

## What's News

### Business & Finance

- ◆ **Icahn and his bank lenders** finalized amended loan agreements as the billionaire addresses fallout from the May attack by short seller Hindenburg Research that sent shares in his investment company reeling. **A1**
- ◆ **The European Union** approved a plan that will allow companies to keep storing data about Europeans on U.S. soil, averting a potentially costly disruption in trans-Atlantic data flows. **B1**
- ◆ **The Fed's Barr** outlined steps to strengthen financial cushions for larger banks, which he said would help boost the resilience of the system after a spate of mid-size bank failures this year. **B2**
- ◆ **Sales of homegrown** passenger-car brands in China are consistently eclipsing those of their Western rivals, signaling the growing influence of the country's EV makers. **B1**
- ◆ **China's June consumer** inflation flatlined after two months of meager growth, stirring fears among economists and investors that the country's economy is on the cusp of slipping into deflation. **A9**
- ◆ **Major U.S. stock indexes** posted gains, with the S&P 500 and Nasdaq both edging up 0.2% and the Dow industrials rising 0.6%. **B11**
- ◆ **The U.S. Postal Service** is ramping up competition with FedEx and UPS to deliver small parcels in a bid to win over cost-conscious customers. **B3**
- ◆ **Taiwan's Foxconn** said it has ended a partnership to make chips with Vedanta, a setback to India's nascent plans to become a semiconductor manufacturing hub. **B4**

### World-Wide

- ◆ **Turkey agreed** to Sweden's bid to join NATO, paving the way for the alliance to complete a historic expansion launched in response to Russia's invasion of Ukraine. Turkish President Erdogan had blocked Sweden's accession for more than a year. **A1, A7**
- ◆ **Wagner leader Prigozhin** and his lieutenants met with Putin days after the group's short-lived revolt, according to the Kremlin, a sign the paramilitary chief and his forces remain important players in Russian security and politics. **A1**
- ◆ **Heavy rains and thunderstorms** overwhelmed New York's Hudson Valley and barreled into Vermont, leaving at least one person dead and flooding homes and roads, officials said. **A3**
- ◆ **Ozempic is under review** by European drug-safety regulators after they received reports of suicidal thoughts linked to the popular weight-loss drug and another medicine in the class. **A3**
- ◆ **Larry Nassar**, the former gymnastics doctor who sexually abused hundreds of his patients, was stabbed multiple times in federal prison, a union leader representing prison employees said. **A3**
- ◆ **Six people were killed** and one was wounded in a stabbing at a kindergarten in China's Guangdong province, according to a notice posted by local police. **A9**
- ◆ **The Biden administration** is trying to stop Israel from "going off the rails" with a rushed overhaul of its judicial system, the departing U.S. ambassador to Israel said. **A8**

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## At Windsor, Biden Gets Royal Welcome



**PROTOCOL:** President Biden and King Charles III review a line of royal guards during a welcoming ceremony at Windsor Castle on Monday, marking the president's first in-person discussions with the monarch since his coronation. **A7**

## Icahn's Deal With His Lenders Takes Pressure Off Share Price

By CARA LOMBARDO

Legendary activist investor Carl Icahn has been on the defensive for two months after a short-seller attack sent shares in his investment company down about 40%, raising alarms at a handful of major banks that had lent him money as the value of their collateral fell.

Now, after months of negotiating with his lenders, the 87-year-old billionaire is aiming to put the episode behind him and limit potential fallout from future attacks.

Icahn and the banks finalized amended loan agreements that untie his personal loans from the trading price of his company's shares, a key risk raised by the short seller, the company said Monday, confirming an earlier report by The Wall Street Journal. The amended agreements also increase his collateral and set up a plan to fully repay the loans in three years. The only thing that could now trigger a so-called margin call is movement in the net asset value of his company's investments, which include companies and stocks.

That should take pressure off the share price by easing fears of forced sales of the stock to meet margin calls.

Shares in Icahn Enterprises, known by its ticker symbol IEP, rose 20% Monday to \$34.69 each.

IEP shares had been hovering below \$30 after short seller Hindenburg Research alleged in early May that the company held assets at inflated prices and was made vulnerable by its founder borrowing against the stock. Before Hindenburg's report was published, IEP shares were

trading above \$50.

Icahn owns about 85% of the company, which had a market value of \$18 billion before the Hindenburg report and \$12.8 billion after Monday's rise. The rest of the shares are primarily held by individual investors.

About 60% of Icahn's IEP shares were pledged as collateral for personal loans made to him, which prompted his lenders to privately call on him to pledge more collateral as the stock fell.

The episode has been a rare *Please turn to page A4*

## Disney Magic Fades As Park Crowds Thin

By JACOB PASSY

Visitors to Disney theme parks this summer are encountering something they haven't seen in a while: elbow room.

Travel analysts and advisers said traffic to Disney's U.S. parks, and some rival parks, has slowed this summer. Data from a travel company that tracks line-waiting time at Walt Disney World in Orlando, Fla., shows that the Independence Day weekend was one of the slowest in nearly a decade.

Disney executives have said they have expected weaker

earnings from their U.S. parks this year. The Orlando-area resort is even offering hotel discounts around Christmas, typically a peak period.

Travel advisers and industry analysts said the slowdown is the latest sign that Disney's recent price hikes and changes to park operations have soured some families on visiting the Most Magical Place on Earth.

Disney faces a unique set of challenges right now, from streaming losses to executive succession to a political and legal fight with Florida Gov. Ron *Please turn to page A2*

## Lead in the Bayou



Southern Louisiana is a prime example of how old phone cables are contaminating soil and water across the U.S., according to a Journal investigation. **A6**

## Mutiny Leader Met Putin, Kremlin Says

Wagner leader Yevgeny Prigozhin and his lieutenants met with President Vladimir Putin of Russia days after the group's short-lived revolt

By *Matthew Luxmoore, Ann M. Simmons and Georgi Kantchev*

against Moscow, according to the Kremlin, a sign the paramilitary chief and his forces remain important players in Russian security and politics.

Kremlin spokesman Dmitry Peskov said the men discussed Wagner's aborted June mutiny

## Turkey Agrees To Let Sweden In NATO

Deal reached ahead of alliance summit clears the way for historic expansion

Turkey agreed to Sweden's bid to join the North Atlantic Treaty Organization, paving the way for NATO to complete a historic expansion launched in response to Russia's invasion of Ukraine.

By *Jared Malsin, Sune Engel Rasmussen, Yaroslav Trofimov and Daniel Michaels*

The agreement was reached Monday in the final hours before a NATO summit in the Lithuanian capital of Vilnius on Tuesday, potentially allowing NATO to expand across more than a thousand miles of territory straddling the Baltic Sea, shifting the balance of power in Northern Europe and creating a potential chokepoint for Russian warships and aircraft in the region. It allows NATO to enter its annual summit having ironed out major differences, projecting unity in the face of Russian aggression.

During the summit Tuesday and Wednesday, allied countries are expected to discuss plans to further support Ukraine during the war with Russia and a plan to bolster defense spending across the alliance. Ukraine's ambition to become a NATO member is also expected to be a topic of debate among member states.

NATO Secretary-General *Please turn to page A7*

- ◆ **Alliance is divided over Kyiv joining**..... **A7**
- ◆ **EU weighs a shift in arms procurement**..... **A8**

## Houston's 'Be Someone' Mystery

Unknown graffiti artist cashed in by giving city a motto

By ADOLFO FLORES

HOUSTON—Tens of thousands of drivers pass under a Union Pacific rail bridge tagged with a big, blocky exhortation as they travel on Interstate 45 every day.

"Be Someone," it says. It first appeared more than a decade ago. It's been painted over with other graffiti multiple times, but "Be Someone" has always reappeared. The message resonates in Houston, a freewheeling city with no zoning and an entrepreneurial spirit that attracts people from all over the world looking to make their bones. It has *Please turn to page A10*

## Gang Crackdown Cuts Record Murders

El Salvador campaign has strong support while raising questions on rights

By *KEJAL VYAS AND SANTIAGO PÉREZ*

El Salvador, long whipsawed by gang violence that made it one of the world's most dangerous countries, turned things around by jailing huge swaths of its population. The country once known for having the world's highest murder rate now has the world's highest incarceration rate—about double that of the U.S.

Since March 2022, President Nayib Bukele's government has implemented a campaign to arrest en masse suspected members of the MS-13 and 18th Street gangs that have long terrorized the impoverished Central Ameri-

can nation, blocking economic growth and stoking U.S.-bound migration.

The strategy has helped lower homicides by 92% compared with 2015, giving Bukele the support of nine of every 10 Salvadorans, polls show. The number of Salvadorans illegally crossing the U.S.-Mexico border has dropped by 44%.

It also has put some 68,000 people in this Massachusetts-size country of 6.3 million behind bars. That's more than 1% of the population, according to World Prison Brief, an online database on corrections systems. Rights groups said the campaign has swept up innocent people, especially *Please turn to page A10*

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U.S. NEWS

# States Push to Tighten Digital Privacy Rules

Massachusetts looks at ban on buying and selling location data from mobile devices

By BYRON TAU

Massachusetts lawmakers are weighing a near total ban on buying and selling of location data drawn from consumers' mobile devices in the state, in what would be a first-in-the-nation effort to rein in a billion-dollar industry.

The legislature held a hearing last month on a bill called the Location Shield Act, a sweeping proposal that would sharply curtail the practice of collecting and selling location data drawn from mobile phones in Massachusetts. The proposal would also institute a warrant requirement for law-enforcement access to location data, banning data brokers from providing location information about state resi-

dents without court authorization in most circumstances.

Location data is typically collected through mobile apps and other digital services and doesn't include information such as a name or a phone number. But often, a device's movement patterns are enough to derive a possible identity of its owner. For example, where a phone spends its evening and overnight hours is usually the owner's home address and can be cross-checked against other databases for further insight.

The Massachusetts proposal is part of a flurry of state-level activity to better protect the digital privacy of residents in the absence of a comprehensive national law. Ten states have enacted privacy laws in recent years under both Republican and Democratic-controlled legislatures. Several bipartisan proposals are under consideration in Congress but have failed to gain traction.

No state has gone so far as to completely ban the sale of location data on residents. The most common approach in other states is to require digital services and data brokers to obtain clear consent from consumers to collect data and put some restrictions on transfer and sale.

The bill has drawn the support of a coalition of progressive activists in a state where Democrats have supermajorities in both chambers of the state legislature and control the governorship. The bill is sponsored by Sen. Cindy Creem, a Democrat representing the Boston suburbs, who also serves as the majority leader in the state Senate.

"I have every reason to be optimistic that something will be happening in this session," Creem said. The state's legislative session runs through next year.

In the public hearing, the law drew opposition from a trade association representing

the technology industry that said it would put the state out of step with others. "We do support heightened protections for particular types of personal information," said Andrew Kingman, a lawyer who represents the State Privacy & Security Coalition and testified before a joint committee of the state legislature in opposition to the bill.

But Kingman said Massachusetts should look to a privacy law passed recently by Connecticut as a better alternative to a wholesale ban on location data transfers. "The definition of 'sale' is extremely broad," said Kingman, adding the industry would support giving consumers "the ability to opt-out of sale."

Backers of the bill, which include the American Civil Liberties Union and numerous groups that support abortion rights, say that the Supreme Court decision last year in *Dobbs v. Jackson Women's Health Organization* allowing

states to criminalize the procedure has highlighted the need to protect digital information that is revealing about consumer activities.

Abortion rights advocates have argued that phone location data—particularly when it is available for sale—could lead to tracking people traveling out of state seeking the procedure. Proponents of the bill also have raised concerns about digital stalking and national security threats to Americans when their data is available for sale.

The proposal would still allow digital services to collect consumer location information to deliver services to users in the states, such as weather information or a ride-share service, but it would put in place a near total ban on sale or transfer of that data to other entities.

Public and private access to location data has emerged as a hot-button topic in recent years—especially as govern-

ment entities such as law enforcement, the military and intelligence agencies have increasingly branched into collecting and exploiting huge data sets that are being made available for sale.

The Supreme Court has said that a warrant is required for law enforcement to access location data from cellphone carriers in most circumstances. However, the growing availability of data for purchase has upended traditional understandings of enforcement restrictions on access.

In a report made public last month, an intelligence community panel said the proliferation of commercially available information had begun to eclipse more invasive surveillance techniques.

The privacy and civil liberties group Electronic Frontier Foundation obtained public records last year showing that location data has increasingly begun flowing to state and local police departments.

U.S. WATCH



**BUILDING GUTTED:** Fire crews worked to put out an early morning blaze that ripped through the Broad Street Market in Harrisburg, Pa., on Monday. An electrical malfunction in a ceiling fan sparked the fast-moving fire, authorities said.

FEDERAL RESERVE

## Official Calls For Tightening

The president of the Federal Reserve Bank of Cleveland said inflation in core goods and services remains high and tighter monetary policy will be needed to bring inflation down to the central bank's 2% target.

"Influencing my view is that inflation has surprised us on the upside for some time," Loretta Mester said Monday in San Diego. "I believe a somewhat tighter policy stance will help achieve a better balance between the risks of tightening too much against the risks of tightening too little."

Mester, who isn't a voting member of the Federal Open Market Committee this year, said wage growth is running ahead of what is needed to reach the 2% inflation target. The Labor Department said Friday that the economy added 209,000 workers in June, indicative of a cooling though still-growing labor market. At the same time, average hourly wages gained 4.4% from a year ago.

—Bob Fernandez

COLLEGE FOOTBALL

## Coach Fired Over Hazing

Northwestern University fired coach Pat Fitzgerald Monday for failing to be aware of and stop hazing in its football program, just days after the Evanston, Ill., school initially issued a short suspension for the same alleged offense.

Friday, Northwestern gave Fitzgerald a two-week suspension after an independent investigation found evidence of hazing in the football program but was unable to determine whether he was aware of the misconduct.

But allegations reported by the student newspaper, the Daily Northwestern, over the weekend suggested a more deeply rooted culture of hazing in the program dating back to the early 2000s.

"The decision comes after a difficult and complex evaluation of my original discipline decision," Northwestern President Michael Schill wrote in a letter. An agent for Fitzgerald, who had been coach for 17 years, didn't respond to a request for comment.

