(b)(9) Requests for Payment.** Any Proof of Claim that asserts a right to payment arising under section 503(b)(9) of the Bankruptcy Code must also: (1) include the value of the goods delivered to and received by the Debtors in the 20 days prior to the Petition Date; (2) attach any documentation identifying the particular invoices for which such 503(b)(9) claim is being asserted; and (3) attach documentation of any reclamation demand made to the Debtors under section 546(c) of the Bankruptcy Code (if applicable).

**Additional Information.** Copies of the Debtors' Schedules, the Bar Date Order, and other information regarding these chapter 11 cases are available for inspection free of charge on the Claims and Noticing Agent's website at <https://dm.epig11.com/athenex>. If you require additional information regarding the filing of a proof of claim, you may contact the Claims and Noticing Agent's information line at 888-601-3094 (toll-free) or +1 503-433-8501 (international).

<sup>1</sup> A complete list of each of the Debtors in these Chapter 11 Cases may be obtained on the website of the Debtors' claims and noticing agent at <https://dm.epig11.com/athenex>. The location of Athenex, Inc.'s principal place of business and the Debtors' service address in these Chapter 11 Cases is 1001 Main Street, Suite 600, Buffalo, NY 14203.



TECHNOLOGY

# Microsoft, Activision Vow Fair Play

CEOs tell judge they won't block games from competitors' consoles if deal closes

By TOM DOTAN

The heads of **Microsoft** and **Activision Blizzard** defended the planned merger of their companies Wednesday, telling a hearing that could decide the fate of the \$75 billion deal they wouldn't block competition if the acquisition is approved.

Microsoft CEO Satya Nadella said the software giant will continue to make Activision games available on other platforms once it acquires the company. Microsoft won't depend on the strategy of making games exclusive to get ahead of the competition, he said.

"I would love to get rid of the exclusives on consoles but that's not for me to define," he said. "I have no love for that world."

Activision Chief Executive Officer Bobby Kotick made similar promises that the developer's games, including Call

of Duty, would remain available for **Sony Group's** game console PlayStation, which competes with Microsoft's Xbox.

"It would cause reputation damage to the company," if 'Call of Duty' was removed from the console, he said. "We've always said that we are a multiplatform company and we'd be available on every platform."

The Federal Trade Commission is seeking a preliminary injunction to block Microsoft from closing the deal before the commission makes a call on the acquisition in its in-house administrative court. The proceeding in San Francisco before U.S. District Judge Jacqueline Scott Corley has emerged as one of the biggest challenges for the Biden administration's more aggressive approach to antitrust enforcement. Corley is a Biden appointee.

Discussions of whether Microsoft would use the acquisition to cut its competitors out of Activision's wildly popular videogame have been at the center of the hearing that started last week. Critics of



Activision chief Bobby Kotick and Microsoft CEO Satya Nadella



the deal are concerned control of the franchise—arguably the most successful ever—could give Microsoft an unfair edge.

A ruling in the FTC's favor would prevent the two companies from merging and could scuttle the whole deal. Microsoft said during the hearing that it would consider giving up on the deal if it loses, because the FTC's internal court process, which is scheduled to start in August, could go on for years.

If the FTC loses in the San Francisco courtroom, it might abandon its challenge to the merger rather than proceed and risk further unfavorable precedents.

The FTC is arguing that the deal could stifle competition as control of "Call of Duty" and other games could give Microsoft the ability to douse competition, including in the cloud-gaming market.

Microsoft says the deal would increase competition, in

part by bringing Activision's games to platforms where they currently aren't available.

Nadella said Wednesday that the company's strategy in videogames is similar to that in its other products like its Office suite of business software, which is available on competing operating systems like Apple's. "I want to do exactly the same thing with gaming," Nadella said.

While regulators in the European Union, China and other markets have approved the transaction, the U.K.'s Competition and Markets Authority blocked it in April after a monthslong investigation.

The hearing is scheduled to end Thursday. Jim Ryan, chief of Sony Group's videogaming business, provided a deposition by video earlier in the week. Sony's PlayStation leads Microsoft in the console market. It has been among the loudest critics of the deal.

Microsoft announced its plans to buy Activision in January 2022 and valued the deal at \$69 billion after adjusting for the videogame publisher's net cash. The FTC sued to block the deal in December.

## Ecstasy Promoter Seeks Cash

Continued from page B1

Denver last week. "I think everyone needs to be looking towards this as something the whole space can benefit from."

MAPS PBC was founded in 2014 to help fund and conduct clinical trials of MDMA treatment of PTSD, which affects about 12 million Americans, according to data from the National Institutes of Health. Profits from the subsidiary are meant to funnel back to MAPS to further its mission of legalizing MDMA and other psychedelics such as LSD and psilocybin.

Nonmedicinal use of psychedelics is already on the rise in some parts of the U.S., especially Silicon Valley.

Rick Doblin, a guru in the psychedelic legalization movement, founded MAPS in 1986 and funded the organization primarily through philanthropy. MAPS eventually raised \$130 million in grants as Wall Street elites opened their checkbooks. Steven Cohen, the hedge-fund manager who owns the New York Mets, donated \$5 million in recent weeks.

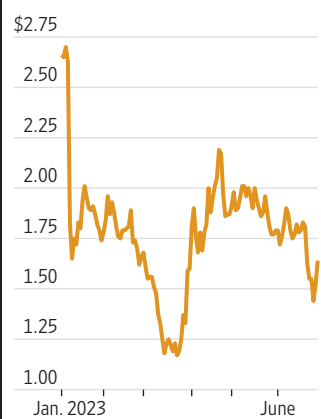
As the FDA application process entered its final stages, MAPS's research and administrative expenses soared and in late 2021 it used an unorthodox mechanism to cover its cost. MAPS raised \$70 million with venture-capital firm Vine Ventures by pledging 6% of revenue from the first eight years of North American MDMA sales.

Doblin had hoped to rely on philanthropy and revenue sharing until sales started. He feared that becoming beholden to outside investors might compromise MAPS's mission to make psychedelics accessible to as many patients as possible.

Earlier this year, the organization considered, then rejected the idea of an initial public offering, in part to ensure new shareholders' interests will be aligned with those of the non-profit, the people familiar with the matter said. Most of the investors that have committed to the private share sale have previously donated to MAPS and the deal comes with unusual restrictions.

Despite the restrictions, the opportunity to buy in when prices for psychedelic drug developer stocks are near record lows is attractive, said one investor in the deal. Should the FDA approve MDMA, MAPS will likely expand to international markets and seek approval for use of the drug to treat a wider range of illnesses. That would make the company worth over \$1 billion, the investor said.

### ATAI Life Sciences N.V. share price



### Watch a Video



# Companies Race To Build a Better Air Conditioner

By AMRITH RAMKUMAR

Air conditioners make people cooler and the world hotter. A slew of startups are launching new products to break that cycle.

Just a week into summer, heat waves are causing a surge in electricity demand across the U.S. South, in part to power ACs. The startups say highly efficient ACs can help ease strain on the electric grid and help it withstand sizzling temperatures.

Companies such as **Blue Frontier**, **Transaera** and **Montana Technologies** are raising money from investors including industry giant **Carrier Global** and Bill Gates's Breakthrough Energy Ventures to develop more efficient technologies. Many of those efforts focus on the humidity rather than the heat, using new materials like liquid salt to dry out the air.

The startups are rushing to capitalize on a wave of government regulation and incentives such as tax credits and rebates for high-efficiency products that are part of the U.S. Inflation Reduction Act.

Innovation in the sector is a priority for governments because heating and cooling buildings accounts for roughly 15% of greenhouse-gas emissions. Cooling is the fastest-growing use of energy in buildings. ACs worsen climate change by consuming large amounts of electricity generated from fossil fuels.

Growing middle classes in countries such as India are expected to lift the number of ACs in use to roughly 5.5 billion by midcentury from about two billion today, the International Energy Agency estimates. Many of those will be cheap, inefficient units. Traditional air conditioners become less efficient at high temperature and humidity levels, which are becoming more common.

Stalwarts such as **Carrier** and **Trane Technologies** say

they are spending billions of dollars to offer more efficient versions of conventional ACs while evaluating the new approaches.

The startups hope to upend the industry. "We're experiencing a similar moment in the air-conditioning space to what the car industry was facing six to 10 years ago," said Daniel Betts, chief executive of Blue Frontier.

Air conditioners both cool the air and reduce humidity. Companies like Blue Frontier think the biggest efficiency gains can be made by changing the way ACs reduce humidity in the air.

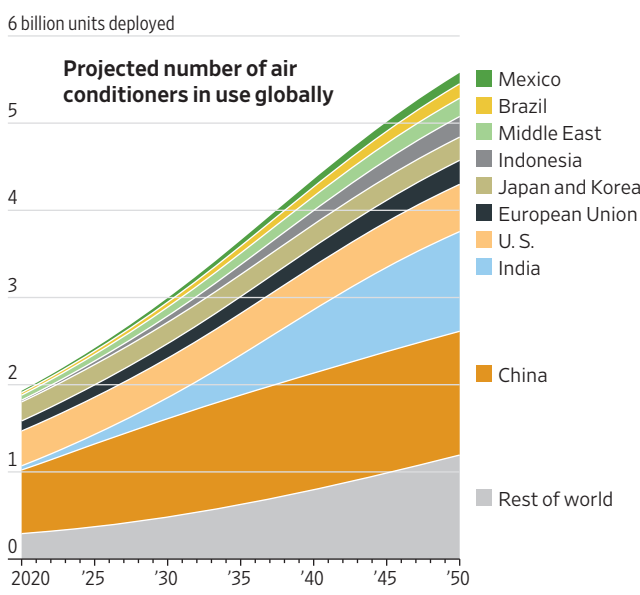
Conventional ACs' inability to remove humidity independently of cooling makes them inherently inefficient, analysts say. Blue Frontier aims to separate humidity and temperature control using a liquid salt solution that was developed with the National Renewable Energy Laboratory. The solution also stores energy, reducing consumption at peak times.