—Laine Higgins

CORRECTIONS & AMPLIFICATIONS

**Maps with** a Page One article on Monday about lead cables should have been credited to Stephanie Stamm/The Wall Street Journal. Credit was incorrectly given to Adrienne Tong.

**In some editions Monday,** the end of the title of "The Thin Green Line: The Money Secrets of the Super Wealthy" was incorrectly given as "Ultra Wealthy" in a Journal Report article on five books to read about money.

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.

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## Smaller Crowds Seen At Disney

Continued from Page One

DeSantis, a GOP presidential candidate. Revenue from its parks division has long been a bright spot for the company, buoying overall earnings. Disney declined to comment on recent attendance.

### A faster ride

Park visitors in recent weeks have had significantly lower wait times to get on rides, according to data from Touring Plans, a company that tracks wait times at major amusement parks, including Disney World and Disneyland in California. Industry analysts said shorter wait times generally correlate with smaller crowds.

At Disney's Hollywood Studios theme park in Central Florida, home to the blockbuster Star Wars attractions, July 4 was the third-slowest day in the past year, according to Touring Plans, which analyzed the wait times that Disney parks post on their mobile apps.

The average posted wait time at the Magic Kingdom park in Florida was 27 minutes this year for the holiday, down from 31 minutes in 2022 and 47 minutes in 2019, the Touring Plans analysis shows.

"It's something that nobody would have predicted—just unfathomable," said Len Testa, a computer scientist who runs Touring Plans. Testa said wait times rose in the following days.

Disney and other theme-park companies can adjust posted wait times for rides to steer visitors toward or away from areas within parks. Longer wait times can also reflect operational issues like broken-down rides.

Speaking during the company's May earnings call, former Disney finance chief Christine McCarthy said the company anticipated lower demand for the U.S. parks in the second half of the year, partly due to the end of Disney World's 50th anniversary celebration.

Jaime Brown, a speech pathologist and Walt Disney World annual pass holder who lives in Celebration, Fla., visited the resort three times during the Independence Day week, hitting all four of the resort's parks.

When Brown visited Disney's Epcot theme park during that stretch, she said she walked onto the Spaceship Earth attraction without waiting. On another day, she scored a last-minute breakfast reservation at Topolino's Terrace in Disney's Riviera Resort, which typically books out weeks in advance. "I couldn't believe how light the crowds were," Brown said, adding that the parks felt busier during a 2021 summertime visit.

Florida's summer heat, humidity and heavy rains make summer a relatively quiet season at the state's theme parks. The heat index exceeded 100 degrees on several days in

early July.

Disney has also intentionally thinned crowds at parks, aiming to improve the park experience for a smaller number of visitors who will spend more money.

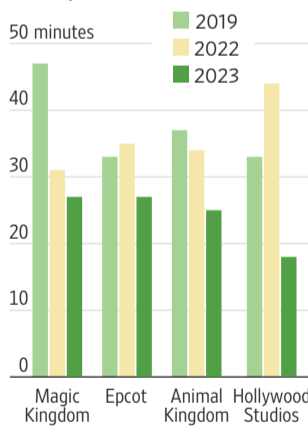
Still, the July 4 lull signals that tourists have cooled somewhat on theme-park vacations, travel professionals said.

"From what we're seeing with our bookings, that pent-up demand has somewhat transitioned to cruises and Europe," said Greg Antonelle, co-owner of MickeyTravels, a travel agency based in Windermere, Fla.

The slower period at parks could extend beyond summer, says A.J. Wolfe, the owner of Disney Food Blog, a website focused on the company's theme parks. Disney doesn't have major new U.S. attractions opening soon, apart from a reimagination of the Splash Mountain ride at its Florida and California parks. Attractions based on "Frozen" are being built in Disney's Paris and Hong Kong resorts, and a "Zootopia" attraction is due to open soon at Disney's park in Shanghai.

Given that vacationers often visit both Disney World and the nearby Universal theme parks, Testa said some families might

### Average wait times at the four Walt Disney World parks on July 4



Source: Touring Plans analysis

be holding off on visiting Central Florida in anticipation of a third theme park expected to open in 2025 at Universal Orlando Resort.

Crowds are relatively light at Universal Orlando, too, travel analysts said. The average wait time with the Universal Studios Florida theme park was 28 minutes on July 4, down from 38 minutes in 2022 but in line with 2019's levels. (Universal Orlando Resort declined to comment.)

The number of people who visited Universal's two Florida

theme parks in 2022 combined exceeded the level set in 2019, according to a report from the Themed Entertainment Association, an industry trade group. Attendance at Walt Disney World's theme parks was lower in 2022 than in 2019, partly because Disney has limited capacity at its parks through a reservation system it implemented in 2020.

### Fan fatigue

Theme-park fans have loudly complained in recent years about Disney raising admission prices and eliminating free amenities.

Stephanie Oprea, an Atlanta-based senior planner and director of marketing for Pixie Travel, an agency specializing in Disney vacations, said costs are giving travelers pause.

"People might be a little bit fatigued with price increases based on the economy at the moment," Oprea said, noting that some clients have considered cruise or beach vacations rather than returning to Disney's parks due to recent price increases.

At Disneyland, the company increased the cost of midday tickets by 9% or more in October, with the price of a two-day ticket rising from \$255 per adult to \$285.

To attract more visitors to Main Street U.S.A., Disney has rolled out promotions, including discounts for return visits and savings of up to 40% on rooms at some Disney World hotels for annual passholders on certain days in December near Christmas, which is typically one of the busiest and most expensive times to visit.

The company also said it would bring back dining plans that allow visitors to prepay for meals next year. The plans, popular with Disney die-hards, were suspended in 2020.

The recent flood of promotions suggests greater savings could be on the horizon for next year. "If I were going to Disney World, I would probably hold off until 2024," Wolfe said.



The crowd watched a special Independence Day flyover at Magic Kingdom Park on July 4.

## U.S. NEWS

# Ozempic Is Probed For Link To Suicidal Thoughts

By MELANIE EVANS

Ozempic is under review by European drug-safety regulators after they received reports of suicidal thoughts linked to the weight-loss drug and another medicine in the class.

The European Medicines Agency said Monday it was evaluating the safety risk for patients who take the drugs, manufactured by **Novo Nordisk**, after learning that three people who took the medicines reported thoughts of self-harm or suicide.

Suicidal behavior isn't listed as a side effect for Ozempic—and a related drug called Saxenda that is also subject to the review—in the European Union, the EMA said.

Novo Nordisk said the company's studies of Ozempic and Saxenda, as well as its continuing monitoring of their use, haven't shown a link to suicidal thinking or thoughts of self-harm. "Novo Nordisk remains confident in the benefit risk profile of the products and remains committed to ensuring patient safety," a spokeswoman said.

Ozempic, Saxenda and other drugs targeting a gut and brain hormone called glucagon-like peptide-1, or GLP-1, have exploded in popularity after studies found they can help people lose significant weight.

Companies initially developed the class to treat people with diabetes. Ozempic, which is approved for diabetes treatment, has a sister drug named Wegovy that is cleared for chronic weight management in people who are obese.

The U.S. Food and Drug Administration said it doesn't comment on external research or individual reports but may evaluate them. It said clinical trials for Wegovy didn't support an increased risk of suicidal thoughts or behavior.

Prescribing information for Wegovy, however, includes a warning and precaution for these risks because it has been reported in clinical trials for other weight-management drugs, the FDA said.

The EMA said it would consider whether to expand its inquiry to other GLP-1 drugs.

The agency said it began its review after the Icelandic Medicines Agency reported suicidal thoughts by one user of Ozempic and similar thoughts by a user of an older drug in the class called Saxenda. A third case reported by the Icelandic agency involved thoughts of self-injury by a user of Saxenda.

◆ **Heard on the Street: Related niche drugs still viable... B12**

# In a First, Suburb Pays Reparations

By JOE BARRETT

EVANSTON, Ill.—Louis Weathers still remembers one of his first experiences with racial prejudice in this Chicago suburb along Lake Michigan, home of Northwestern University.

At his integrated junior high school, a white teacher didn't want Black students such as Weathers showing up their white classmates with the right answers to questions, he recalled.

"Every time we raised our hand, she wouldn't call on us, but when we didn't raise our hands, she would—to make you look like a dummy," Weathers said. "We got onto that, though. When we didn't know the answer, we raised our hands."

Now 88 years old, the retired postal worker and Korean War veteran is among the initial beneficiaries of a city program—the first of its kind in the U.S.—that pays Black Evanston residents reparations for discrimination and a lack of access to housing. It is also working on programs to address gaps in education and economic development.

In 2019, the city of about 75,000 just north of Chicago committed to spend \$10 million over 10 years on local reparations. Dozens of other municipalities across the U.S. have taken initial steps toward reparations since.

Nearly four years later, Evanston is the only city that is delivering on its promise. By the end of this year, it expects to have distributed \$25,000 each to 140 mostly elderly residents like Weathers who were at least 18 and lived in the city between 1919 and 1969, when the city passed a fair-housing ordinance. The payments can come in either vouchers or cash and are funded by marijuana and real-estate transfer taxes.

"I see it as like a test run for the whole country," said Justin Hansford, a leading advocate for reparations at the federal and local level and head of the Thurgood Marshall Civil Rights Center at Howard University.

Weathers lived most of his life in the historically Black Fifth Ward and was only able to move to a predominantly white neighborhood in 1969 when laws started to change. Still, when he and his wife wanted to buy a house in a white neighborhood, he had to threaten that he would complain to the real-estate board if the agent didn't allow them to sign a sales contract.

His young son was called a derogatory name when they first moved in, Weathers said. Weathers said he gave his \$25,000 to his son, who put it



toward debt reduction and upgrades to his condo.

Evanston's modest program to compensate for decades of discrimination faced plenty of internal challenges and comes as grander efforts at reparations could be years off—if they come at all. A task force in California last month recommended spending billions on reparations. Many of the proposals are expected to face an uphill battle for adoption.

Meanwhile, a federal bill introduced every year since 1989 that would establish a similar task force to study reparations at the national level has never been voted on in the House of Representatives and isn't likely to be under Republican control, advocates said.

Evanston Mayor Daniel Biss said he isn't deterred by the lack of progress on national reparations. "Our job here is just to move forward and to continue being that example, to continue illustrating that a small municipality can make real tangible progress," he said.

Evanston's road to reparations began with Robin Rue Simmons, the then-city council member representing the predominantly Black Fifth Ward. She realized some local policies—such as zoning that concentrated Blacks in one neighborhood—led to overcrowding, redlining, fewer city amenities and other harms. In early 2019, she said, she began to think that she could hold her own city accountable for those wrongs.

A local reparations committee that Rue Simmons now heads took applications from



more than 670 people who either lived in Evanston during the period of greatest harm, or were their children. The city held a public drawing to identify the first 16 people to receive \$25,000 vouchers that could be used to reduce mortgage debt, go toward a down payment or make repairs on a home.

The voucher program

worked well for most of the initial recipients, but Kenneth Wideman, a 77-year-old Vietnam vet and retired maintenance worker for Northwestern, and his sister were renters. Just before the time limit ran out on his ability to accept a voucher, the city council changed the rules so he and other recipients could receive cash instead of a voucher.

Louis Weathers, above, a retired postal worker and Korean War veteran, looks at a family album in his home in Evanston, Ill. Evanston's road to reparations began with former city council member Robin Rue Simmons, left. Below, Ramona Burton is a recipient of a \$25,000 housing voucher.

"We have not received real reparations, the 40 acres and a mule" that were promised after the Civil War, he said. "I wish people behind me would get that and more than what I got."

The city's reparations committee is going through the verification process for the more than 500 direct descendants of the initial 140 recipients, who will also get reparations. Subcommittees within the group are also exploring how it can address educational disparities and bolster economic development for Black residents.

Ramona Burton, a 74-year-old recipient of a \$25,000 housing voucher, was born in Chicago because there was no hospital for Black deliveries in Evanston. Her father was a chauffeur for the family that owned the Oscar Mayer meat company and they helped him buy the Evanston house she grew up in.

"They lent him the money for the down payment because back then they were redlining so Black and brown people couldn't get loans for homes, and they were also putting them in certain neighborhoods," said the retired administrative assistant.

She used her \$25,000 voucher on new windows, a new roof, chimney repairs and an update to the electric system in the home where she has lived since the 1970s.

"I think it's a good start," she said of Evanston's program.

# Deadly Flash Floods Wreak Havoc on N.Y. and Vermont

TAFTSVILLE, Vt.—Heavy rains and thunderstorms overwhelmed New York's Hudson Valley and barreled into Vermont, leaving at least one person dead and flooding homes and roads, officials said Monday.

By Jon Kamp, Gareth Vipers, Alyssa Lukpat and Erin Ailworth

A summer storm that began Sunday in upstate New York caused tens of millions of dollars in damage, said Steve Neuhaus, the county executive of Orange County, about 30 miles outside of New York City. The storm was still lashing Vermont on Monday evening and was expected to cause more floods overnight, according to forecasts.

The floods in New York washed away bridges, filled basements and turned roads into rivers. At least one house was swept away, officials said. Footage showed vehicles being washed away and roads split in two by landslides.

"This was a frightening, life-threatening experience," New York Gov. Kathy Hochul, a Democrat, said Monday morning. A 35-year-old woman died after she went outside to survey the floods but was swept into a ravine, Hochul said.

Hochul declared states of emergency in several counties. The White House and the Fed-

eral Emergency Management Agency have offered support, she said.

In Vermont, more than a dozen people had been rescued by boat by Monday morning. State officials said some communities in southern Vermont had been particularly hard hit.

Vermont Gov. Phil Scott declared a state of emergency on Sunday before the eye of the

storm reached the state. He compared the heavy rains to Irene, which hammered Vermont as a damaging tropical storm in 2011.

"We have not seen rainfall like this since Irene, and in some places it will surpass even that," the Republican said Monday. He said FEMA is sending resources to help.

In Taftsville, a swollen and

turbulent Ottauquechee River whisked debris downstream, including white-wrapped bales of hay from farms upstream. Locals including Cheryl Elinsky, a 60-year-old physician assistant from the area, came by to watch the roiling waters.

Elinsky pointed out the beginnings of a road on the opposing bank, which was totally obscured by fast-moving water.

The river battered the base of the Taftsville Covered Bridge, built in 1836.

Deb Tucker, who lives across Route 4 from the river, said she has a home on high ground but a vegetable garden under at least 3 feet of water. "We just had a lot of rain so I'm expecting this to get even higher," she said, regarding the river.

Nearly 9 inches of rain fell in at least one spot in Vermont, said Conor Lahiff, a meteorologist for the National Weather Service in Burlington. Some of the hardest hit areas in the state got between 5 and 7 inches, he said.

Parts of New Hampshire and Maine—which also have mountainous regions vulnerable to flash flooding—were bracing for heavy rain and floodwaters.

Up to 8 inches of rain were recorded in parts of New York's Orange County on Sunday, according to the NWS, with radar models showing as much as 10 inches in places overnight.

More than 400 flights into or out of East Coast airports had been canceled by early Monday afternoon, according to data tracker FlightAware.

West Point, in Orange County, was particularly struck by the storms. Photos showed roads with flowing streams of water. The U.S. Military Academy postponed a reception event for new cadets.



A damaged car lies on a collapsed roadway near Cornwall, N.Y., after a storm hit the area.

# Gymnasts' Abuser Nassar Is Stabbed

By JENNIFER CALFAS AND LOUISE RADNOFSKY

Larry Nassar, the former gymnastics doctor who sexually abused hundreds of his patients, was stabbed multiple times in federal prison Sunday, a union leader representing prison employees said.

Nassar was stabbed in the neck, chest and back, said Jose Rojas, president of the American Federation of Government Employees' Local 506, which represents employees at the Federal Correctional Complex Coleman in central Florida. Rojas said Monday morning that Nassar was in stable condition.

The Federal Bureau of Prisons declined to identify Nassar as the inmate assaulted in the altercation.

Nassar is serving an effective life sentence after being convicted of federal child-pornography and obstruction charges and state sexual-assault charges. He was accused by hundreds of women and girls of sexually assaulting them under the guise of medical treatment while working for USA Gymnastics and Michigan State University over three decades.

U.S. NEWS

# Agencies Work To Streamline Federal Forms

By Andrew Restuccia

WASHINGTON—Just how burdensome is form SSA-454-BK, the lengthy paperwork low-income disabled people must fill out to continue receiving government payments? “More frightening than having cancer—twice,” one beneficiary told Biden administration officials recently.

Government forms have gotten so awful that the administration is overhauling applications for a range of federal benefits and services—a bid to remake a stubborn bureaucratic system that has exasperated Americans for generations. The effort faces considerable hurdles, given previous administrations have tried and failed to cut red tape from federal services.

Paperwork can run more than a dozen pages, contain confusing and repetitive questions and request documentation that take days to complete. The system makes it difficult for tens of millions of Americans to access disability benefits, secure farm loans, obtain passports and tap in to other programs. At least \$142 billion in potential aid goes unclaimed every year across food stamps, welfare and other programs, in part because of the burdens associated with applying, according to Matthew Desmond, a sociologist at Princeton.

Agencies across the government have taken steps in recent months to simplify government forms. The State Department is speeding up passport renewals by letting some citizens apply online. The Education Department is using federal data to calculate eligibility for financial aid for college. The Internal Revenue Service is weighing a free government-run, electronic income-tax filing system.

“It can feel demeaning and degrading to have to fill out a form for the 80th time and all you want is access to this benefit program that’s necessary to put food on the table for your kids, to provide money you need for rent or a car payment,” said Sam Berger, one of the White House officials who is overseeing the effort.

The effort carries risks that the government makes it so easy to apply for public benefits that Americans who aren’t qualified could gain access to the programs. The White House said it will remain vigilant to prevent abuse.

“Junk fees”

The campaign is part of a push by President Biden to address issues that vex Americans in their daily lives, such as “junk fees” and poor customer service. The president’s advisers are betting those issues will resonate with voters ahead of next year’s election.

Presidents of both parties largely haven’t delivered on

promises to make the government more user-friendly. Donald Trump and congressional Republicans pledged that Americans would be able to file their tax returns on a piece of paper the size of a postcard, but many people still have to fill out reams of forms come tax-filing season. Barack Obama sought to simplify healthcare forms, but patients are still regularly saddled with piles of paperwork.

In a report Monday, the White House identified nearly 100 measures it has taken to reduce paperwork and other administrative burdens at 20 federal agencies.

### Farm loans simplified

For years, farmers had to wade through 10 forms totaling 29 pages to apply for a loan through the Agriculture Department. The loans are a lifeline for farmers who have been unable to secure credit from private entities. The complicated application process has exposed inequities in the system, advocates and government officials said, with Black farmers making up a small proportion of the recipients of the loans.

The Agriculture Department recently published an overhauled application that combines the documents into a single 12-page form.

Luciano Alvarado, 43, owns a blueberry farm outside Fayetteville, N.C., and has spent nearly two decades trying to secure enough financing to support it. He applied for farm loans in 2003 and 2010, using the more complicated form, and was denied both times. After years of appeals, he was eventually approved for a loan that was a fraction of the amount he requested.

Alvarado submitted his latest application using the USDA’s new form last week. “It was shorter, more straight to the point,” he said.

For disability recipients, the Social Security Administration earlier this year released a new version of form SSA-454-BK. The old form, at 15 pages, required beneficiaries, many with serious physical and mental disabilities, to provide information about doctors’ visits, hospital stays, medications, medical tests and procedures, including the dates they occurred.

“When people are given these massive forms, it has a deterrent effect,” said Jen Burdick, who helps people fill out the form as a lawyer at Community Legal Services of Philadelphia.

Jahan Johnson, 37, of Philadelphia, has received disability benefits since 2007 for ailments including bipolar disorder and post-traumatic stress disorder. She said the old form was a significant burden. She described the new form as “massively improved.”

**At least \$142 billion in potential aid goes unclaimed every year.**



Travis Air Force Base is home to the largest wing of the Air Force’s Air Mobility Command.

# Officials Probe Who Is Buying Up Land Near a California Air Force Base

Government officials are investigating large land acquisitions near a major Air Force base northeast of San Fran-

By Kristina Peterson, Jack Gillum and Kate O’Keeffe

cisco, concerned that foreign interests could be behind the investment group that purchased the land.

At the center of the probes is Flannery Associates, which has spent nearly \$1 billion in the last five years to become the largest landowner in California’s Solano County, according to county officials and public records.

An attorney representing Flannery said it is controlled by U.S. citizens and that 97% of its invested capital comes from U.S. investors, with the remaining 3% from British and Irish investors. Flannery previously told Solano County the entity “is owned by a group of families looking to diversify their portfolio from equities into real assets, including agricultural land in the western United States.”

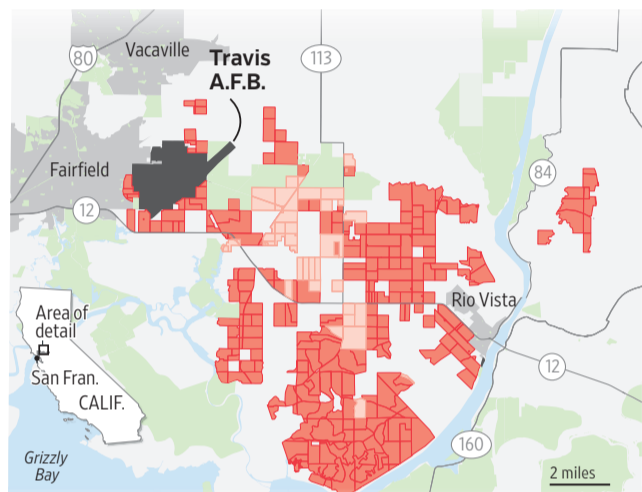
“Any speculation that Flannery’s purchases are motivated by the proximity to Travis Air Force Base” is unfounded, the attorney said.

The Air Force’s Foreign Investment Risk Review Office has been investigating Flannery’s purchases of roughly 52,000 acres, including around Travis Air Force Base, according to people familiar with the matter. But the office has yet to determine who is backing the group, one of the people said.

“We don’t know who Flannery is, and their extensive purchases do not make sense to anybody in the area,” said Rep. John Garamendi (D., Calif.), the top Democrat on the House Armed Services Committee’s readiness panel. “The fact that they’re buying land purposefully right up to the fence at Travis raises significant questions.”

Garamendi and Rep. Mike Thompson (D., Calif.), whose districts include the area where land has been bought, have asked for an investigation by

Flannery-owned parcels Additional parcels that Flannery says it purchased or are under contract



Note: County data are as of June 6 from the Solano County assessor. Sources: Solano County property records; federal court filings Brian McGill and Jack Gillum/THE WALL STREET JOURNAL



Rep. John Garamendi has asked the Committee on Foreign Investment in the U.S. to investigate Flannery Associates.

the Committee on Foreign Investment in the U.S.

The Agriculture Department also has inquired about Flannery’s ownership, according to correspondence reviewed by The Wall Street Journal. Nearly all of the land is in unincorporated parts of Solano County, and most of it is zoned for agricultural use, records show. Several of the parcels include wind turbines.

The Journal found that at least 20 parcels surround Travis, home to the largest wing of the Air Force’s Air Mobility Command, which provides planes to refuel and those to

transport military personnel and supplies, including munitions used in Ukraine following Russia’s invasion.

The Flannery attorney declined to provide more details about investors. Local and federal officials also say they have been unable to learn the identities of those in the Flannery group.

Flannery’s statement that it is U.S.-owned can’t be confirmed or denied by federal agencies at this time, a congressional aide said. Cfius, which is led by the Treasury Department and includes the departments of Defense, Jus-

tice, State and others, declined to comment.

Solano County officials have been trying to determine the investors in Flannery and their plans for the land for years, said Bill Emlen, the county administrator.

County supervisor Mitch Mashburn said if Flannery intends to develop the land, it would make sense for the group to engage with local officials—but it hasn’t. “The majority of the land they’re purchasing is dry farmland,” he said. “I don’t see where that land can turn a profit to make it worth almost a billion dollars in investment.”

A spokesperson for Travis said that its officials and other Air Force offices “are aware of the multiple land purchases near the base and are actively working internally and externally with other agencies.”

In a recent federal court filing, Flannery Associates said it is a wholly owned subsidiary of Flannery Holdings, an LLC registered in Delaware that doesn’t have to publicly disclose identity of its owners. Use of LLCs to buy land is common. Nearly 1 in 5 homes were purchased by investors in early 2023, including LLCs and other corporate entities, according to data compiled by real-estate firm Redfin.

Flannery said in court filings that it has invested more than \$800 million in its acquisitions and acknowledged paying prices of “multiples of fair market value.”

Flannery has offered various explanations for its purchases. In 2019, Flannery attorney Richard Melnyk said in an email to a Solano County official that Flannery planned to work with local farmers and might explore “new types of crops or orchards,” he said, ruling out cannabis operations.

In a June 5 email to Emlen reviewed by the Journal, Melnyk said Flannery was considering leasing “a substantial portion” of its land to olive growers.

“Nobody can figure out who they are,” said Ronald Kott, mayor of Rio Vista, Calif. “Whatever they’re doing—this looks like a very long-term play.”

# Deal Eases Pressure on Icahn Firm

Continued from Page One

moment of weakness for the feared investor, whose net worth Forbes estimates has dropped around \$8 billion since

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earlier this year. The rapid decline in IEP shares led to speculation that Icahn was forced to liquidate portions of investments as well as calls for him to publicize details of the loans—including from longtime foe and fellow billionaire investor Bill Ackman. Icahn has \$3.7 billion in loans and hasn’t liquidated investments to satisfy margin calls, people familiar with the matter said.

Rather, he agreed in the amended loan agreements to provide additional collateral, which will now total about \$6 billion and include \$2 billion of his personal funds that are invested alongside IEP funds in its hedge fund, and about 320 million IEP shares.

Icahn also agreed to a repayment plan under which he will pay the banks \$500 million in September, eight quarterly payments of \$87.5 million beginning a year after that and the remaining balance of \$2.5 billion three years from now. His lenders include Bank

of America, Morgan Stanley, Bank of Montreal, Deutsche Bank and M&T Bank, according to IEP’s filing Monday.

IEP’s holdings include an oil refinery and a meat-casing producer, among other businesses, as well as an investment unit that houses Icahn’s big bets on companies including biotech firm Illumina, printer maker Xerox and pharmaceutical company Bausch Health.

One outstanding question is how long IEP will keep paying its \$2 quarterly dividend, which at the reduced share price represents a more than 25% yield. Icahn receives his dividends in shares rather than cash.

Hindenburg, run by Nathan Anderson, estimated on May 2 in a report titled, “Icahn: The Corporate Raider Throwing Stones from His Own Glass House,” that IEP shares were trading at a premium of more than 200% to the reported value of its assets.

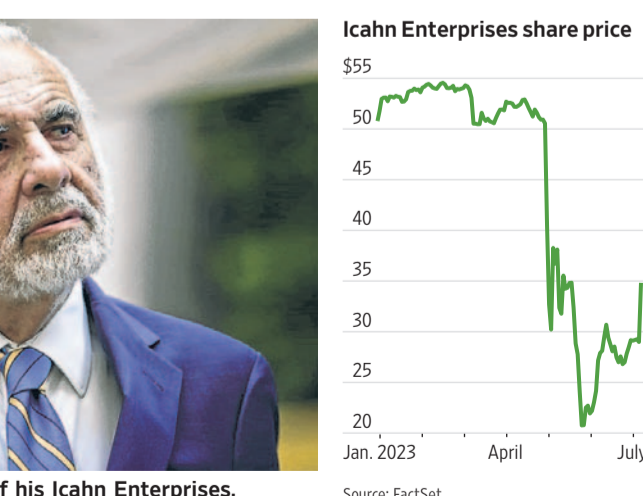
Hindenburg came to promi-



Carl Icahn owns roughly 85% of his Icahn Enterprises.

nence as a result of well-publicized bets against hydrogen-truck company Nikola and Adani Group, the Indian conglomerate that lost over \$100 billion in value after the short seller targeted it in January.