The salt solution is an industrial version of the little packets that absorb moisture to keep products dry during shipping. The solution is heated up, releasing water and boosting the concentration of salt, making it more absorbent. This can be done when electricity demand is low and effectively stores energy until cooling is needed.

When air conditioning is needed, the solution is brought in contact with air, absorbing water and removing humidity. The air is cooled within a component called a heat exchanger using a high-efficiency method to lower air temperature by exposing it to water. The dry air absorbs the water, lowering its temperature and the temperature of the heat exchanger. That air that absorbs the water becomes warm and humid and is moved outside. At the same time, air that moves through the chilled heat exchanger flows into the room that is be-



Blue Frontier aims to overcome inefficiencies associated with conventional air conditioners.



Source: International Energy Agency

ing cooled. After raising \$20 million from investors including Breakthrough last year, Blue Frontier is giving ACs for businesses a trial.

Despite the need for AC innovation, startups such as Blue Frontier receive a fraction of the funding going into other areas like next-generation batteries and nuclear fusion. Companies in heating, ventilation and air conditioning privately

raised roughly \$350 million in equity annually from 2020 to 2022, a big increase from previous years but well below the billions going into mainstream clean-energy industries, PitchBook data show.

One reason startup funding is low is industry stalwarts dominate the sector. Carrier, Trane and others say they are educating consumers about their more efficient products.

The big players are also producing electric heat pumps that can significantly cut energy use. Incentives in the U.S. can help cover some of the upfront costs of the upgrades.

Skeptics say the biggest companies need to do even more because their higher-efficiency traditional ACs still won't be sufficient in emerging economies that need drastic energy and cost savings to make cooling affordable.

"The climate problem is only going to get worse if we continue to add the same types of air conditioners to meet that demand," said Sorin Grama, CEO of Transaera, which is developing a new AC using highly absorbent materials that remove humidity. The company raised \$4.5 million from investors including Carrier last year and is making prototypes.

Montana, a startup that says it has a unique product design with side-by-side chambers capturing water vapor and releasing water and heat using unique materials, recently said it would try to go public and raise money by merging with a special-purpose acquisition company, or SPAC. The deal values Montana at about \$500 million, including debt.

## Nvidia Warns On Curbs

Continued from page B1

until after Treasury Secretary Janet Yellen's visit to China in early July, according to one person familiar with the situation.

Concerns about how China could use AI in hacking, espionage and its military have driven the Biden administration's push for further export controls. The administration imposed controls on AI chips last year, although those re-

strictions also happened before the widespread emergence of generative AI tools that could be used to create malicious software and spread false information, among other potential adversarial applications.

Liu Pengyu, spokesman for the Chinese Embassy in Washington, said the U.S. has abused the export-control process in recent years by invoking national-security concerns without cause. "We urge the U.S. to correct its wrong practices in a timely manner [and] stop disrupting trade in chips and other high-tech products," he said.

The new action could heighten the tensions between the U.S. and China, even as Washington has taken steps to stabilize the bilateral relations

in recent weeks by arranging meetings between senior officials.

Beijing is caught between pushing back on U.S. efforts to deny China critical technology and the need to bolster foreign business confidence to shore up the Chinese economy, according to analysts.

"The Chinese have been really worried about decoupling," Dennis Wilder, a former national-security official who now teaches at Georgetown University, said in an online discussion for International Peace's China Center. "They want to get the U.S.-China relationship back on a little better track."

At the same time, Beijing has condemned U.S. semiconductor export controls imposed

last year. In what U.S. officials interpreted as a retaliation, China in May blacklisted Micron Technology, a top U.S. memory chip maker, as a national-security risk and prevented Chinese companies from buying its products.

"They [Chinese officials] tried to get even by sanctioning Micron. There may be other steps," said William Reinsch, senior adviser at the Center for Strategies and International Studies, a Washington think tank.

He noted, however, that China's heavy reliance on U.S. advanced technologies makes it difficult for Beijing to carve out a punchy sanction that wouldn't hurt itself.

Artificial intelligence is among the areas the U.S. gov-

ernment has focused on as it steps up efforts to keep advanced technologies out of China's hands to prevent their use for defense purposes.

Both the Biden administration and Congress are preparing steps to screen China-bound investments by U.S. companies. AI is among the areas that could receive such scrutiny, along with quantum computing, biotechnology and large-capacity batteries.

For President Biden, expanding export controls is an effective way to show his administration is tough on China. Limiting exports of defense-related technologies to both China and Russia has solid support of lawmakers from both parties. American voters increasingly prefer pol-

icies confronting Beijing, while Republican lawmakers have criticized Biden for being soft on China.

One investor said Nvidia might be able to navigate any impact from an AI chip ban by tweaking its chips to meet the letter of the law. It adapted its chips quickly after the administration's curbs last year, releasing lower-performance versions that complied with the restrictions.

"We think over time it's going to be some sort of solution like that rather than them being completely banned," said Ivana Delevska, the founder of Spear Invest, which runs an exchange-traded fund with about 9% of its holdings in Nvidia.

—Charles Hutzler contributed to this article.





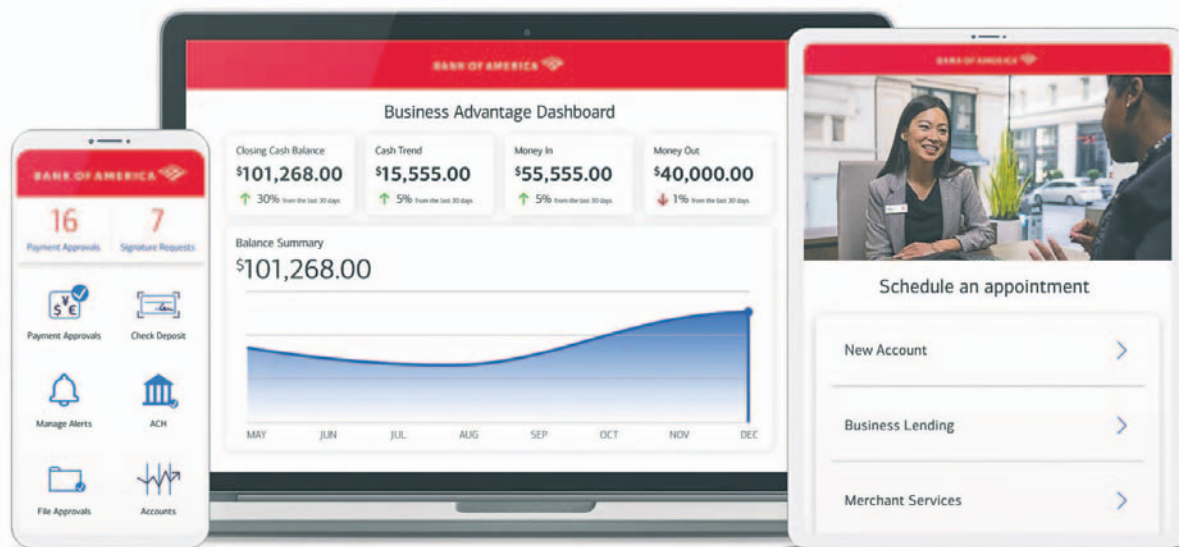
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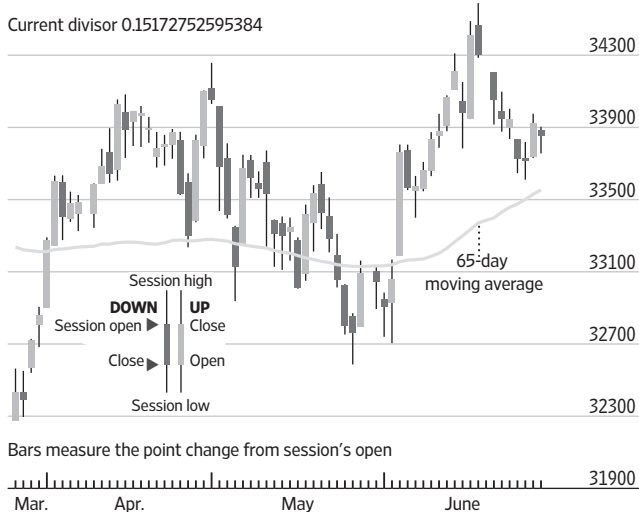


MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

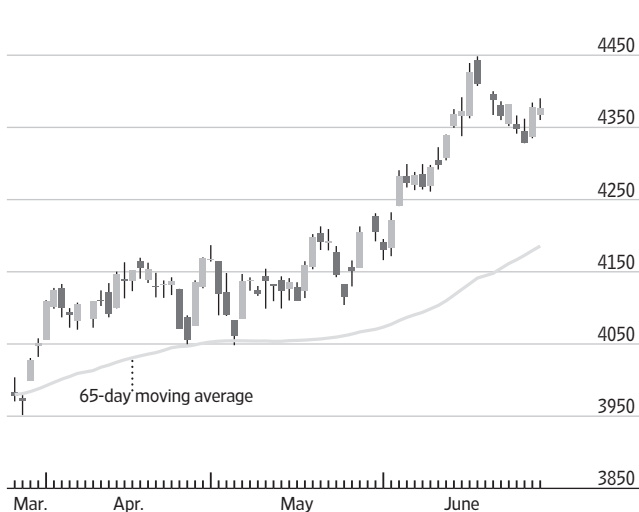
33852.66 ▼74.08, or 0.22%
Trailing P/E ratio 22.56 17.68
P/E estimate \* 18.04 16.42
Dividend yield 2.10 2.25
All-time high 36799.65, 01/04/22



Current divisor 0.15172752595384
Weekly P/E data based on as-reported earnings from Birinyi Associates Inc. \*Based on Nasdaq-100 Index

S&P 500 Index

4376.86 ▼1.55, or 0.04%
Trailing P/E ratio \* 19.57 20.43
P/E estimate \* 19.82 16.95
Dividend yield \* 1.59 1.68
All-time high 4796.56, 01/03/22



Nasdaq Composite Index

13591.75 ▲ 36.08, or 0.27%
Trailing P/E ratio \*\* 30.92 25.06
P/E estimate \*\* 28.65 21.23
Dividend yield \*\* 0.75 0.92
All-time high: 16057.44, 11/19/21



Major U.S. Stock-Market Indexes

Table of major U.S. stock market indexes including Dow Jones, Nasdaq Stock Market, S&P 500, and Other Indexes with columns for High, Low, Close, Net chg, % chg, and YTD performance.

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 for Company, Symbol, Volume, Last, Net chg, After Hours % chg, High, and Low.

Trading Diary

Volume, Advancers, Decliners

Table of trading diary statistics including Total volume, Adv. volume, Decl. volume, Issues traded, Advancers, Declines, and Closing Arms.

International Stock Indexes

Table of international stock indexes by region/country with columns for Index, Close, Net chg, Latest % chg, and YTD % chg.

Percentage Gainers...

Table of percentage gainers with columns for Company, Symbol, Latest Session Close, Net chg, % chg, and 52-Week High/Low.

Percentage Losers

Table of percentage losers with columns for Company, Symbol, Latest Session Close, Net chg, % chg, and 52-Week High/Low.

Most Active Stocks

Table of most active stocks with columns for Company, Symbol, Volume, % chg from 65-day avg, Latest Session Close, % chg, and 52-Week High/Low.

Volume Movers

Table of volume movers with columns for Company, Symbol, Volume, % chg from 65-day avg, Latest Session Close, % chg, and 52-Week High/Low.

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CURRENCIES & COMMODITIES

Currencies

Table of U.S.-dollar foreign-exchange rates in late New York trading, including rates for Americas, Europe, Asia-Pacific, and other regions.

Commodities

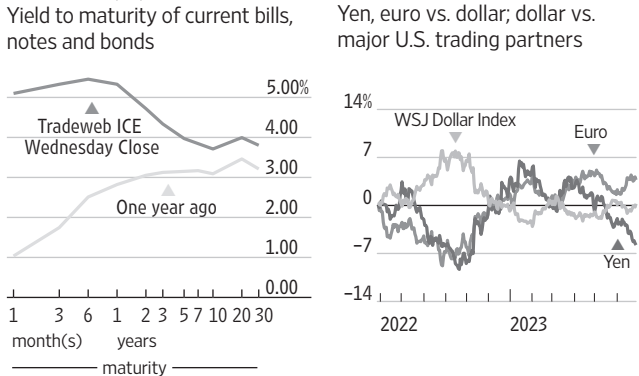
Table of commodity prices with columns for Commodity, Close, Wednesday Net chg, % Chg, High, 52-Week Low, % Chg, and YTD % chg.

CREDIT MARKETS

Consumer Rates and Returns to Investor

Consumer Rates and Returns to Investor section containing a chart of U.S. consumer rates and a table of selected rates for various loans and bank products.

Treasury yield curve



Forex Race



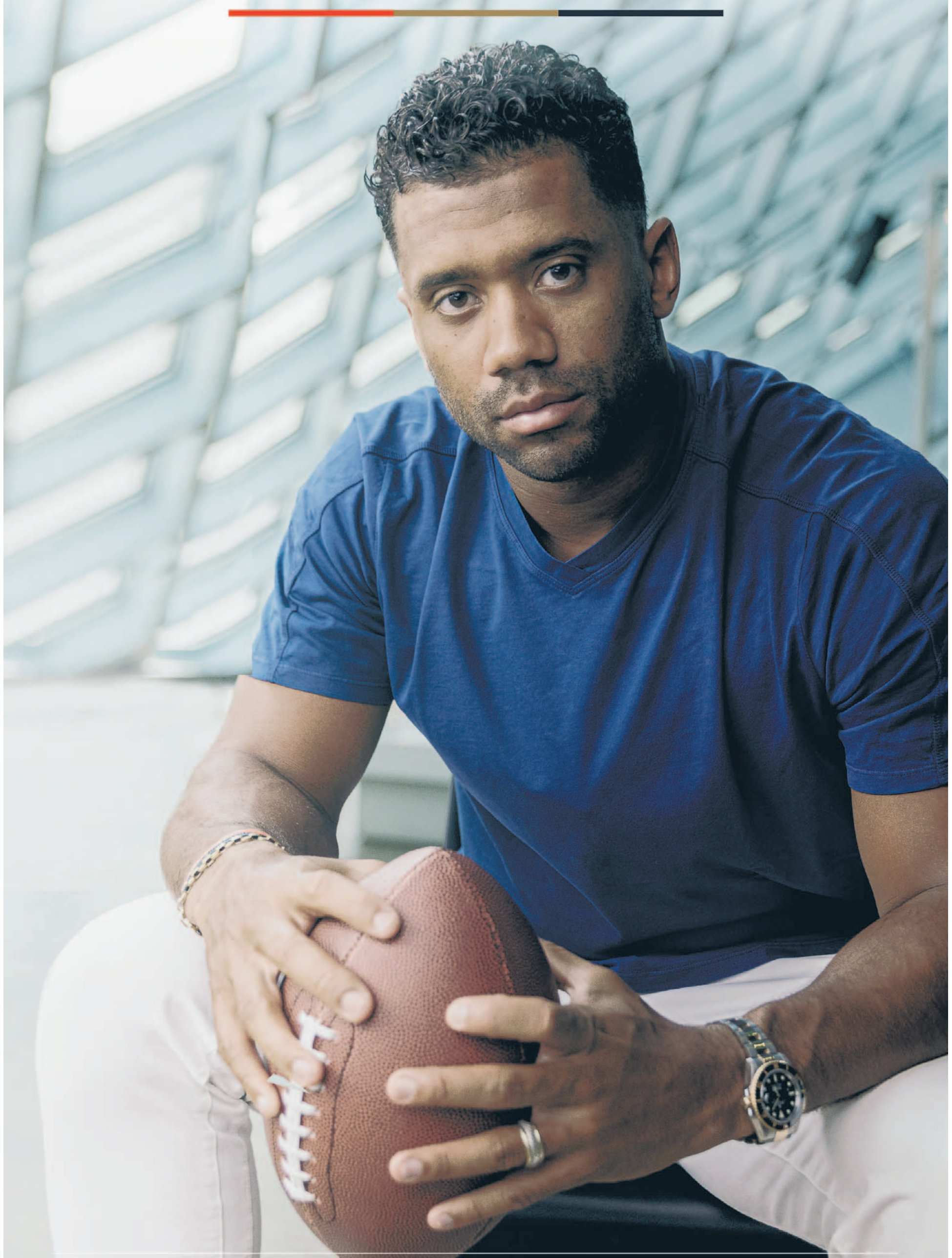
Corporate Borrowing Rates and Yields

Table of corporate borrowing rates and yields for various instruments like U.S. Treasury, Aggregate, Fixed-Rate MBS, and High Yield 100.



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 Aman Kochar, Baker & Taylor  
 Lorenzo Simonelli, Baker Hughes  
 Milton Cheng, Baker McKenzie  
 Jared Wolff, Banc of California  
 Bernard Mensah, Bank of America  
 Patrick Lockwood-Taylor, Bayer US  
 Nikos Stathopoulos, BC Partners  
 Wayne Berson, BDO USA  
 Albert Baladi, Beam Suntory  
 Baroness Shields, BenevolentAI  
 Aymen Boughhanmi, BG Titan Group

Bal G. Das, BGD Holdings, LLC  
 Kim Keck, Blue Cross Blue Shield Association  
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 Christoph Schweizer, Boston Consulting Group (BCG)  
 Ralph Andretta, Bread Financial  
 Nir Bar Dea, Bridgewater Associates, LP  
 Suren Rana, BrightSphere Investment Group  
 Nirav Patel, Bristlecone, Inc.  
 Tim Gokey, Broadridge Financial Solutions  
 Neal Wolin, Brunswick Group  
 Christopher Bogart, Burford Capital  
 Charles Emond, Caisse de dépôt et placement du Québec  
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 Alex Rinke, Celonis  
 Dr. Robert J. Hariri, Celularity  
 Sarah London, Centene Corporation  
 Jesse Gary, Century Aluminum  
 Kurt Miscinski, Certy Partners  
 Margaret Franklin, CFA Institute  
 Shane Caiazzo, CFGI  
 Michael Gronager, Chainalysis Inc.  
 Daniel Yannis, Checkr  
 William C. Carstanjen, Churchill Downs Incorporated  
 Andy Byrne, Clari  
 Robert Clark, Clayco  
 Michael L. Battles, Clean Harbors, Inc.  
 Eric W. Gerstenberg, Clean Harbors, Inc.  
 Scott W. Wine, CNH Industrial N.V.  
 Antoine Petit, CNRS  
 Robert Willett, Cognex Corporation  
 Curt Farmer, Comerica  
 Dirk Hoerig, commercetools  
 Damon T. Himinger, CoreCivic  
 Rob Bernshteyn, Coupa Software, Inc.  
 Azeez Mohammed, Covanta  
 Faiza J. Saeed, Cravath, Swaine & Moore LLP  
 Dean Hoderoft, Crestbridge  
 Jay Brown, Crown Castle Inc.  
 Alex Baldoock, Currys Plc  
 Karen S. Lynch, CVS Health Corp  
 Karthikeyan Natarajan, Cyient  
 Hal Yoh, Day & Zimmermann  
 Henry N. Nassau, Dechert LLP  
 John E. Hall, Defence Commissary Agency  
 Joe Ucuzoglu, Deloitte  
 Barry McCarthy, Deluxe  
 Rick Muncier, Devon Energy