When reporting earnings in May, IEP disclosed it was under investigation by the U.S. attorney’s office for the Southern



Source: FactSet

District of New York but didn’t believe it would have a significant impact on the business. It also wrote down the value of one of its holdings, an auto-parts division that had filed for bankruptcy in January.

As some on Wall Street questioned whether the attack would lessen Icahn’s bite, the octogenarian pushed ahead

with a proxy fight at Illumina, which he was pushing to unwind its \$7 billion acquisition of cancer-detection company Grail. Illumina’s shareholders elected an Icahn nominee to the company’s board in late May and within a few weeks, its CEO resigned, paving the way for the new regime to consider divesting itself of Grail.

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Goldman Sachs predicts that AI could increase corporate profits by 30 percent in the next decade, and that generative AI alone could raise the global GDP by 7 percent.

But AI will also be used to violate personal privacy, spread disinformation, perpetuate social bias, and disrupt democratic processes.

The military kill chain will be driven at hypersonic velocity without a human in the loop. Cyberattack swarms will besiege critical infrastructure like 21st century locust plagues.

To forestall the deleterious consequences of AI, some are proposing the creation of regulatory agencies to review and approve computer algorithms prior to publication.

These proposals are naïve. The number of algorithms published today is exceptionally large and growing exponentially. There is simply not enough money, not enough people, nor sufficient intellect to evaluate this enormous volume of mind-numbingly complex information. It is an impossible task.

The effects of regulation will be to hamstring technological advancement, or worse, to criminalize science—to the advantage of our economic competitors and military adversaries.

The most efficacious approach to control AI rapidly is to legislate, not regulate. A few simple, common-sense guidelines would go a long way toward mitigating risk.

It should be unlawful to:

- Publish algorithms that collect personally identifiable information without providing each person the right to be forgotten upon receipt of notice
- Publish algorithms that create or propagate hazards to public health
- Publish algorithms that are used to facilitate crimes
- Publish algorithms that are used to interfere with the democratic process
- Deploy high-consequence military AI applications, including but not limited to weapons systems, without senior civilian oversight

Straightforward legislation can leverage the well-established and rich fabric of the courts and criminal justice system to keep us safe.



Thomas M. Siebel  
CEO, C3 AI



U.S. NEWS

# Along Bayou, Lead Cables Proliferate

Southern Louisiana is a nexus of old wires contaminating U.S.'s soil and water

Old telephone cables stretch under the waters of Bayou Teche in Louisiana—including one on a bank in New Iberia that has unraveled where it comes out of the ground.

By John West, Peter Champelli, Juanje Gómez, Susan Pulliam and Shalini Ramachandran

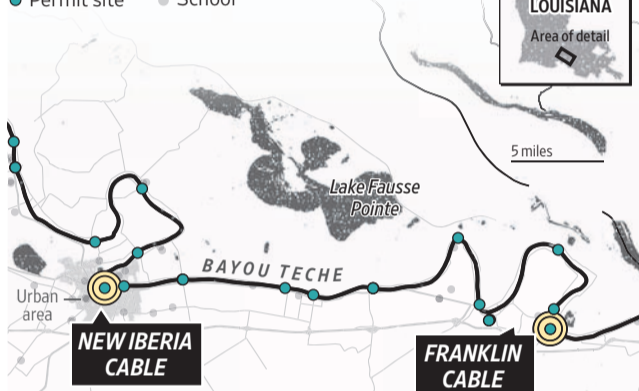
The cables hold copper phone wires, which are wrapped in lead and covered by steel cords for protection. After phone companies turned to newer technologies, the cables were often left behind. In cases like the one in New Iberia, they are contaminating the surrounding area with lead.

Across the country, telecom companies have left behind more than 2,000 cables containing lead, a Wall Street Journal investigation has found, part of a decaying network installed under the old Bell System. Reporters found cables protruding from banks, resting under bridges, snaking underwater and drooping from the air at dozens of sites. Testing showed that many are leaching toxic metal into the ground and water.

Southern Louisiana's 125-mile-long Bayou Teche flows through a region particularly dense with cables. Southern Bell filed permits with the U.S. Army Corps of Engineers starting in the 1930s to place more than a dozen cables across the bayou. Journal reporters, with the assistance of environmental researchers, tested the water in nine places along the bayou and the sediment in three of them. Of those 12 tests, eight showed elevated levels of lead.

### Cables beneath Bayou Teche

● Permit site ● School



Lead in the New Iberia cable sediment sample was **14.5 times** the EPA's recommended threshold for children's play areas.

Lead in the Franklin cable water sample was **31.4 times** the EPA's recommended threshold for drinking water.

Emma Brown/THE WALL STREET JOURNAL



Tyrin Jones and Donald Ray Navy, above left and center, have long fished near a lead-covered cable in Bayou Teche. A cable in Franklin in a pond next to the backyard of Stella Peck, above right, is leaching lead, according to tests conducted by The Wall Street Journal—as is an unraveled cable that rises up from the ground next to a bridge in New Iberia, below.

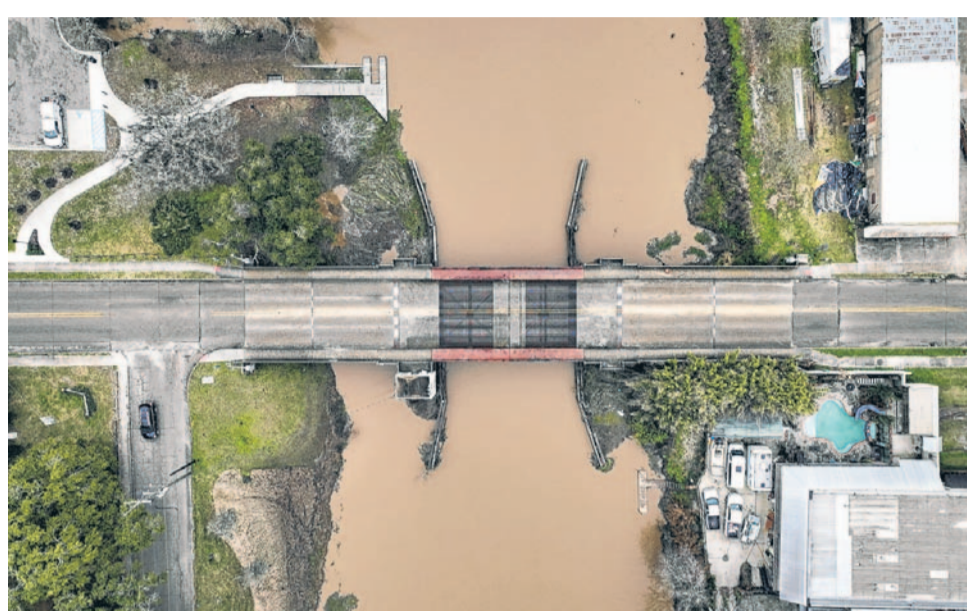
A sediment sample near the cable in New Iberia exceeded the safety recommendation set by the Environmental Protection Agency for areas where children play.

The New Iberia cable sits near the center of town, close to sugar cane farms and a Tabasco factory. The cable runs underground and under the bayou to a point on the opposite bank, where it rises up from the surface. The cable would have connected to a telephone pole—but all that's left is a chopped-off remnant.

Southern Bell is now part of AT&T, which didn't respond to requests for comment on the cables in New Iberia and surrounding areas. AT&T said in a written statement it doesn't believe lead-sheathed cables pose a public-health issue. "The health, safety and well-being of our people, our customers, and our communities is of paramount importance," it said. "For decades, we have managed legacy lead-clad cables in compliance with applicable laws and regulations."

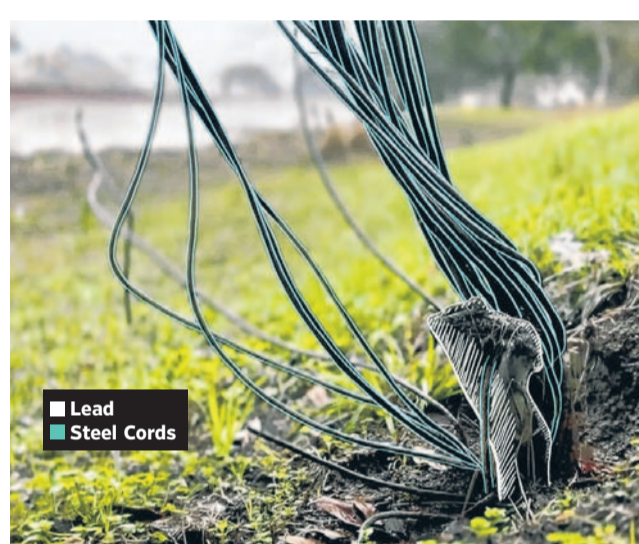
Tyrin Jones, 27 years old, has fished next to the New Iberia cable since he was a child. Children who play in soil with the levels of lead the Journal found could see high amounts in their blood, according to an EPA lead-exposure model that estimates such risks.

Further downstream, in Franklin, another cable sticks up from a small muddy pond next to 7-year-old Stella Peck's



backyard. The Journal tested a sample of water from the pond and found levels of lead that exceeded the level at which the EPA recommends taking action for drinking water. Although the pond isn't used for drinking water, part of the bayou upstream is. Stella plays nearly every day in her backyard, where ducks walk back and forth from the pond.

Wilma Subra, an environmental consultant who lives in New Iberia, said cables like the one in her town, sticking up from the ground on the bank, are a potential attraction for children. They "don't know it's lead," she said. "There is no warning sign."



■ Lead ■ Steel Cords

PHOTO ILLUSTRATION BY WSJ; PHOTO: RORY DOYLE FOR THE WALL STREET JOURNAL

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# WORLD NEWS

# In U.K., Biden Meetings Focus on Ukraine

President meets King Charles and Sunak, discusses security and cooperation

By Andrew Restuccia and Paul Hannon

LONDON—President Biden kicked off his four-day swing through Europe with meetings Monday with British Prime Minister Rishi Sunak and King Charles III, marking the president's first in-person discussions with the monarch since his coronation.

After arriving in London late Sunday night, the president traveled to 10 Downing Street for a brief huddle with Sunak, which came on the heels of the prime minister's June visit to the White House.

"Our relationship is rock solid," Biden said in brief remarks to reporters, sitting beside Sunak.

On Monday afternoon, he met with Charles at Windsor Castle. Following their conversation, the president and the king spoke with a group of investors and philanthropists to discuss climate change, one of the king's priorities.

The war in Ukraine was a major topic during Biden's meeting with the prime minister, and will be a theme during the rest of the trip, which includes a stop in Lithuania for the North Atlantic Treaty Organization annual summit.



King Charles III welcomes President Biden to Windsor Castle—their first in-person discussions since the monarch's coronation.

Britain is one of the U.S.'s top military allies, leading the way on providing military assistance to Ukraine.

However, Sunak has indicated the U.K. won't be following the U.S. in supplying cluster munitions, which strew small bomblets over a wide area, to Ukraine.

"The U.K. is a signatory to

a convention which prohibits the production and use of cluster munitions, and discourages their use," Sunak has said.

During the meeting, the two leaders discussed the progress of Ukraine's counter-offensive against Russian forces occupying parts of the country.

A spokesman for Sunak said they "emphasized the importance of the country's international partners committing to its long-term defense, providing the support Kyiv needs to win this war and secure a just and lasting peace."

In their sixth meeting during the past six months, Biden and Sunak discussed U.S.-U.K.

efforts to expand economic cooperation, American and British officials said.

The two leaders last month signed a joint declaration that called for increased collaboration in areas such as energy and supply chains.

Sunak said the two leaders would consider "how do we strengthen our cooperation,

joint economic security to the benefit of our citizens."

Sunak is the third British prime minister that Biden has worked with since taking office during a tumultuous political moment in the U.K.

The U.S.-U.K. relationship has been strained at times, particularly over Brexit and the impact on the Good Friday Agreement, the U.S.-brokered deal that ended decades of sectarian violence in Northern Ireland.

Biden has known Charles for years and met with him several times before he became king. He didn't attend the king's May coronation but instead sent first lady Jill Biden.

The president will be in Lithuania for the NATO summit that begins Tuesday. NATO countries are still debating how they will address Ukraine's push for quick entry into the alliance, an issue that has divided member countries.

On Wednesday, Biden will travel to Finland, where he will meet with Nordic leaders. Long a symbol of neutrality, Finland joined NATO earlier this year in what Western officials have touted as evidence that the war in Ukraine has galvanized opposition to Russia.

### Watch a Video

Scan this code for a video on the presidents King Charles III has met.

# Alliance Divided Over Kyiv Joining

By Andrew Restuccia and Vivian Salama

VILNIUS, Lithuania—President Biden has spent much of the past year rallying the world behind Ukraine, funneling billions of dollars in aid to the war-torn country and strengthening ties with President Volodymyr Zelensky.

But for Biden, Kyiv's campaign for rapid entry into the North Atlantic Treaty Organization is a bridge too far.

The U.S. president has emerged as the leading opponent to granting Ukraine speedy membership in the alliance, putting him at odds with several key American allies. The unresolved question of Ukraine's place in NATO will put to the test the Western world's unprecedented unity in the face of Russia's assault.

Biden arrived late Monday in the Lithuanian capital, about 140 miles from the Russian border, for the second gathering of NATO leaders since Russia launched its February 2022 invasion of Ukraine. His goal: Reinforcing the U.S. commitment to support Kyiv's fight for as long as it takes, amid political headwinds at home and a growing strain on the American defense industry.

But Biden's outspoken concerns with Ukraine's push to join NATO—he has raised the prospect that doing it too early could start World War III—have frustrated officials in Kyiv and beyond.

"I don't think it's ready for membership in NATO," Biden said in an interview with CNN that aired on Sunday, warning that bringing Ukraine into the alliance while it is at war with Russia would draw the U.S. and Europe into the conflict. He said NATO should lay out a path for Ukraine's eventual entry into the alliance, but adding Kyiv still has work to do to meet the alliance's standards for membership in areas such as democratization.