Frank Ryan, DLA Piper  
 Allan Thygesen, DocuSign  
 Almar Latour, Dow Jones  
 Sultan Ahmed Bin Sulayem, DP World  
 Robert Lee, Dragos, Inc  
 Jim Continenza, Eastman Kodak Company  
 Christophe Beck, Ecolab Inc.  
 Richard Edelman, Edelman  
 Dr. Michael Ensser, Egon Zehnder  
 Raanan Horowitz, Elbit America  
 Todd Boehly, Eldridge  
 H.E. Abdunnasser Bin Kalban, Emirates Global Aluminium  
 Edmund F. Murphy III, Empower  
 Ashish Masih, Encore Capital Group  
 Miguel Stilwell d'Andrade, Energias de Portugal SA (EDP)  
 Ghias Khan, Engro Corporation  
 Börje Ekholm, Ericsson  
 Shyam Kambeyanda, ESAB Corporation  
 William Pak, ESPRIT  
 David Wagner, Everbridge Inc.  
 Juan C. Andrade, Everest Re Group, Ltd.  
 Bill H. Stoller, Express Employment Professionals  
 Carmine Di Sibio, EY  
 François Locoh-Donou, F5  
 Philip Snow, FactSet Research Systems, Inc.  
 Priscilla Almodovar, Fannie Mae  
 Daniel L. Florness, Fastenal  
 Claire L. Babineaux-Fontenot, Feeding America National Organization  
 Damian Ormani, Fisher Investments  
 Revathi Advaiti, Flex  
 Dave Clark, Flexport  
 Oren Zaslansky, Flock Freight  
 Olgubenga Agboola, Flutterwave  
 Jim Lico, Fortive  
 Tony Bates, Genesys  
 Tom McInerney, Genworth Financial, Inc.  
 Thomas Laird, Gilbane Building Company  
 Jason Peterson, GoDigital Media Group  
 Mohit Malhotra, Godrej Properties  
 Hayes Barnard, GoodLeap  
 Mike Xu, GrubMarket Inc.  
 Dame Emma Walmsley, GSK  
 Scott McIntyre, Guidehouse  
 Muhammad Aurangzeb, Habib Bank Limited  
 Robert C. Garrett, Hackensack Meridian Health  
 Brian McNamara, Haleon  
 C Vijayakumar, HCLTech  
 Dr. David Kirtley, Helion Energy  
 Ramakarthikeyan Srikrishna, Hexaware Technologies  
 Richard McCathron, Hippo

Gajen Kandiah, Hitachi Vantara  
 Frederic Lalonde, Hopper  
 Timothy Walbert, Horizon Therapeutics  
 Enrique Lores, HP Inc.  
 Dr. Amy Schabacker Dufrane, HR Certification Institute  
 Arvind Krishna, IBM  
 Lawrence Calcano, iCapital Network  
 Elie Maalouf, IHG® Hotels & Resorts  
 Francis deSouza, Illumina  
 Ricardo Amper, Incode Technologies  
 Chris Hyams, Indeed  
 Óscar García Maceiras, INDITEX S.A.  
 Amit Walia, Informatica  
 Salil Parekh, Infosys  
 John Fortson, Ingevity  
 Raj Sardana, Innova Solutions  
 Joyce Mullen, Insight Enterprises  
 Tim Adams, Institute of International Finance  
 Patrick Gelsinger, Intel Corporation  
 Andrés Rubio, Intrum  
 Mohammed M. Alardhi, Investcorp  
 Sheikh Ali Alwaleed Al-Thani, Investment Promotion Agency Qatar  
 Mike Fey, Island  
 Rashmy Chatterjee, ISTAR Global Ltd  
 Paolo Gallo, Italgas  
 S.Karthik Venkateswaran, Jumbotail  
 Alex Liu, Kearney  
 Sue Kench, King & Wood Mallesons  
 Karel Komárek, KKCG  
 John Ganem, Kloockner Metals Corporation  
 Ian Bailey, Kmart Group  
 Paul Knopp, KPMG  
 Karl Chan, Laserfiche  
 Jim Anderson, Lattice Semiconductor  
 Mike Walsh, LexisNexis  
 Allen Waugerman, Lexmark International, Inc.  
 Edward Forst, Lion Capital LLP  
 Anuj Srivastava, LivSpace  
 Bracken Darrell, Logitech International SA  
 Justin F. Korsant, Long Light Capital Management  
 David Schwimmer, LSEG  
 Robert Materazzi, Lukka  
 Nick Savasta, Main Gate Capital  
 John Q. Doyle, Marsh McLennan  
 Gervase Warner, Massy Group  
 Hai Ling, Mastercard International  
 Ari Sarker, Mastercard Worldwide  
 David J. Sorbaro, Mavis Tire Express Services Corp  
 Daniel Jablonsky, Maxar Technologies  
 Dr. Gianrico Farrugia, Mayo Clinic  
 Brian S. Tyler, McKesson  
 Bob Sternfels, McKinsey & Company  
 Sanjay Mehrotra, Micon Technology  
 Satya Nadella, Microsoft Corporation  
 AB Periasamy, MinIO  
 Amir Movafaghi, Mixpanel  
 Dan Cane, ModMed  
 Jami McKeon, Morgan Lewis  
 Michael Ramlet, Morning Consult  
 Andrew Miller, Motability Operations  
 Sunil Mittal, Movate  
 Nitin Rakesh, Mphasis Ltd.  
 Johan Slabbert, MSIG North America  
 Dr. Jacob Kam, MTR Corporation Limited  
 Andrew Clyde, Murphy USA  
 John Linden, Mythical Games  
 Adena Friedman, Nasdaq  
 Frank Martire, NCR Corporation

Adam Johnson, NetJets Inc.  
 Anil Singhal, NETSCOUT  
 Emil Eifrem, Neo4j  
 Robert Thomson, News Corp  
 Rupert Murdoch, News Corp  
 Lachlan Murdoch, News Corp  
 Stephen Zubiago, Nixon Peabody LLP  
 Suresh Krishna, Northern Tool + Equipment  
 Michael J. Dowling, Northwell Health  
 John E. Schlifske, Northwestern Mutual  
 Francesca Cornelli, Northwestern University, Kellogg School of Management  
 Bertina Ceccarelli, NPower  
 Dan Pathomvanich, NR Instant Produce Public Company Limited  
 Abhijit Dubey, NTT LTD.  
 Rajiv Ramaswami, Nutanix, Inc.  
 Kurt Sievers, NXP Semiconductors  
 Lynn Martin, NYSE  
 Ahmed El-Hoshy, OCI Global & Fertiglobe Plc  
 Mostafa Terrab, OCP Group  
 John Romeo, Oliver Wyman Forum  
 Mark Barrenechea, OpenText Corporation  
 Kevin Lynch, Optiv Security  
 Dr. Sándor Csányi, OTP Bank Plc  
 Sam Gutmann, OwnBackup  
 Megan Lee, Panasonic Corporation of America  
 Bruce F. Lowthers, Paysafe  
 Alan Trefler, Pegasystems Inc.  
 James Schenck, PenFed Credit Union  
 Dr. Albert Bourla, Pfizer  
 Dariusz Szwed, PKO Bank Polski  
 Cain Hayes, Point32Health  
 Abhinav Asthana, Postman  
 Anthony Pratt, Pratt Industries  
 Jennifer A. Prosek, Prosek Partners  
 Ralph LaRossa, Public Service Enterprise Group Inc.  
 Tim Ryan, PwC US  
 Zig Serafin, Qualtrics  
 Vikram Sharma, QuintessenceLabs  
 Sander van 't Noordende, Randstad  
 Gregory J. Hayes, Raytheon Technologies  
 Dennis E. Abboud, Readerlink, LLC  
 Matt Hicks, Red Hat, Inc.  
 Mukesh D. Ambani, Reliance Industries Limited  
 Sarah M. Chamberlain, Republican Main Street Partnership  
 Jay L. Geldmacher, Resideo Technologies, Inc.  
 Chris Peel, Rheem Manufacturing Company  
 John Simonian, Richard Mille  
 Ann Fandozzi, Ritchie Bros.  
 Manoj Menda, RMZ Corp  
 Afsaneh M. Beschloss, RockCreek  
 Gregory J. Fleming, Rockefeller Capital Management  
 Daniel J. Moore, Rockefeller Group  
 Dr. Kathy Bloomgarden, Ruder Finn  
 Constantine Alexandrakis, Russell Reynolds Associates  
 Sir Martin Sorrell, S4 Capital  
 Marc Benioff, Salesforce  
 Gebhard Rainer, Sandals Resorts International  
 Bill Gassen, Sanford Health  
 Fahd Hamidaddin, Saudi Tourism Authority  
 Mitchell Rudin, Savills  
 Ron Dunford, Schreiber Foods, Inc.  
 Michael Arbour, Sedgwick  
 Bill McDermott, ServiceNow  
 Steve Youngwood, Sesame Workshop  
 David J. Beveridge, Shearman & Sterling LLP  
 Luca Salvi, Sheppard, Mullin, Richter & Hampton, LLP  
 Greg Becker, Silicon Valley Bank