In drawing a line on the issue, Biden is breaking with several NATO members, including central European nations that publicly have backed Kyiv's push for expedited membership. The president has embraced the so-called Israel model, in which the U.S. would provide security assistance to Ukraine without a guarantee that it would use military force to

defend the country.

Zelensky has called on NATO members to articulate a clear path for Ukraine to enter the alliance during the meeting. He argues that membership would deter Russia from attacking again.

"The Biden administration is notably isolated in the alliance in its resistance to giving Ukraine membership," said Ian Brzezinski, who served as a key adviser on NATO policy during the George W. Bush administration. Brzezinski argued that most NATO countries, aside from Hungary, are predisposed to supporting Ukraine's entry into the alliance. Those who haven't publicly backed the effort, he said, are taking their cues from the U.S.

More senior U.S. foreign policy officials are calling on Biden to temper his reluctance to allowing Ukraine to quickly join NATO.

"I don't think it's in our interest to see a Ukraine that is armed to the teeth, highly nationalistic, completely untethered to any western alliance and thus free to do whatever it wants," said Tom Malinowski, a former Democratic congressman from New Jersey who previously worked at the State Department.

Malinowski was one of nearly four dozen foreign-policy experts and former U.S. officials who signed a recent open letter calling on NATO members to use the summit to "launch a road map that will lead clearly to Ukraine's membership in NATO at the earliest achievable date."

Some of the signatories on the letter have argued that Ukraine's membership in NATO could be structured in a way that applies the alliance's Article 5 mutual-defense obligation only to territory Ukraine controls at the time of ascension, which would prevent members from being drawn into a fight over winning back Crimea and other areas Russia annexed.

The Biden administration has been working with allies to provide Ukraine with security "assurances," say U.S. and European officials, a promise that is both welcomed by Kyiv and falls short of its desire for guarantees that pave the way toward NATO membership. NATO nations also are searching for a compromise that signals their intent to welcome Ukraine into the alliance without offering a firm timeline.

# Turkey Says Sweden Can Be in NATO

Continued from Page One

Jens Stoltenberg said that President Recep Tayyip Erdogan of Turkey had agreed to forward Sweden's accession to the Turkish Parliament "as soon as possible." Erdogan had blocked Sweden's NATO bid for more than a year but told NATO officials he would drop his objections after hours of meetings ahead of the Vilnius summit.

NATO's inclusion of Sweden, along with Finland's accession earlier this year, adds significant military heft to the alliance, including hundreds of warplanes and tanks and tens of thousands of soldiers. Both Nordic nations have deep insight into Russian thinking, having spent decades balancing a tricky relationship with Moscow. Both countries have been ideologically aligned with the West, including through membership of the European Union, while seeking not to antagonize Russia.

"Completing Sweden's accession to NATO is a historic step that benefits the security of all NATO allies at this critical time. It makes us all stronger and safer," Stoltenberg said.

The decision accomplishes a key foreign-policy goal of President Biden, who has repeatedly called for Sweden to join the alliance and applied pressure on Erdogan. His administration sought to prod Erdogan to sign off on Sweden's accession with the approval of a \$20 billion sale of a new fleet of F-16 warplanes to Turkey.

"I stand ready to work with President Erdogan and Turkey on enhancing defense and deterrence in the Euro-Atlantic area," said a statement from Biden, who arrived late Monday in the Lithuanian capital, about 140 miles from the Russian border. He said he looked forward to welcoming Sweden "as our 32nd NATO Ally."

Prime Minister Ulf Kristersson of Sweden was greeted at his hotel with a round of applause from other Scandinavian officials and diplomats, who were thrilled by the news. Several asked to take selfies.

Speaking to The Wall Street Journal, Kristersson said the breakthrough had come by referring back to a deal agreed one year ago with Erdogan at a NATO summit in Madrid and by "never giving up."

Regarding the possibility of Turkey having won pledges from the U.S. on F-16s, Kristersson said, "The last chapter on that has not been written."

Erdogan's decision follows a series of moves in recent days that signal a potential



Erdogan, left, Stoltenberg, top left, and Kristersson met Monday.

easing of strained ties with Western countries during the war in Ukraine. The Turkish leader hosted Ukraine's president in Istanbul and allowed him to bring home a group of Ukrainian military leaders who had been living in Turkey under the terms of a prisoner swap with Russia. He also voiced support for Ukraine's ambition to join NATO, an aspiration that Biden said the U.S. doesn't yet support.

Finland joined NATO earlier this year. It and Sweden had decided to apply in response to Russia's invasion of Ukraine, which raised concerns about Moscow's threats to security across Europe.

For Sweden, NATO membership provides security guarantees against a belligerent Russia. For NATO, integrating Sweden and Finland into the alliance closes a vital gap in Northern Europe where Russia has been bulking up, particularly its naval presence. And, observers said, NATO gains two countries that will integrate immediately into the alliance.

Sweden's NATO membership marks a new era for the Scandinavian nation, which for two centuries stayed outside international military alliances. Yet, despite public and political reticence to align itself with any bloc, Sweden spent the past three decades streamlining its military with NATO systems.

Under NATO's rules, all 31 existing members of the alliance have to approve any new members. Turkey and Hungary have been the only remaining allies withholding support for Sweden.

Turkey's Parliament would have to ratify Sweden's membership in order for it to become a full member. The Hungarian government has said it would ratify Sweden's membership. Stoltenberg also said on Monday that he expected Turkey's agreement would cause Hungary to ratify Swedish membership.

Through threats of obstruction and hard-nosed diplomacy, Erdogan has expanded his and Turkey's influence

within NATO, using the negotiations over the expansion of the alliance to wring concessions from Western leaders.

"He has the Biden administration exactly where he wants, which is considering a reset with Turkey on Erdogan's terms. He is forcing NATO allies to drop this policy of isolating Turkey," said Asli Aydintasbas, a foreign-policy analyst and fellow at the Brookings Institution in Washington.

In response to the threatened veto, Sweden amended its constitution, overhauled its counterterrorism laws, dropped restrictions on arms sales to Turkey, and extradited suspects to Turkey, all in keeping with an agreement signed with Erdogan at last year's NATO summit in Madrid.

Still, Erdogan has continued to issue new demands. In recent days he has said Sweden's membership in NATO should be linked with Turkey's application to join the European Union.

Sweden accepted that demand, agreeing to back Turkey's efforts to join the European Union, according to a joint statement issued with NATO late on Monday. NATO also agreed to appoint a new special counterterrorism coordinator.

In an interview, Prime Minister Jonas Gahr Støre of Norway highlighted the historic nature of Sweden joining NATO.

"For the first time since the 14th century, all the Scandinavian countries are in the same security alliance," he said.

"NATO can now have regional defense plans for Northern Europe, which will greatly enhance its ability to plan," he said.

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## WORLD NEWS

# EU Weighs Shift in Arms Procurement

PARIS—As defense budgets increase across Europe, capitals throughout the continent face a difficult choice: Spend the money on weapons developed at home or continue buying American.

By Stacy Meichtry, Alistair MacDonald and Noemie Bisserbe

Last year, defense expenditure in Europe rose 13% to \$345 billion, the fastest rate since the end of the Cold War, according to the Stockholm International Peace Research Institute, a think tank known as Sipri. Much of the spending, however, goes to U.S. defense companies, forming the backbone of industrial ties that underpin the North Atlantic Treaty Organization.

French President Emmanuel Macron wants that to change. Europe's reliance on the U.S. to deliver everything from F-35 jet fighters to Patriot air-defense systems, he says, is based on the assumption the continent won't have to wait in line to get U.S. equipment. Washington's priorities, Macron warns, could shift as the U.S. pivots to the Pacific and U.S. presidential elections loom. In importing weapons today, Macron told a recent meeting of European defense ministers, "we are making problems for ourselves tomorrow."

The push to increase European defense spending will be

at the top of the agenda when NATO members gather for a summit in Lithuania on Tuesday and Wednesday. The 31 allies expect to develop their first regional battle plan since the end of the Cold War, deciding what action each country should take in the event of an attack, what equipment is needed and how much to invest. They also expect to cement 2% of gross domestic product as the spending minimum, not an aspiration.

Currently only 10 European NATO members hit the 2% threshold, according to data the alliance released Friday. Secretary-General Jens Stoltenberg said he expects that proportion "will rise substantially next year."

Any attempt to redraw the map of Europe's military procurement faces steep hurdles. Many capitals, particularly in Eastern Europe, see the purchase of costly U.S. weaponry as the price the continent must pay for Washington's security guarantees. Questioning that arrangement, they say, risks undercutting NATO, which can't operate without critical U.S. hardware such as transport planes, drones and other airborne surveillance.

The war in Ukraine has shown that when a sudden need for weapons arises the West isn't in a position to swiftly increase production. Europe in particular is strained



A U.S. Patriot surface-to-air missile system seen in Poland. In times of crisis, European capitals often look to the U.S. for weapons.

by national rivalries that dominate the sector. Instead of pooling resources in cross-border programs, European spending often is spread thinly on national-defense companies, leaving the sector fragmented and lacking overall direction. The divided market can mean smaller production volumes for some weaponry as governments put their money into their own national champions.

During the past year, NATO and the European Union have assumed new roles coordinating and consolidating arms procurement to boost efficiency and accelerate rearmament. Still, duplication abounds with some countries specializing in expeditionary forces, while the U.K. and France, Western Europe's big-

gest military powers, spend much of their budget on maintaining an array of capabilities, including a nuclear arsenal.

In times of crisis, European capitals often are left looking across the Atlantic for help. The U.S. has supplied a stream of missile systems, artillery and other weapons that Ukraine has used to counter Russia. Even now, Europe's combined defense spending is about 40% of the \$877 billion the U.S. spends, according to Sipri.

"Ukraine was a wake-up call for [European] defense resilience," Éric Béranger, chief executive officer of MBDA, Europe's largest missile producer, said in an interview. "You need to replenish stocks, you need to be able to deliver quickly, you need to increase the pace."

The continent is divided over how to reinforce its air-defense systems. A coalition of countries led by Germany announced plans to spend billions on a program to buy Patriot missile systems from the U.S., as well as Germany's IRIS-T units. Both can intercept missiles at midrange.

The announcement blindsided Macron. For years MBDA—a French, Italian and British firm—has been producing a Patriot competitor, the SAMP/T, which can protect against the threat of ballistic missiles that climb into space before returning to hit their target. France and Italy recently sent a SAMP/T system to Ukraine, which also has received Patriot systems from the U.S.

Unless Europe begins invest-

ing in its own military industry, Macron says, the continent will become a vassal of the U.S. without "strategic autonomy," or the ability to shape its own foreign and defense policy.

Macron isn't alone. Some European officials worry that buying U.S. technology can come with stipulations on what it can be used for and how much technology is shared.

A domestic-defense capability also brings high-skilled jobs, a key selling point for governments as they squeeze taxpayers for more funding.

"Each time a radar or a missile is bought outside of Europe it weakens our industrial base," said Christophe Salomon, executive vice president at Thales, maker of the SAMP/T's radar system.

# U.S. Envoy Warned Israel on Rushed Judicial Overhaul

By DOV LIEBER AND MICHAEL AMON

TEL AVIV—The Biden administration is trying to stop Israel from "going off the rails" with a rushed overhaul of its judicial system, the departing U.S. ambassador to Israel said, as the government here revives the legislation and protests intensify again.

President Biden and his ambassador to Israel, Thomas Nides, had urged Prime Minister Benjamin Netanyahu to slow down and seek a consensus with the political opposition on changes to the country's Supreme Court, with protests paralyzing the country last spring. It is unusual for a U.S. administration to weigh in on matters seen as purely domestic, but Nides said the overhaul raised questions about Israel's democratic credentials and the U.S.-Israeli bond.

"I think most Israelis want the United States to be in their business," Nides said in his only interview with U.S. media before he returns to the private sector. "With that sometimes comes a modicum of a price, which is articulating when we think things are going off the rails."

"One of the messages I sent to the prime minister was to



Prime Minister Netanyahu, center, at a meeting in parliament Monday in Jerusalem.

tap the brakes, slow down," Nides said. "Try to get consensus."

Comments by Biden and other senior U.S. officials against the planned judicial overhaul have angered senior Israeli officials, who accused the U.S. of not understanding the judicial legislation and of unwarranted interference in internal Israeli matters.

The overhaul consists of several bills that generally would weaken the power of Is-

rael's Supreme Court to overturn legislation and government decisions. In a country where the courts are the only real check on the elected government, opponents say the overhaul would facilitate authoritarian rule, while supporters say it will restore balance and rein in activist judges.

Amid mass protests in late March, Netanyahu paused the overhaul and opened talks with the opposition, but the

discussions stalled. Netanyahu told The Wall Street Journal that he would move ahead with the legislation but remove and revise some controversial aspects, though his coalition partners later said he told them nothing had been fully removed. And on Monday, his government began voting on a bill that would significantly curtail the court's power to strike down government or individual officials' decisions on the grounds

of "reasonableness."

The vote has reinvigorated protests and reignited calls by reservists to buck military service, a trend security officials warned could have national-security consequences.

Nides declined to say what pieces of the planned overhaul particularly worry Washington. He said the real issue for Washington was that Netanyahu's government is "rushing things through that ultimately could have huge implications, at least perception-wise, about what makes Israel great." By this, he said he meant Israel's democratic institutions, which he said U.S. officials often tout when defending Israel in international forums.

Nides, a former Morgan Stanley banker, has been the top American diplomat in Israel during a two-year period when tensions and violence have ratcheted up significantly with Palestinians.

The U.S.-Israel relationship has also been rocky since Netanyahu took power again at the end of last year, with the White House refusing to invite him to Washington. Biden has sometimes complicated Nides's job with off-the-cuff remarks, including in a CNN interview over the weekend in which he called Netanyahu's far-right coalition partners

some of "the most extreme" members in any Israeli government he has ever seen.

When Nides became Biden's ambassador to Israel late in 2021, he represented the first U.S. administration in nearly 50 years to not have an Israeli-Palestinian peace plan.

"I did not come here to negotiate a two-state solution. I came here to do practical things," said Nides.

More than two decades of U.S.-led peace talks came to a halt in 2014 under the Obama administration. Both Netanyahu and Palestinian Authority President Mahmoud Abbas were part of those failed negotiations, and today both say that neither has a partner for peace on the other side.

Nides said the U.S. policy is still a two-state solution. But with little appetite by either party to engage in talks, Nides said he focused instead on achieving goals that improve both the daily lives of Palestinians and as a result, the security of Israelis.

Among the accomplishments he lists: extending the opening hours of the vital Allenby Bridge Crossing between the West Bank and Jordan; 4G phone service for West Bank Palestinians; and \$100 million in promised aid for health services for Palestinians.

# Putin Met Wagner's Prigozhin

Continued from Page One

The Wagner Group didn't respond to a request for comment about the meeting. Prigozhin hasn't been seen in public in the more than two weeks since his abandoned revolt.

Prigozhin and his private military company have played an important role in Moscow's invasion of Ukraine, earlier this year capturing the small eastern Ukrainian city of Bakhmut, a rare recent Russian gain after one of the longest and bloodiest engagements of the war. Top Ukrainian officials have praised Wagner fighters as more disciplined and resilient than Russia's regular army.

But Prigozhin has also been an increasingly strident critic of Russian military commanders and their conduct of the war, and his armed march on

Moscow, in a column complete with tanks and artillery, was the biggest challenge to Putin in the Russian leader's 23 years in power.

"Putin really needs Wagner because his fate is being decided on the battlefield and there he has serious problems," said Abbas Gallyamov, a former Putin aide turned critic. "At the same time, Prigozhin has interest in regime survival because he likely won't survive if Putin falls."

The Wagner leader's statements lambasting the military and government officials have made him unpopular among some in Russia's ruling elite.

Putin has sought to project his authority in the wake of the Wagner mutiny, and the Kremlin has sought to discredit Prigozhin, who is popular among ordinary Russians, by, among other things, having state TV show video from inside the mercenary leader's St. Petersburg mansion.

At the same time, the Kremlin has apparently allowed Prigozhin to return to Russia after a brief exile in Belarus, and let him sit down for a three-hour talk with Pu-



Yevgeny Prigozhin, center, in Rostov-on-Don, Russia, in June.

tin on June 29, in which he and Wagner leaders explained the rationale for their revolt.

That same day, Peskov, Putin's spokesman, when asked about the paramilitary leader's whereabouts, said he didn't know where he was.

"The fact that Putin has to engage in negotiations with Prigozhin and soften his position really is a sign of weakness," said Mark Galeotti, principal director of London-based consulting firm Mayak Intelligence and longtime Russia watcher.

In addition to Wagner's

contribution on the front lines of the conflict, the group has also played a significant role in the Middle East and Africa, expanding Moscow's influence by shoring up authoritarian leaders there and securing access to resources.

Prigozhin ultimately called off his advance on Moscow in a deal brokered by President Alexander Lukashenko of Belarus. The Wagner leader and his men were guaranteed safe passage to Belarus in an agreement said to have Putin's blessing.

On Thursday, Lukashenko said Prigozhin was back in

Russia after a brief exile in Belarus. In response, Peskov said last week that the Kremlin wasn't following the paramilitary leader's movements.

On Monday, Peskov didn't comment on Prigozhin's current location or give an assessment of Wagner's future role.

When Prigozhin launched his rebellion, he said he was seeking the removal of Russia's military command, including Defense Minister Sergei Shoigu and Chief of the General Staff Gen. Valery Gerasimov.

On Monday, the Russian Defense Ministry posted a video it said was dated Sunday that showed Gerasimov sitting in a military command center receiving reports about the situation in Ukraine, the first footage of him since the rebellion. Days after the insurrection, Shoigu was seen in a video published by the ministry.

The appearance of the two men was suggestive of Putin's determination to show that he hasn't yielded to Prigozhin's demands and was still in charge of decisions on who should lead his army. "They showed Gerasimov today to demonstrate that they are not caving to Prigo-

zhin's demands, to compensate for the revelation that Putin met Prigozhin," Gallyamov said.

Still, Gen. Sergei Surovikin, the head of Russia's air force, hasn't been seen in public since the mutiny. He was last seen in a video released June 23, looking distressed and clutching a rifle as he pleaded with Prigozhin and his fighters to call off the proposed revolt.

Western intelligence has specifically mentioned Surovikin as a potential backer of Prigozhin's rebellion.

Since the aborted uprising, some local Russian media have claimed sightings of Prigozhin in Russia, including in St. Petersburg. Russian state media have published videos and pictures purported to be of Prigozhin's residence and offices in an apparent drive to discredit him and expose his luxurious life.

Images allegedly taken inside the Wagner leader's home also showed weapons, colored wigs—apparent disguises—and passports, some with Prigozhin's photo but under different names; others with his name but different photos.



WORLD NEWS

# Deflation Is Looming in China

By Stella Yifan Xie

HONG KONG—China's consumer inflation flatlined in June after two months of meager growth, stirring fears among economists and investors that the world's second-largest economy is on the verge of slipping into deflation.

The country's manufacturing sector, already in the grip of deflation, saw factory-gate prices fall at their fastest pace in more than seven years, the National Bureau of Statistics reported on Monday, reflecting soft demand abroad to match the weak demand at home.

The data is the latest evidence of the twin toll on the economy of a stalled post-reopening recovery in China and interest-rate hikes by central banks in the West that have curtailed consumer spending.

Economists worry that the broad-based decline in prices will weigh on fragile confidence in the country, leaving the economy stuck in a vicious cycle whereby weak demand and lower prices reinforce each other.

"China certainly faces major deflationary pressure," said Larry Hu, chief China economist at Macquarie Group, who warned of a downward spiral if expectations of deflation become entrenched.

Declining prices in China can offer a measure of relief for central bankers battling inflation in the U.S. and other developed economies. Lower prices for goods charged at the factory gate in China translate into lower import costs on Chinese goods for retailers in the West, while subdued consumer inflation curbs China's appetite for commodities from iron ore to crude oil, all of which helps to rein in inflation elsewhere, economists say.

After a brief rebound led by spending on services early this year, China's economic recovery has stalled on several fronts since April. The jobless rate among young workers soared to a record of more than 20% in May. The country's manufacturing activity contracted for a third straight



China's consumer prices didn't change in June, the weakest reading since February 2021.

month in June, while exports to the U.S. and other Western economies weakened as well.

More recently, a recovery in the housing market—a key pillar of the economy—has faded despite policy easing to stimulate demand for home buying.

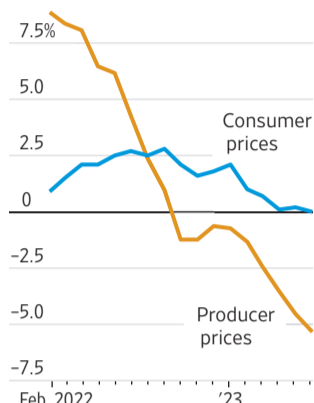
Economists argue that the absence of inflation in China—a scenario opposite to what most countries experienced after reopening their economies following Covid closures—exposes structural problems in the economy after three years of pandemic curbs, including deteriorating household balance sheets that have damped consumer spending.

Consumer prices didn't budge in June from a year earlier, after growing 0.2% in May and 0.1% in April. The reading is the weakest since February 2021 and undershot its 0.2% increase anticipated by economists surveyed by The Wall Street Journal.

Stripping out the more volatile food and energy prices, core inflation in China decelerated from 0.6% in May to 0.4% in June, reflecting sluggish demand for goods and services.

China's producer prices index, a gauge of prices charged by manufacturers, fell 5.4% from a year earlier in June, the weakest reading since De-

Change in prices from a year earlier



Sources: Wind; China's National Bureau of Statistics

ember 2015 and marks the ninth straight month of year-over-year declines.

Tepid demand in China marks a contrast with the U.S. and most other economies in the West, where inflation remains uncomfortably high despite efforts to rein it in.

Core inflation has slowed somewhat in the U.S. but remained robust at 4.6% in May, making it likely that the Federal Reserve would continue raising interest rates. Inflation likewise stayed sticky in the 20 countries that share the euro, falling to 5.5% in June from 6.1% in May.

Within China, the weak inflation figures have prompted economists to call for more efforts to short-circuit sluggish sentiment and boost demand.

"A holistic approach and concerted policy efforts to stabilize the housing market and boost consumer and business confidence are needed to break the disinflation or deflation spiral," wrote Jian Chang, chief China economist at Barclays in a note to clients in May.

But so far, Chinese policy makers have refrained from launching large-ticket stimulus packages, in part because of elevated debt burdens and diminishing returns from government-led investments. The country's central bank trimmed several key policy interest rates last month, though many economists expect the moves to yield little impact in propping up demand partly because of a souring outlook on the economy.

Others expect China's stimulus efforts to remain targeted. "With credit demand weak, and the currency under pressure, we think the bulk of support will come through fiscal policy," said economists from Capital Economics.

—Grace Zhu in Beijing contributed to this article.

# Six People Killed In Knife Attack At Chinese School

By Sha Hua

SINGAPORE—Six people were killed and one was wounded in a stabbing at a kindergarten in China's southeastern province of Guangdong on Monday, according to a notice posted by local police.

The notice said police detained a suspect, a 25-year-old man surnamed Wu, who allegedly carried out the attack at about 7:40 a.m. and was arrested at about 8 a.m.

Police deemed it "an intentional assault" and were investigating the incident, the notice said.

Witness footage verified by the news agency Storyful, which is owned by News Corp, the parent company of The Wall Street Journal, showed lifeless bodies on the ground outside the kindergarten, and police officers and ambulances at the site.

While violent crime is relatively rare in China because of strict gun laws and ubiquitous police surveillance, the country has suffered a string of stabbing incidents at kindergartens and elementary schools going back decades.

Last August, a man killed three people and wounded six at a kindergarten in southeast China's Jiangxi province.

In April 2021, a man stabbed two children to death and injured 16 others in southern China.

In September 2019, an attacker killed eight students and injured two at an elementary school in China on the first day of the new semester.

Perpetrators in such cases often are individuals with deep grievances who are looking to exact revenge on society, according to criminal psychologists who have studied the phenomenon.

In a country where most households have only one child, attacks on children are particularly shocking.

The incident in Guangdong was widely condemned on Chinese social media. By 6 p.m., a hashtag related to the stabbing had attracted more than 460 million views on the Twitter-like platform Weibo.

"If you don't want to live, stab yourself. Why do you need to hurt others?" read one comment that garnered more than 18,000 likes.



An image from a video taken in the aftermath of the attack.

## INDIA Monsoon Floods Kill 15

Schools in New Delhi were closed on Monday after heavy monsoon rains battered the Indian capital and caused landslides and flash floods in the country's north, killing at least 15 people over the last three days.

The torrential rain over the weekend left parts of New Delhi overflowing with water that submerged roads and stranded residents.

The northern hill states were the worst affected, with 10 people killed in flash floods and landslides in Himachal Pradesh and Uttarakhand states, according to the Press Trust of India news agency.

One person died in New Delhi and four were killed in the Indian-controlled section of Kashmir.

Landslides triggered by the rains disrupted traffic on key highways in Uttarakhand, a tourist hill state in the Himalayas, prompting warnings for residents not to venture out of their homes.

Authorities used helicopters to rescue people while bridges and houses were swept away in neighboring Himachal Pradesh.

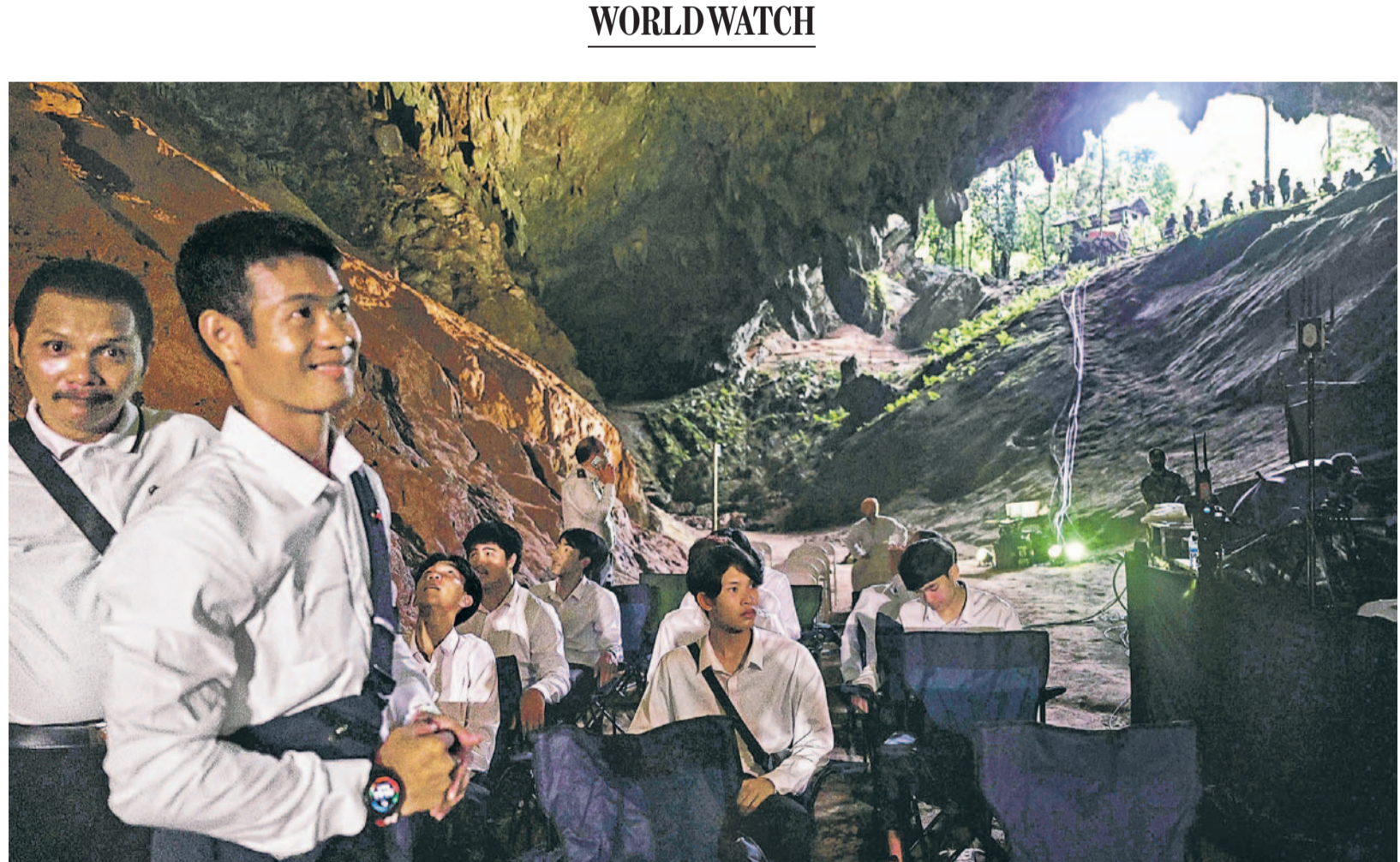
India's weather agency has forecast more heavy rains in the north in the coming days. It said monsoon rains across the country have already brought about 2% more rainfall than normal.