Mark S. Billige, Simon-Kucher  
 Dr. Andreas von der Gathen, Simon-Kucher  
 Jacqueline Poh, Singapore Economic Development Board  
 Raj Verma, SingleStore  
 Jos B. Dijsselhof, SIX Group AG  
 Dr. Deepak Nath, Smith+Nephew  
 Scott Drury, SoCalGas  
 Anthony Hucker, Southeastern Grocers  
 Dr. James Downing, St. Jude Children's Research Hospital  
 Mark Penn, Stagwell  
 Spencer Gracias, Stefanini Group  
 Maria Pacheco, Storyful  
 Walter Schalka, Suzano  
 Brian Doubles, Synchrony  
 Andrew Davies, Syniverse  
 Kevin P. Hourican, Sysco  
 Suresh Muthuswami, Tata Consultancy Services  
 Jeffrey M. Solomon, TD Cowen  
 Terrence R. Curtin, TE Connectivity  
 Daniel Julien, Teleperformance  
 Paul Keary, Teneo  
 Rob Holmes, Texas Capital Bank  
 Mark T. Smucker, The J.M. Smucker Company  
 Ken Matsuki, The Mainichi Newspapers  
 Dr. Aricia Steed, The MetroHealth System  
 Steve Rigby, The Rigby Group  
 Dr. Peter WT Pisters, The University of Texas MD Anderson Cancer Center  
 Johnny Hornby, The&Partnership  
 Teresa Rasmussen, Thrivent  
 Shou Chew, TikTok  
 Martijn Hagman, Tommy Hilfinger & PVH Europe  
 Christian Lannig, Tradeshift  
 Jeremy Weir, Trafigura  
 Jonathan M. Pertchik, TravelCenters of America  
 Jean Savage, Trinity Industries  
 Jane Sun, Trip.com  
 Dr. Helmut Schuehler, TVM Capital Healthcare  
 Stephanie Linnartz, Under Armour  
 Andrea Orcei, UniCredit  
 Angela F. Williams, United Way Worldwide  
 Gregory William Cappelli, Vanta Global  
 Kyle Malady, Verizon Business  
 Sowmyanarayan Sampath, Verizon Consumer Group  
 Raghu Raghuram, VMware, Inc.  
 Vinod Kumar, Vodafone Business  
 Michael Guyette, VSP Vision  
 Judith McKenna, Walmart International Dr.  
 Udit Batra, Waters Corporation  
 Taylor Francis, Watershed  
 Robert J. Pagano, Jr., Watts Water Technologies, Inc.  
 Annie A. Young-Scrivner, Wella Company  
 David Goeckeler, Western Digital  
 Hugh Verrier, White & Case LLP  
 Thierry Delaporte, Wipro Limited  
 Julie Iskow, Workiva Inc.  
 Michael J. Kasbar, World Fuel Services Corporation  
 Keshav Murugesu, WNS Global Services  
 Steven Bandrowczak, Xerox  
 Brad Jacobs, XPO Logistics Inc  
 Joey Wat, Yum China Holdings, Inc.  
 Ebenezer Onyegwu, Zenith Bank Plc  
 Bryan Hanson, Zimmer Biomet  
 Kristin Peck, Zoetis

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COMMODITIES

Futures Contracts

Table of Metal & Petroleum Futures, Agriculture Futures, and NY Harbor ULSD (NYM) prices. Columns include contract name, open, high, low, settle, change, and open interest.

Table of Interest Rate Futures including Ultra Treasury Bonds (CBT), Treasury Bonds (CBT), and Treasury Notes (CBT) with columns for contract, open, high, low, settle, change, and open interest.

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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=Sosland Publishing; R=SNL Energy; S=Platts-TSI; T=Commodity Limited; U=USDA; V=Benchmark Mineral Intelligence; W=weekly; Y=International Coffee Organization; Z=not quoted. \*Data as of 6/27

Source: Dow Jones Market Data

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 of Bond Benchmarks showing return and yield for Broad Market, U.S. Corporate, Mortgage-Backed, High Yield, and Global Government bonds. Columns include bond name, return, yield, and 52-week high/low.

\*Constrained indexes limit individual issuer concentrations to 2%; the High Yield 100 are the 100 largest bonds. \*\*EMBI Global Index. Sources: ICE Data Services; Bloomberg Fixed Income Indices; J.P. Morgan

Macro & Market Economics

Watching the Gauges: U.S. Supply and Demand

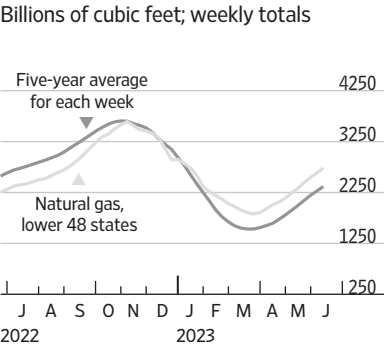
Inventories, imports and demand for the week ended June 23. Current figures are in thousands of barrels or thousands of gallons per day, except natural-gas figures, which are in billions of cubic feet. Natural-gas import and demand data are available monthly only.

Table of Inventories, Imports, and Weekly Demand. Columns include category, current value, expected change, previous week, year ago, 4-week avg, and 5-year avg.

Weekly Demand, 000s barrels per day

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Natural gas storage



Global Government Bonds: Mapping Yields

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Source: Tullett Prebon, Tradeweb ICE U.S. Treasury Close

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...And with the biggest price decreases

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\*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 Z-spread. Note: Data are for the most active issue of bonds with maturities of two years or more

Source: MarketAxess

Exchange-Traded Portfolios | WSJ.com/ETFResearch

Table of Exchange-Traded Portfolios showing largest 100 exchange-traded funds, latest session, with columns for ETF name, symbol, price, closing price, change, and YTD return.







BANKING & FINANCE

Lenders Pass Stress Tests In Wake of SVB's Failure

By Andrew Ackerman

The Federal Reserve said the biggest U.S. lenders remain healthy, a vote of confidence for the financial system after a series of midsize bank failures earlier this year.

All 23 firms that participated in the latest stress tests performed well, the Fed said, meaning they would stay above minimum capital levels and keep lending to businesses and households in a severe recession.

aimed at shoring up confidence in the banking system. If banks do poorly, they could face automatic restrictions on shareholder distributions and discretionary bonus payments.

The Fed also said the largest banks performed well in a new addition to the test that looked at how lenders would weather a rise in interest rates. The results of that "exploratory market shock" will have no effect on bank capital requirements over the next

year. But they could inform changes the Fed hinted it is considering to make the tests harder by looking at how banks would withstand a variety of risks.

"We should remain humble about how risks can arise and continue our work to ensure that banks are resilient to a range of economic scenarios, market shocks, and other stresses," Michael Barr, the Fed's vice chair for supervision, said in a statement.

The Fed is working to add stress to the tests after its supervisors were slow to address how rising interest rates contributed to Silicon Valley Bank's failure.

The Fed would likely formally seek comment on any changes to its tests before adding additional scenarios that affect bank capital levels. Banks are expected to announce their capital plans Friday evening.

KKR Raps Rival Firm's Bid to Buy Valve Maker Circor

By Dean Seal

KKR is standing behind its bid to acquire Circor International, saying a competing deal offered by a private-equity firm Wednesday morning would draw major antitrust scrutiny.

The investment firm said its deal to buy the pump-and-valve maker for \$51 a share carries no risk of being blocked or delayed by antitrust regulators and could close by the fourth quarter. That stands in contrast to the proposal submitted by Arcline Investment Management Wednesday to buy Circor for \$57 a share, KKR said.

According to KKR, Arcline's funds own Fairbanks Morse Defense, a direct competitor to Circor in the sale of certain mission-critical valves for U.S. Navy submarines, so trying to combine the companies would reduce the already limited number of qualified suppliers

for significant U.S. military platforms.

In addition, any reasonable antitrust analysis would show that such a tie-up wouldn't close until the second half of 2024, if at all, KKR said.

Arcline's proposal is also contingent on obtaining debt financing, while KKR has agreed to put up a full-equity backstop on the transaction to eliminate third-party financing risk, KKR said.

Rep. Rob Wittman (R., Va.), vice chairman of the House Armed Services Committee, suggested an Arcline acquisition should be looked at. "I'm concerned about this potential merger between two of America's critical valve production companies," he tweeted.

A spokesperson for Arcline didn't respond to a request for comment.

Circor shares closed up 4.3% at \$53.68 Wednesday. They have more than doubled since the start of the year.

Arboretum Raises \$268 Million to Help Lower Care Costs

By Marc Vartabedian

Arboretum Ventures, a healthcare-focused venture-capital firm, has raised a \$268 million fund to target startups with the goal of lowering costs for patients.

The new fund in the health-tech sector is the latest example of how venture capitalists are raising cash to invest in healthcare while there is a slowdown in the amount of capital being deployed to startups.

The firm, based in Ann Arbor, Mich., will continue its strategy of seeking out companies based outside of traditional technology hubs in part because the costs of doing business in those locations are lower, managing partner Jan Garfinkle said.

Founded in 2002, Arboretum now has \$1 billion in assets under management and drew on investors including health systems, pension funds, endowments and family offices to raise the fund.

In the first quarter, U.S. health-tech investors raised \$6.8 billion in the first quarter.

Garfinkle described the fundraising effort, which started last year, as challenging but said the fund exceeded its target of \$250 million. Three-quarters of its investors in its previous fund raised their dollar amount, and 15% of the fund's capital came from new investors, she said.

Investors are attracted to Arboretum's practice of investing in startups in parts of the country that typically receive less interest from venture capitalists, Garfinkle said, adding that in health tech,

lower costs can go a long way since these companies often need extra space for labs, machines and space for engineers to work together.

"When you sell the company for the same amount, but you've put in one-third less dollars, the investors have a higher return, which is a good thing for them and for their investors," Garfinkle said. There is also less competition from other investors, which means valuations can be slightly less, she added.

Garfinkle added that the economic climate in venture makes investing attractive to limited partners because valuations—the price investors pay for startup shares—have fallen.

Arboretum has made more than 60 investments in startups developing medical devices, diagnostics, life science tools and IT-enabled healthcare services.

An Arboretum deal aimed at lowering patient costs was its investment into NxThera. The Minnesota-based company developed a medical device

to treat enlarged prostates, moving a surgical procedure from the operating room in hospitals to other lower-cost environments, Garfinkle said. The company was purchased in 2018 by medical technology company Boston Scientific, which had an existing stake in the company, for \$240 million with future milestone payments of up to \$85 million.

Arboretum invested in NeuModx Molecular, an Ann Arbor-based diagnostic instruments startup that developed Covid-19 tests early in the pandemic. In 2020, Netherlands-based health-tech company Qiagen, after making a previous investment into NeuModx, acquired the remainder of the company for \$248 million. Garfinkle said it was one of Arboretum's largest returns.



At issue is confidential information illegally obtained from Morgan Stanley about deals. Morgan Stanley headquarters.

Broker Faces Probe

Continued from page B1

per-and-pulp manufacturer Paper Excellence and its U.S. rival Domtar. Paper Excellence acquired Domtar in 2021 for about \$3 billion.

Ira Lee Sorkin, a lawyer for Meadow, said that they were aware of the investigation but that his client hadn't been

charged. Sorkin declined to comment on the allegations.

Michael Ference, a lawyer for Spartan Capital, declined to comment. Morgan Stanley declined to comment. A spokesman for the Manhattan U.S. attorney's office declined to comment.

Meadow has worked at Spartan Capital for nearly five years, according to the Financial Industry Regulatory Authority.

He is an executive director working in the firm's special-situation group, which advises prominent families and high-net-worth individuals on investments, according to his

LinkedIn profile.

The U.S. attorney's office has been litigating a series of other recent cases involving alleged insider trading on confidential information about mergers and acquisitions.

A federal jury last week convicted Brijesh Goel, a former investment banker at Goldman Sachs Group, of insider trading and obstruction of justice.

Over games of squash, Goel tipped off a friend to confidential information about coming mergers and acquisitions that Goldman was considering financing, prosecutors said. Former Rep.

Stephen Buyer, an Indiana Republican, was convicted of insider trading after a trial in March, following allegations that he made timely securities trades based on confidential information he stole while doing consulting work.

In a third case, prosecutors accused a Federal Bureau of Investigation trainee and a friend of trading on confidential information in work documents belonging to the trainee's girlfriend, a lawyer who was working on a biotechnology acquisition. The friend pleaded guilty earlier this year, and the trainee's case remains pending.

Adler Group Offices Raided Over Finances Probe

By Eliot Brown

Prosecutors in Germany raided the offices of Adler Group, one of Europe's most prominent landlords, part of an investigation into allegations that the company's managers misrepresented finances to investors.

"The Adler Group is cooperating with the authorities and fully supports a clarification of the facts as quickly as possible," the company said. It said its Adler Real Estate subsidiary was being investigated over transactions in 2019 and 2020.

Prosecutors said several managers were accused of presenting incorrect balance sheet information to investors.

Adler owns 26,000 apartments in Berlin and other German cities valued at more than \$10 billion. The company has been under the spotlight after short sellers alleged that



A police officer entering a building housing offices of the Adler Group in Berlin on Wednesday.

it impossibly inflated the value of its properties, among other claims, which the company has previously denied.

Germany's financial regulator, Bafin, last year found numerous accounting errors in Adler's financial statements.

Adler's stock market value has been nearly wiped out since a 2019 peak, and is down over 99%. It restructured some of its heavy debt load earlier this year.

But Adler has substantial bonds and loans outstanding.

JPMorgan Chase has been a key banker to the company, helping in recent years to arrange bond sales and a revolving credit line for Adler.

A JPMorgan representative didn't respond to a request for comment.

New Highs and Lows

Continued From Page B11

Table with 3 columns: Stock, 52-Wk % Change, and % Change. Lists various stocks like GlobalDemity, GreenIntvtsA, GoldenStarAcq, etc.

Table with 3 columns: Stock, 52-Wk % Change, and % Change. Lists various stocks like Toll Bros, TradeDesk, Traillbazer A, etc.

Table with 3 columns: Stock, 52-Wk % Change, and % Change. Lists various stocks like GlobusMaritime, GolarNG, GraniteEng, etc.



MARKETS

# EU Weighs A Digital Version of The Euro

By Patricia Kowsmann

Europe has begun laying the groundwork for a digital currency.

The European Commission—the executive arm of the European Union—published draft rules Wednesday that will govern the creation and adoption of the digital euro.

The decision on whether to launch the digital form of the currency ultimately lies with the European Central Bank. The ECB is expected to decide in the fall, though it would take years for it to materialize.

Europe, like other parts of the world, has seen a drop in cash use. That, and the rise of cryptocurrencies, have led authorities in many countries to consider creating a digital form of their currencies. China has already rolled out its digital yuan. The U.S. is studying the issue, with no decision in sight.

Over half of Europeans prefer cashless forms of payments, according to the commission. While cash would still exist, those in the euro area would have the option of paying anyone with their digital euro, for instance, by using a digital wallet on their phones.

The infrastructure underpinning the digital euro hasn't been set, but the idea, commission and ECB officials say, is that people would be able to make payments for free, without being hit by service fees. It would also be available to people without bank accounts and could be transacted without an internet connection.

A digital euro would be different from current forms of cashless payments because it would be created by the central bank, instead of by commercial banks, or in the case of cryptocurrencies, by third parties. The ECB wouldn't see users' personal details or payment patterns.

# Apple, Tesla Drive Up Nasdaq

Shares of chip makers like Nvidia and AMD weigh on the S&P 500

By Gunjan Banerji

A jump in shares of Apple and Tesla pushed the Nasdaq Composite Index higher, helping it eke out a slim gain even as other major indexes slipped.

Stocks have been hovering near some of their highest levels of the past year, boosted by a stretch of strong economic data and optimism about artificial intelligence, which has driven tech shares higher.

The gains for the Nasdaq continue a recent stretch of outperformance for the tech-heavy gauge, which is on track for its best start to a year through June on record, according to Dow Jones Market Data.

On Wednesday, the Nasdaq added 0.3%, while the S&P 500 slid less than 0.1%. The Dow Jones Industrial Average lost 0.2%. They are all sitting around 1% off their 2023

highs, set earlier in June. Apple shares added 0.6% to \$189.25, a record. Tesla shares jumped 2.4%, ahead of the company's second-quarter deliveries numbers expected this weekend.

Federal Reserve Chair Jerome Powell, speaking Wednesday in Sintra, Portugal, said that monetary policy hasn't been restrictive for very long, and there is likely "more restriction coming."

Still, some investors haven't been fazed by the central bank's recent messaging, instead saying they are more focused on the end of the central bank's rate-hiking campaign, which appears in sight.

Meanwhile, the economy has been stronger than many investors anticipated at the start of the year. The Nasdaq has soared almost 30% this year. The S&P 500 has added 14%, boosted by the tech and communication services groups.

The yield on the 10-year U.S. Treasury fell Wednesday, settling at 3.711% from 3.767% Tuesday. Bond yields fall when prices rise.

Data this week have shown that U.S. consumers are feeling better about the economy despite rising interest rates, while orders for manufactured U.S. goods rose last month. Many Americans appear to be spending on travel this summer, boosting stocks such as Carnival and Norwegian Cruise Line, two of the S&P 500's top performers on Wednesday. Shares of each added around 8%.

Easing recession fears have swept the market. In options, traders have backed away from the types of bets that would profit if prices of riskier corporate bonds fell and yields rose.

Such bonds would typically tumble during an economic downturn as the risk of delinquencies rose. Lumber is booming again. Shares of Weyerhaeuser, West Fraser Timber, Boise Cascade and others that own sawmills and make wood panels were big winners in trading Wednesday, continu-

ing a hot streak this month thanks to the recovery in residential construction.

Wall Street's "fear gauge" ticked lower. The move in the Cboe Volatility Index, or VIX, was relatively small but continued a slide despite a slim loss for the S&P 500. The volatility indicator typically moves in the opposite direction of the stock market—not in lockstep.

A calm has swept markets recently, and many traders are positioning for that to continue. The fall in the VIX indicates that traders aren't paying up much for options hedges that would pay out if stocks took a tumble. Such trades haven't profited during the recent rally, leading investors to dump the trades.

"A lot of defensively positioned investors are throwing in the towel on hedges," said Matt Rowe, head of cross-asset strategies at Nomura. One of 2023's market stars took a U-turn Wednesday.

Shares of Nvidia fell, showing how one of the biggest AI winners this year might be susceptible to sharp shifts in sentiment.

The declines came after The Wall Street Journal reported that the U.S. was considering new restrictions on AI chip exports to China. Nvidia has been the most prominent beneficiary of the investor enthusiasm around artificial-intelligence-driven computing.

Another reason to be cautious about the behemoths many investors bet will benefit from AI: It may be tougher than many think to pick the sector's long-term winners, said Dev Kantesaria, founder of Valley Forge Capital Management, which oversees around \$3 billion in assets.