India regularly witnesses severe floods during the monsoon season, which runs between June and September and brings most of South Asia's annual rainfall. The rains are crucial for rain-fed crops planted during the season but often cause damage.

In neighboring Pakistan, which has also been pelted by monsoon rains, authorities were on alert for the season's first flooding after India diverted waters from dams into the Ravi River, which flows from India into Pakistan.

At least 80 people have died and 182 have been injured in Pakistan in weather-related incidents since June 25.

—Associated Press



CAVE SURVIVORS: Members of a Thai youth soccer team gathered inside the Tham Luang Cave in Chiang Rai, Thailand, on Monday, during an event to mark the five-year anniversary of their dramatic rescue from the flooded cave. Local officials reopened more of the site on Monday.

## BELARUS Journalist Goes on Trial

A prominent journalist went on trial in Belarus on Monday, the latest step in a yearslong crackdown on opposition figures, independent journalists and human rights activists.

If convicted on the charges of assisting extremist activity, Pavel Mazheika, 45, faces up to six years in prison for his work covering the political opposition.

He is accused of working for news outlets including Belsat TV. The Belarusian authorities have labeled Belsat as "extremist." Journalists in Belarus have faced large-scale repression since the August 2020 vote that handed a sixth term to President Alexander Lukashenko.

—Associated Press

## LIBYA Life for Human Traffickers

A court in eastern Libya sentenced five people to life in prison after they were convicted of human trafficking over the deaths of 11 migrants who were on a rickety boat trying to cross the Mediterranean to Europe, the office of Libya's chief prosecutor said Monday.

The court in the city of Bayda also sentenced nine other defendants to 15 years in prison each, the office of General Prosecutor al-Sediq al-Sour said. The defendants were part of a network smuggling migrants from Libya to Europe. In recent years, Libya has become a major transit point for Middle Eastern and African migrants fleeing conflict and poverty.

—Associated Press

## SENEGAL Spain Rescues 86 From Boat

Spanish authorities rescued 86 people on Monday from a boat near the Canary Islands that appeared to be from Senegal, after an aid group reported that three boats from the African country went missing with 300 people aboard.

Eighty men and six women of sub-Saharan origin were rescued Monday, the Spanish agency said. It also said it had alerted boats sailing in Atlantic waters between the Canary Islands and West Africa to be on the lookout for other boats still missing.

Helena Maleno Garzon, coordinator for the aid group Walking Borders, said the three missing boats had departed Senegal in late June.

—Associated Press

## EUROPE Heat-Related Deaths Spike

Scientists say crushing temperatures that blanketed Europe last summer may have led to more than 61,000 heat-related deaths, highlighting the need for governments to address the health impacts of global warming.

In their study, published Monday, researchers examined official mortality figures from 35 European countries and found a marked increase in deaths between late May and early September last year compared with the average recorded over a 30-year period.

The increase in heat-related deaths was higher among older people, women and in Mediterranean countries, they found.

—Associated Press

## WEST BANK Man Is Shot by Israeli Troops

Israeli troops shot and killed an alleged Palestinian gunman during new unrest in the West Bank on Monday.

The Israeli military said troops stopped a motorist in Deir Nidham, a town west of Ramallah, to question him. It said the man got out of his car, threw a grenade and fired shots toward soldiers, who then opened fire.

The Palestinian Health Ministry confirmed that a 33-year-old man had been killed.

The death comes during a major spike in violence between Israel and the Palestinians. Israel has been conducting stepped-up raids into Palestinian areas since the spring of 2022 in response to a spate of Palestinian attacks.

—Associated Press

## WORLDWATCH

LILIAN SUWARI/PHOTO/AGENCE FRANCE-PRESSE/GETTY IMAGES

## FROM PAGE ONE

# Salvador Crackdown On Gangs

*Continued from Page One* among the country's poor and indigenous communities, who are held for long periods in harsh conditions without trial. Responding to allegations of prisoner mistreatment, Bukele during a cabinet meeting in October said, "Yes, they'll have human rights. But the human rights of honest people are more important."

## 'Just copy him'

The U.S. has been scrambling to manage a flood of migrants driven northward by endemic violence and poverty.

Detentions of Salvadorans, once one of the largest groups trying to cross the southwestern border, illegally crossing have dropped to about 36,500 in the eight months through May of this fiscal year from more than 65,000 in the same period a year earlier, just before the campaign began.

Other countries are watching El Salvador's policies as they grapple with their own high murder rates.

Ecuadoreans, one of the largest nationalities heading to the U.S., have seen the homicide rate in their country quadruple from 2019 through 2022. Some politicians, such as Cynthia Viteria, who until May served as mayor of the violent Ecuadorian city of Guayaquil, encouraged Ecuador's government to mimic the Salvadoran leader's policies.

"It's simple, just copy him. Do what Bukele's doing," she said in September. "The solutions are out there, for those who have the guts to implement them."

Jan Topic, an independent presidential candidate in Ecuador and a Bukele admirer, said his experience as a French foreign legion sniper serving in Syria and Ukraine would help him bring order to the streets and gang-controlled prisons.

In Guatemala, several presidential candidates adopted a security agenda inspired on Bukele's policies in this summer's election.

In Colombia, beset by armed groups in much of the countryside, the opposition Democratic Center party recently invited Bukele to visit the country and showered him with praise after leftist president, Gustavo Petro, compared El Salvador's overcrowded jails to concentration camps.

The anti-gang campaign is widely popular in El Salvador, whether in hardscrabble neighborhoods, wealthy enclaves or rural regions.

"I would vote for Bukele 10 more times," said Edwin Ávalos, who recently opened a Mexican restaurant near a notorious San Salvador slum. "Two years ago, I wouldn't have opened a business here. This was a red zone," said Ávalos, recounting how he used to fork over \$6,000 a year in extortion payments in a failed effort to keep open clothing and restaurant businesses that he owned.

In the slums that surround the country's capital, parents now say their children can play outside without asking permission from once-omnipresent street gangs. Middle-class teens gather at the coffee shops of



A young man was questioned by an officer at a checkpoint in a gang area in Soyapango, El Salvador, and right, Mariona Prison. Below, Ana Mancía said her children were arrested but were innocent, and that she has been left to care for her six grandchildren, which is a struggle.



central San Salvador, and restaurants are filled with families having dinner.

The extortion that shop owners had paid to crime syndicates has fallen sharply, according to a survey by the country's largest business group.

In January, a convoy of Pizza Hut delivery men on motorcycles adorned with red balloons resumed service to what had been no-go zones.

"The gangsters would even take away the little tip money I had on me," said Samuel Martínez, a 40-year-old food delivery worker who used to turn down orders from dangerous barrios. "Now the city has opened up for us."

Police and military officers carrying assault rifles stand on street corners in many slums where gangs used to hold sway.

## Overcrowded jails

Rights groups said the new program is inhumane. Suspects are held in overcrowded jails without access to lawyers or communication with families, who often aren't notified of the detentions, according to lawyers and organizations representing inmates. Most trials are conducted by video, often following long delays as prosecutors work through scores of backlogged cases, lawyers said.

Many of these detentions are arbitrary and some constitute short-term enforced disappear-

ances, a panel hired by the U.N.'s human-rights commission said in May, urging an end to the campaign.

"I don't know if my boys are sick or alive, they don't tell us anything," said an indigenous spiritual leader, Santos Zetino.

One of Zetino's sons, who he acknowledged was a member of MS-13, was arrested and convicted of murder in November. During the crackdown, police arrested three of his other sons, who he said had no gang affiliation and baked bread for a living. Now the family struggles to care for several grandchildren.

"Politically, I can see it's all working out well for the president," said Zetino, who had voted for Bukele in the 2019 election that swept him into power. "But they're just trampling on the poorest of us to show they're being strong on crime."

Human-rights groups have documented more than 3,000 cases of arbitrary and indefinite detentions. They said the families of detainees have to provide them food, toilet paper and soap. Young men with elaborate tattoos, Adidas sneakers or with distant relations to known gangsters have been identified by police as gang members and detained, lawyers said.

Inmates suffer from malnutrition and a lack of medical attention, said Alejandro Díaz, president of Tutela Legal, a rights group that documented

military atrocities during the civil war in El Salvador in the 1980s. He now advises 250 families of detainees who the group says are wrongfully held and subject to beatings.

"The majority of Salvadorans are being sold this false image that an iron-fisted approach is going to resolve the security and gang situation, when in fact there is a dark side to it," he said. There is a trail of human-rights violations that society will have to grapple with later, much like the military atrocities his organization documented, he said.

Security Minister Gustavo Villatoro said food, shelter and medical attention are provided to each detainee and that officials respect their constitutional rights. More than 5,100 people have been released and 60,000 have had a hearing before a judge, Villatoro said in written answers to questions.

He emphasized the penalties are meant to be severe. He said since most of the imprisoned gang members are responsible for over 80,000 deaths in the past 30 years, "they will spend the rest of their lives in prison."

The gangs are steeped in drug trafficking and extortion, with territorial control so strict that many people were killed simply for being in the wrong place at the wrong time.

El Salvador's Legislative Assembly, where Bukele's ruling party has a majority, in March 2022 approved emergency powers that suspended constitutional guarantees and loosened arrest rules for 30 days. The order has been renewed each month since then.

Salvadoran police said that in total they are hunting more

than 80,000 suspected gangsters, from mid-ranking hit men to the teenagers who patrol the streets for them, who are set to be tried in court as adults.

There are 1,086 inmates per 100,000 inhabitants in El Salvador, double the U.S.'s incarceration rate of 531 per 100,000, according to the World Prison Brief.

## New security

Bukele earlier this year opened a new mega-prison with space to hold 40,000 people, the world's largest correctional facility. Construction of the sprawling complex, officially named the Confinement Center for Terrorism, was completed in seven months, after lawmakers permitted the government to bypass normal public tender processes to fast-track prison contracts. Salvadoran officials commonly refer to criminal gangs as terrorists.

El Salvador's homicide rate fell from a peak of 106 per 100,000 inhabitants in 2015 to 78 in 2022, among the lowest in Latin America.

That's well below the murder rates in some major U.S. cities, which Bukele points out on social media in his pitches to attract foreign investors and tech entrepreneurs, a focus after his administration adopted bitcoin as legal tender in 2021.

"Now we have the levels of security that countries in Latin America dream of," Bukele said in a speech to lawmakers last month. He declared war against corruption, promising to build a jail for white-collar criminals.

Business owners said sales and employment have been boosted. Property sales in communities previously riddled by

violence are showing signs of life for the first time in decades, partly fueled by investments and funds sent back by the country's large immigrant community in the U.S. Commuters are able to use public transport without risk of being mugged or killed by gang enforcers.

The president, who on Twitter once dubbed himself "the coolest dictator in the worldly world" as a cheeky rejoinder to his critics, has said his strategy is designed to help millions of law-abiding people who had been living in terror.

Approval for the campaign has catapulted the 41-year-old president's popularity and will likely pave the way for a re-election bid next year, political analysts said.

In videos, the president shows alleged gangsters being corralled into cells at the new mega-prison. In another video, police officers smash headstones at a cemetery to eliminate gang insignia.

"We can't allow a single terrorist symbol to be visible in any community around this country," prisons director Osiris Luna said in a recent TV interview.

In his four years in office, Bukele, who cut his teeth at his family's advertising firm, has worked to transform his country's image from one of a violent backwater to what he says will become a Central American version of Singapore.

An essential step in the country's aspiring makeover is reining in the gangs that took root in the 1980s in the Salvadoran immigrant community in Los Angeles, before the deportation of gang

members led them to start up in El Salvador, said Villatoro, the security minister.

Former central bank governor Carlos Acevedo said that gangs raked in an estimated \$500 million a year from extortion paid by businesses and residents. Multilateral organizations estimated that crime cost El Salvador 15% of its \$29 billion economy.

Those losses are now being reversed, business groups said. In a survey earlier this year by the National Association of Private Enterprise, the country's largest business group, members reported drops of 40% to 70% in extortion since mid-2022.

Rights groups said the government should boost spending on social programs for young people and on gangster rehabilitation.

The U.S. alleged Bukele's security offensive was preceded by secret negotiations with gangs that gave lenient treatment to some senior criminal leaders in exchange for a truce to reduce homicides and give a political boost to the government, according to court documents unsealed earlier this year with charges against senior MS-13 leaders. The U.S. Treasury Department sanctioned Salvadoran officials in late 2021 for the alleged collusion, including Luna, the prisons director. The Bukele government denied the U.S. allegations.

The alleged truce hit a rough patch in late March 2022, when gangs killed dozens of small-business owners and working-class people who had been targets of extortion. The violence prompted the government to enact the emergency powers and launch its new campaign.

# Houston's Graffiti Mystery

*Continued from Page One* inspired photos, tattoos and even a failed Change.org petition to protect it as a city landmark.

Keaton Jones, a 27-year-old rapper who goes by the name Lowkea, drives under the bridge on his way to work at his dad's industrial-supply company in downtown Houston.

"It says so little, just two words," Jones said. "It's very powerful. It tells you to be someone, not just anybody."

And just who is that someone who first painted the slogan? That's an enduring mystery that has only gotten juicier in the past few months.