"It's a mistake to be too confident in who the winners are going to be," Kantesaria said. "There's going to be a shakeout."

Overseas, the Stoxx Europe 600 rose 0.7%. Early Thursday, Japan's Nikkei 225, which rose 2% on Wednesday, was up 0.5%. Hong Kong's Hang Seng Index was down 1%, mainland China's CSI 300 was down 0.5%. S&P 500 futures rose 0.1%.

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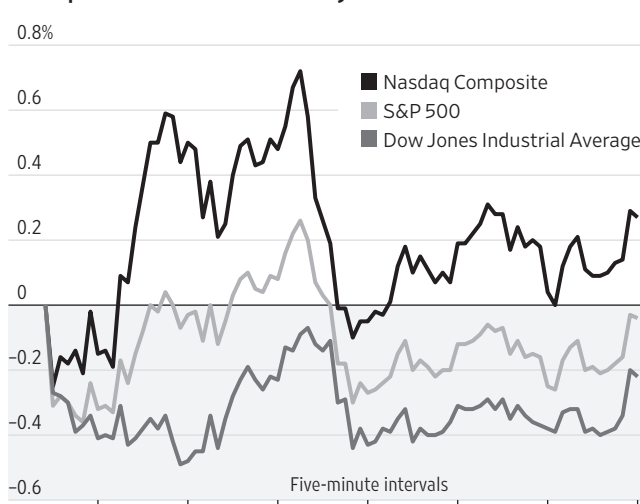
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Shares of Apple added 0.6% to \$189.25 on Wednesday, a record closing level.

## Index performance on Wednesday



Source: FactSet

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Liquefied natural gas, or LNG, flows from large storage tanks through pipelines to tanker ships.

# Gas Prices Expected To Stay Low

Continued from page B1

Others expect prices to climb, though not to the budget-busting extent that they rose last year.

Karl Chalupa, chief executive at Gamma Investment Consulting, said the firm's computer model, which considers fundamental factors such as inventories and weather patterns, estimates that prices are 35% to 45% below the fuel's fair market value.

"Gas is really, really cheap right now," Chalupa said. "We think this thing is going to turn and may go substantially higher."

During the spring, prices

fell far enough to encourage traders to buy large volumes of gas and stash it in underground storage caverns until winter, when heating demand typically pushes up prices to their highest levels of the year.

The amount of gas in storage is more than 15% above the five-year average for this time of year, according to the EIA. Last summer, which wound up being the third hottest on record in the U.S., started with inventories 13% below normal.

Analysts and traders say the staying power of low prices will depend on how hot it gets this summer and how much air conditioning is needed to beat the heat. Last year, 41% of U.S. electricity was generated by burning nat-

ural gas, according to EIA data. That is up from 26% a decade earlier and more than was generated from coal and renewable sources combined.

Another risk is that low prices prompt producers to pull back, reducing supplies and setting the market up for potential shortages and price spikes in the future.

Oil and gas executives polled this month by the Federal Reserve Bank of Dallas said they expect natural-gas prices to end the year at \$2.97 per million BTUs, a more pessimistic outlook than in March, when their average forecast was for \$3.43, and in December, when they predicted \$5.64.

"If they stay at this level for the better part of 2023, it is going to do great damage to our ability to provide natural gas in the future," one respondent said.

The number of rigs drilling gas wells in the U.S. has declined 19% since the end of April, after holding steady a year before, according to Baker Hughes.

The oil-field-services firm says rigs have been idled in Appalachia, Louisiana's Haynesville Shale and in Texas.

EOG Resources, one of the largest U.S. energy producers, said it would keep drilling wells at its Dorado gas field in South Texas but would delay completing them and flowing the gas to market given the abundant supplies and low prices.

"It really is not triggered on a specific gas price, but just the overall softness we see in the current market," Lloyd Helms, EOG's chief operating officer, told analysts on a call. "We're still very bullish on the long-term outlook for gas."

# \$2.603

Price per million BTUs for natural-gas futures for July delivery

## COMMODITIES

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During the spring, prices

# Defaults on Asian Junk Bonds Hit A Record Number

By Frances Yoon

Asia's bond market is having a tough time.

The shaky reopening of China's economy, the continued woes of the country's property developers and the rise of U.S. interest rates have combined to make dollar-bond financing less attractive for Asian companies. Here are three data points that show just how bad things have got in the market.

Junk-bond defaults hit a record. The number of Asian companies that defaulted on their bonds rose to 18 last year, according to S&P Global Ratings—three times the number of defaults in 2021 and a record.

Total returns are poor. The year started well for investors looking at total returns, which include interest payments and movements in bond prices. But returns on Asian junk bonds have been negative since February, according to ICE BofA data. Investment-grade returns also turned negative in May.

Volumes are down. Asian issuers have raised \$131 billion from dollar bonds this year, around a fifth less than they did by this time last year, according to Dealogic. This is partly because many Asian companies can fund more cheaply in their home markets.

Will things get any better for Asia's bond market? There are a few reasons for optimism.

Asian bonds are yielding the most they have in a de-

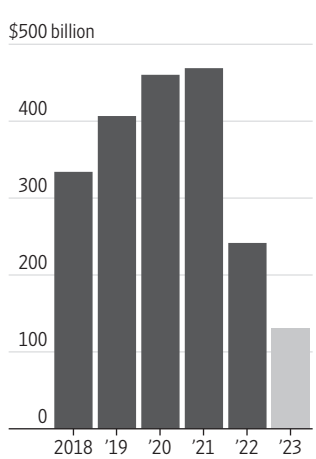
cade. That's according to T. Rowe Price, which cited the J.P. Morgan Credit Index Diversified. Asian credit offered an average yield of around 6.7% as of May 31, the fund said.

Some investors are sticking around. Clifford Lau, a portfolio manager at William Blair, said there were still opportunities in Asian investment-grade debt. He pointed to countries like Indonesia and India, where he thinks structural changes and strong economic growth could give bonds a boost.

Mark Baker, head of fixed income at Abrdn, thinks investors are missing out on some smart trades. He said yields in Asia are very attractive compared with previous years, although he added that some investors are still concerned about high global inflation.

Returns on both investment-grade and junk bonds have turned negative.

## Dollar bond volumes in Asia



Note: 2023 volumes are year to date. Source: Dealogic



# HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

## Uranium Can Be Shelter From Turmoil

Tensions with Russia and insensitivity to economic indicators make the commodity an appealing bet

Fears of a downturn took the luster off most energy-related commodities, but uranium is glowing.

Uranium (triuranium octoxide) spot prices are up roughly 18% year to date. Canadian uranium mining firm **Cameco's** stock is up 29%, while the **Sprott Physical Uranium Trust**, an exchange-traded fund that owns physical uranium, is up 8%. The **Global X Uranium ETF** rose 6%. That is quite a contrast from crude oil and natural gas, which are down 15% and 33%, respectively.

Economic indicators have a tangible connection to demand for fossil fuels, which propel most cars, ships and planes, and are used to make everything from fertilizers and plastics. Uranium “doesn’t care if GDP is up or down 5%,” notes Arthur Hyde, portfolio manager at **Segra Capital Management**, which manages a nuclear-power and uranium industry-focused fund.

Demand for uranium tends to be stable because nuclear-power plants are so-called baseload power plants, or plants that run around the clock to meet the minimum level of electricity demand. And Hyde notes even a run-up in the commodity’s price is unlikely to change demand for it: The cost of fuel (including the cost of pro-

cessing the uranium) is a relatively small component of a nuclear-power plant’s operating costs. The World Nuclear Association estimates uranium prices would have to rise above \$100 a pound and stay there for a prolonged period to have considerable impact on nuclear-power plants’ operating costs. The commodity’s current spot price is around \$56 a pound.

Does it have more room to run? Some industry analysts think so. Analysts at BofA Global Research expect uranium spot prices to hit \$75 a pound by the end of 2025, while other brokers on average expect it to rise to roughly \$60 by then. The uranium market is getting tighter, according to Jonathan Hinze, president of **UxC**, a nuclear fuel market consulting firm.

Uranium inventory held by owners of U.S. nuclear-power plants fell 4.4% last year, according to the U.S. Energy Information Administration’s uranium report released earlier this month. While imports of uranium from Russia aren’t banned just yet, utilities in

the U.S. and Europe are prudently trying to line up supply from outside of Russia.

**Constellation Energy**, which owns the largest nuclear-power fleet in the U.S., said in an earnings call this year that the company “worked diligently” to secure enough nuclear-fuel inventory and future contracts to meet its needs through 2028 even if existing contracted Russian fuel supply gets disrupted. Ukraine and Bulgaria this year signed contracts with Canada’s Cameco to source uranium. One clear sign of a tight market is the cost to enrich uranium, which surged to roughly \$140 per separative work unit today from about \$60 before Russia’s invasion of Ukraine, according to Hinze.

Demand for uranium has seen a boost as countries look to extend the lives of existing nuclear-power plants. California last year decided to keep its Diablo Canyon plant operating another five years to 2030. The plant supplies roughly 8% of power produced in the state. Others could follow: The Inflation Reduction Act created a tax credit for

existing nuclear-power plants, giving them an incentive to keep running. Other countries that decided to extend the lives of some nuclear-power plants include Belgium, Japan and Finland.

On the supply side, BofA Securities forecasts a production deficit of 60 million pounds of triuranium octoxide in 2035, roughly equivalent to the annual output of Kazakhstan, the world’s largest producer. A flood of supply is unlikely for a while given that new uranium mines and enrichment facilities can take 10 to 15 years to build, according to the International Atomic Energy Agency.

Investors looking for broad exposure to uranium can do so through the **Global X Uranium ETF**, which owns not only physical uranium but a range of uranium-mining companies and nuclear-component producers. The ETF fetches an undemanding price of 1.7 times to trailing book, a 60% discount over the S&P 500. The trade off is that while uranium isn’t reactive to the state of the economy, it can melt down at headlines that hint at safety issues with nuclear-power plants.

For investors comfortable with that risk, uranium looks like a solid shelter from today’s economic concerns. —*Jinjo Lee*

**18%**  
Year-to-date increase in uranium (triuranium octoxide) spot prices

## U.S. AI Export Curbs Threaten Nvidia, China

**Nvidia's** chief has warned about the risks of an escalating chip war with China. It looks like the company will get one anyway.

That could end up as a structural headwind for Nvidia, which recently became a member of the \$1 trillion club thanks to the artificial-intelligence frenzy. China’s chip-sector ambitions, and its own AI aspirants, also will suffer.

The Biden administration is considering steps to further curb exports of AI chips, like those made by Nvidia, to China. The U.S. already requires a license to sell the most high-end AI chips, like Nvidia’s A100, to customers in China. But the new restrictions would include Nvidia’s A800 chips, which were designed to defuse the impact of an earlier round of export controls instituted last August.

These latest restrictions may be meant in part to send a signal to U.S. companies to stop their cat-and-mouse game of trying to circumvent Washington’s export curbs.

A800 chips have the same computing power as A100 chips, widely used for AI computations, but have a lower bandwidth for communicating with other chips. The new rules may restrict the provision of cloud services, too. Some Chinese AI companies may have leased high-end chips through such services to circumvent export controls.

But the Biden administration also needs to strike a fine balance: Such restrictions will slow China’s AI effort, but may also hit revenue at U.S. chip companies.



Biden administration export restrictions will slow China’s AI effort, but may also hit U.S. chip makers’ revenue.

Nvidia said last August that the restrictions could knock \$400 million off its revenue for the October quarter. But the company managed to largely offset that by selling alternative products to China, the company said in its November earnings call.

Still, these tighter curbs could hurt Nvidia given that A800 chips have been very popular with Chinese companies, according to Jefferies. Chinese companies, like U.S. ones, have been ramping up their offerings of generative AI. Chinese companies may also

have been stockpiling chips in expectation of tighter restrictions. Citi estimates China may account for around 5% to 10% of Nvidia’s data-center sales. How much Nvidia will be affected will depend on whether Chinese customers still buy new, slower chips developed by the company as replacements—or whether the compromise in performance becomes a hindrance.

Chinese chip stocks, on the other hand, surged Wednesday. AI chip maker **Cambricon Technologies** rose 3.2%, while graphics-chip maker **Changsha Jingjia Micro-**

**electronics** gained 4.8%. They should benefit from China’s drive to make chips domestically.

It will be challenging to catch up given how all-encompassing U.S. chip restrictions have become—ranging from equipment to talent. But Beijing will keep trying given that it now clearly views “chip sovereignty” as a matter of national economic survival.

This probably won’t be the last time investors in Nvidia, AMD and other U.S. chip darlings wake up to unpleasant news related to China. —*Jacky Wong*

## Insurers Shows Limits of Digital Revolution

Uprisings can fall short. Investors riding the artificial-intelligence wave should look at the insurance industry for a cautionary tale.

Shares of “insurtech” startups, which look to upend traditional insurance through the use of automation, data and AI, have enjoyed a small bounce lately thanks to the mania unleashed by OpenAI’s ChatGPT. But they remain far below their levels from a few years ago, when many went public.

Is this a good opportunity for investors to jump ship, or rather the start of a rebound that will reward AI faith? A takeover proposal for car-insurance startup **Root** illustrates the dilemma. The \$280 million offer from **Embedded Insurance**, a company run by serial insurtech entrepreneur James Hall, is much better than Root’s \$85 million valuation before the bid, but also orders of magnitude below the almost \$7 billion at which the company listed in 2020. Root has so far remained silent.

Other startups that went public at about the same time as Root in-

clude **Lemonade**, **Hippo**, **Oscar Health**, **Clover Health** and **Bright Health**. They all trade at a fraction of what they were worth then.

Unlike moonshots that promise air taxis or space tourism, these startups have sensible pitches. Root, which is backed by online used-car retailer **Carvana**, saw that

the riskiness of drivers tends to be assessed through broad-brush variables such as age and occupation, leaving a gap for using telematics to assess individualized behavior, including factors such as gentle turning or not answering texts while driving.

Similarly, Hippo employs “smart home” kits to constantly monitor risks of fire, water and other damages. Lemonade uses AI and techniques from behavioral economics to fast-track all types of insurance. Yet the revolters have failed to storm the gates. Root’s business has slowed lately. Even more concerning is that new technologies haven’t yet proven that they are better at pricing risks: Old-school insurers still have lower claims relative to premiums than insurtech firms.

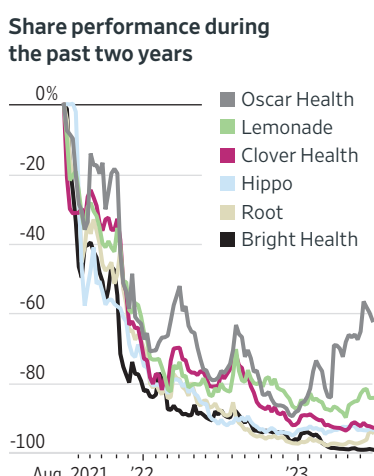
The digital age has never shown much sign of threatening insurance giants. They haven’t seen their market share eroded or even had to adapt their businesses much. That suggests even the takeover value of insurtech stocks may be low.

As it turns out, incumbents had good reasons to be conservative. “Twenty years ago we thought distribution costs would be lower using the internet, but this is absolutely not the case: Paying Google is more expensive than paying an agent,” said Frédéric de Courtois, group deputy chief executive of French insurer Axa.

New AI players face an additional problem: Growing aggressively means attracting riskier clients, and so they struggle to achieve scale. Without enough data, they can’t gain the edge required to compete in a very price-sensitive market.

AI could greatly benefit its suppliers—software and chip behemoths. It also could open up some new markets and upend how established players perform specific tasks. For insurers, it is opening new avenues for identifying fraud, for example.

Investors who see revolution everywhere, however, could end up putting their own portfolios in the dock. —*Jon Sindreu*



Source: FactSet

## Jefferies Results Offer Hope For Peers

Investment banking shows signs of life

**Jefferies Financial Group** is often viewed as a bellwether for the Wall Street megabanks. Investors better hope that is really the case this quarter.

As anticipated across Wall Street, the independent investment bank and capital-markets firm on Tuesday reported a continuing lull in deal making for its second quarter, which ended May 31. Revenue from mergers-and-acquisitions advisory was down 32% from a year before. However, the \$254 million in advisory revenue was at least better than the figure of less than \$200 million that analysts were anticipating, according to estimates tracked by Visible Alpha.

Debt underwriting—driven in part by leveraged-finance deals, or loans to highly indebted companies—also continues to trail last year’s result. Rising and volatile rates have hit that business hard. But some thawing in frozen stock offerings may at least be a sign that markets are moving again, as private-equity sponsors clear out prior investments. Revenue from equity underwriting, which includes initial public offerings, was up 21% year over year.

Plus, Jefferies’s trading results should catch the eye, with equities and fixed-income trading revenue collectively up 30% over the prior year. That is a contrast to megabanks’ expectations for the quarter, which as of late May and the start of June were somewhat grim. Those banks have cited worries about rates and the debt ceiling, and gave forecasts for quarterly trading revenue that ranged from flattish to down 25% year over year. Trading has been a strength in recent years, though results began to weaken in the first quarter.

Also encouraging is Jefferies’s most up-to-date outlook, with the bank’s executives stating in the earnings release that “the month of June has brought green shoots.” The executives said that they “believe our second-quarter results reflect a cyclically low period,” and that barring further adverse developments, the second half could herald a more-stable rate environment and be more productive.

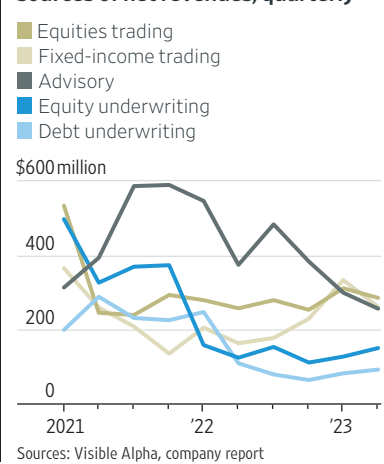
Bottoms, of course, can last a while. But with expectations set so low, it wouldn’t take much to give investors belief that things might turn around. Jefferies’s earnings have dropped off this fiscal year so far, lowering its key return on adjusted tangible equity to well below the important double-digit threshold. Part of that in the most recent quarter was attributable to a legacy merchant-banking investment that generated a \$72 million pretax loss.

Jefferies in particular would benefit from a bounceback in leveraged finance, given its significant presence in that business. Not only is that market quite depressed, the landscape has potentially changed with big player Credit Suisse’s absorption into **UBS**. Grabbing market share would help offset any effects of a longer-term shift to private credit providers.

Meanwhile, Jefferies’s Wall Street megabank peers may be entering a period of increasing capital constraints. The Federal Reserve is looking at banks heavily dependent on fee income, such as trading and investment banking, for what are likely to be higher capital requirements, the Journal has reported.

That might give Jefferies some extra leeway to grab share in the quarters ahead. —*Telis Demos*

**Jefferies Financial Group selected sources of net revenues, quarterly**



Sources: Visible Alpha, company report