An anonymous artist who wears a face covering for public appearances told a local

podcaster he came up with the idea. A website sells "Be Someone" merchandise online, including a fine silver necklace going for \$225. The bridge tagger hit the big time recently, signing a deal with the Houston Rockets NBA franchise, which used a rendering of the slogan for a line of T-shirts.

One possible kink in the business plan: Painting a bridge without permission is technically illegal in Houston.

Chandrika Metivier found that out the hard way. The local Houston artist painted "No War Know Peace" on the bridge in February 2022 to protest the Russian invasion of Ukraine. Within a few months, the words "Be Someone" were bled. In January of this year, Metivier struck again, painting "#Womanlife-freedom" to support women's rights marches in Iran.

Metivier took credit for putting the new tags on the bridge on Instagram, a podcast and in a Houston Chronicle interview. The Harris County District Attorney's Of-



'Be Someone' has been painted over multiple times since first showing up on a railroad bridge, but always reappeared.

fice responded with felony graffiti charges. If convicted, Metivier faces up to two years in state jail.

The artist, who goes by the pronouns they and them, hasn't entered a plea. Their attorney, Sina Zadeh, said they are hoping to get the case dismissed.

"They're trying to make a lesson out of me," Metivier said. "In other words, don't be someone."

Not long after Metivier was charged, "Be Someone" was back on the rail bridge, this time with a crisper font and

bright red letters. On April 4, the Houston Rockets released a line of T-shirts with the slogan, matching the colors and the font.

Tracey Hughes, vice president of media and player relations for the Houston Rockets, said the team worked with the original artist when designing the shirts but declined to identify him.

The website that sells Be Someone merchandise didn't respond to an email seeking comment.

The Harris County District Attorney's office referred

questions on the investigation and charges against Metivier to Union Pacific. The office has filed 189 graffiti charges from January 2013 to April 2023. Of those, 42 were felony charges. None was against the Be Someone artist as far as prosecutors know, the office said.

Union Pacific said pursuing charges against Metivier had nothing to do with the message, but rather because of safety concerns.

"When there is blatant activity that is promoted on social media and it could result in someone being hurt, we can not ignore it," the company said. "Artists who trespass on bridges to 'tag' a message—whether a positive or negative message—risk both their life and the lives of innocent motorists, pedestrians, and others traveling below."

Jenny Carroll, a law professor at the University of Alabama who has written about graffiti and the legal aspects of free speech, said authorities could determine the identity of the original artist through

his or her business dealings.

A trail of digital bread crumbs leads to a two-story brick home in the Houston suburbs. A person who once obtained a trademark for the logo is linked to that address. The trademark, which is in the same font as the latest bridge art, lapsed in 2019, according to the U.S. Patent and Trademark Office. That same person registered the website that sells the merchandise.

Efforts by The Wall Street Journal to make contact with the person were unsuccessful, and a woman who answered the door said he doesn't live there.

A Houston disc jockey who lives on the same block, according to public records, said he is part of a group of artists who work under the Be Someone brand. In an interview, he said he has known the Be Someone artist for years. "We're all trying to be someone and trying to outsource what's inside of us," the DJ said. "It's universal, it can mean different things to a lot of people."

By JEN MURPHY

Is it really a vacation if you don't take a break from your workout routine?

Lots of regular exercisers fret that missing workouts during vacation will sabotage their fitness. So they try to re-create their usual spin class or CrossFit session while on the road, in the process undoing the benefits of time away and adding to the stress that vacation is designed to ease, trainers say.

Worrying about fitting in a workout can degrade your sleep, energy and mood—the things exercise typically improves, says Brennan Boettcher, a sports-medicine physician at Mayo Clinic in Rochester, Minn.

Taking an opportunity to change up your movement—or sleeping in for a couple of days—can boost your fitness in ways your normal workout doesn't. Trying new activities may help you get stronger and more fit, avoid overuse injuries or simply break out of workout boredom, trainers say.

Lydia Snyder rarely strays from her regimen of walking, Pilates and lifting weights when home in Boulder, Colo. On vacation, her trainer, Kate Ligler, tells her to swap the Peloton for a bike ride on a beach cruiser. The change provides a mental refresh, Ligler says, plus “the body will also appreciate a change of pace.”

Snyder, who is 37 years old and works in digital healthcare, says trying new activities often leaves her muscles more sore than her gym routine does. After a surfing lesson in Maui, her arms burned from the effort. And though she walks mountain trails at home, walking barefoot in the sand works the muscles of her feet in a different way.

## Just a little break

If you miss a few workouts, don't beat yourself up, says Christine Pellegrini, associate professor of exercise science at the University of South Carolina.

Sometimes your body just needs a day by the pool. That rest allows your muscles to recover, repairing damaged muscle fibers, she says.

Unless you're training for an event like a marathon, skipping workouts and substituting other activities likely won't put a dent in your fitness, Boettcher says.

As long as you're keeping the level of activity intensity consistent, you'll maintain endurance

Lydia Snyder switched up her Peloton exercise routine with cycling on a trip to Maui.



# Want to Be More Fit? Take a Vacation From Your Workout

Leisure travel gives you a chance to try a new kind of exercise or take some days off

and strength away from home. Even pro athletes recover by mixing things up. Pro skier Mikaela Shiffrin, for example, heads to Maui at season's end to windsurf.

Jack Ezon, founder of Embark Beyond travel agency in New York, has had workout-obsessed clients

request that a CrossFit-inspired gym be set up in the courtyard of their vacation villa so they could keep up their routines and Zoom with their trainer daily.

Ezon tells them to get out and experience the destination instead. “I love to get people a running guide to show them the city,” he says. “It's like a coach and tour guide all in one.”

Vacations are a chance to play games with your kids or increase steps by hiking or walking, while remaining mindful of sun exposure and air quality.

If you're a runner, consider skipping your usual 3-miler and instead play ultimate Frisbee, kickball or tennis, sports that rely on sprinting and changing directions, says Dr. Seth

Creasy, an assistant professor of endocrinology at the University of Colorado Anschutz Medical Campus. These different movement patterns improve agility and coordination. And the short bursts of high intensity will help you build speed, he says.

Christa Angelo plans vacation beach activities she can do with her kids, ages 9 and 3, that often double as a workout.

Last summer, the 47-year-old yoga teacher from Hagerstown, Md., rented a surfboard during a beach vacation in Emerald Isle, N.C. There weren't waves to surf, so she paddled in the flat ocean, her youngest on the nose of the surfboard and oldest paddling alongside her. Pulling a 3-year-old on a boogie board along the sand is tougher than beach boot camp, she says.

## Room for improvement

Incorporating fresh workouts into a routine can highlight areas we need to improve, be it strength or flexibility.

Bryan Costello used to mountain bike for 90 minutes five days a week near his home in Marin

County, Calif. The insurance agency executive couldn't fathom finding time to drop into a yoga studio.

His family regularly vacations at the Lodge at Kukui'ula, a resort in Kauai with dozens of free group-fitness offerings. Three years ago, his wife encouraged him to sign up for a class. Costello, 57, jokes he rediscovered his core after attending a TRX strength class.

“My cardio was great, but the old-man beer belly forming around my waist didn't reflect the amount of effort I was putting in on my bike,” he says. “This was a wake-up call that I shouldn't be doing the same thing over and over.”

Costello now takes a TRX class three days a week and says his belly is almost gone. His strength and stability have greatly improved, too. After trying a beginners' yoga class at the resort, he now practices twice a week.

If you're so Type-A you can't break your routine, at least try to dial back the intensity or duration, Ligler says. At least then you can devote more time and energy to enjoying time away.

# Prevent Lockouts Of Your Digital Life



PERSONAL TECHNOLOGY  
NICOLE NGUYEN

Warning to those feeling secure with two-factor authentication. If you lose or break your phone, you could lose access to your authenticator app's essential codes...and the online accounts they're supposed to protect.

Cybercrime is still on the rise, and passwords are the main target for hackers. That's why using two-factor authentication (also known as 2FA) is vital for protecting your Gmail, PayPal and other online services.

It's like having a door with multiple locks. A service first asks for your password (the main lock), then it requests one of the random codes generated by your authentication app (the deadbolt). Without your password *and* the codes, a thief can't get in.

But there's a trade-off to this extra security. Some authenticator apps store codes on your device. If you don't have that device, you can't get into your accounts. It's something I learned after sending in a phone for repair several years ago.

It may be tempting to disable two-factor authentication to avoid the trouble. Don't do this: “You'd be incurring significant risks, including account hijacking,” said Christopher Budd, director of security firm Sophos X-Ops. There are better ways to set up 2FA, including using apps

that support cloud backups, he said.

The popular Google Authenticator app recently addressed the problem with a new option to save codes to your Google account. That means you can now set up Google Authenticator on a new device—even if you don't have your old one—and restore your codes. It's a good solution, as long as you connected your Google account *before* you lost your phone.

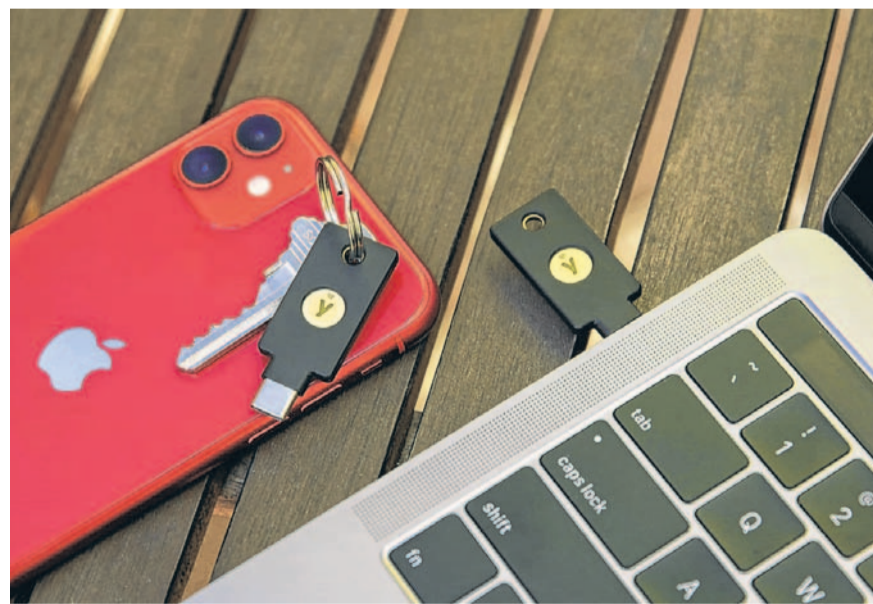
If you're still locked out of your accounts, use these steps to try to regain access, and make some changes to prevent two-factor fails.

## Get back in

► **Easiest: Use another device.** Sign in on a tablet or computer that you've used to access that account before. If you previously checked the “Don't ask again on this device” box, you may be able to log in with just your password, no 2FA required.

If it does ask for 2FA, see if there's an option for an alternative verification method. Google and Facebook, for example, can send an approval notification to a device where you're already logged in.

► **Easy-ish: Restore your phone number.** Visit your carrier for a new SIM card or an eSIM to transfer texts and calls to a new phone. Some services, such as Apple's iCloud, can text a code to the account's listed phone number when you don't have access to a trusted device. (Prevent a thief with access to your phone from taking over your Apple account by locking the



A physical security key can act as a spare if you lose access to a phone.

can use an authenticator app along with a security key, and even add multiple security keys to one account.

Also consider passkeys, a new passwordless form of login available for Google, Microsoft and other accounts. With a passkey, you can use just your fingerprint to log in on your laptop, or your face to log in on your phone. They're automatically synced to the cloud, so you can use multiple devices to sign in with a passkey.

## ► Save backup codes:

You can find one-time-use recovery codes that don't expire in your account's security settings. Print these out—they're safer in the real world, in your desk, than somewhere online.

► **Authenticator apps that back up to the cloud:** I like Twilio's Authy app, because you can get the same codes across multiple devices, including your laptop. It's convenient, and it can serve as a backup should you lose your phone.

There are risks to backing up data to the cloud. Authy defends against those risks by protecting codes with encryption that can only be unlocked with a password. Authy doesn't know this password—only you do—so the company can't recover your account if you forget it.

Many password managers, such as 1Password and Apple's iCloud Keychain, offer built-in authenticators. But using those to store your passwords *and* 2FA codes is putting a lot of eggs in one basket.

lost device's SIM card as soon as possible.

## ► Medium: Find recovery codes.

You might have saved one-time-use backup codes long ago, when you first set up two-factor authentication.

Look on your desktop, where you could have saved a screenshot, or a desk drawer, where you might have stashed a paper printout. Google prompts you to download your backup codes. Search your computer for the file name “backup-codes-username.txt”

► **More Difficult: Restore an old phone backup.** None of the above an option? Download your old phone's data to a new phone.

When you're activating a new iPhone and reach the Apps & Data setup screen, select Restore from iCloud Backup. If you use a laptop for backups, connect the phone to your computer, then select the device in Finder. Click Restore Backup and pick the most recent date.

On a new Android device, follow the on-screen steps to set it up. When you see “Copy apps & data,” tap Next. Then tap “Can't use old device.” Select the most recent backup available.

► **Most Difficult: Start account recovery.** This method will require patience. You can often trigger the account recovery process by clicking the “Forgot password?” or “Get help?” option on a sign-in page, which will ask you for additional information and open a case with the company's customer service team. This can take weeks or even months, so hang in there.

## Prevent future lockouts

### ► Multiple forms of verification:

There are different types of 2FA, and many services allow you to mix and match. A physical security key, the most secure form of 2FA, can act as your main authentication method or a spare key. You

PERSONAL JOURNAL.

# Private Chefs, Public Acclaim

Culinary stars earn sponsorship deals, go viral by showing off work at clients' summer homes

By Ashley Wong

**B**right summer vegetables bursting from a baked tart. Lemons squeezed over a pile of shrimp and mussels on the grill. A thick steak slathered in chimichurri. These mouthwatering meals, prepared in kitchens suited for Nancy Meyers movies, can only mean one thing: Private Chef Season is back.

On TikTok and Instagram, private chefs are giving viewers a taste of what their well-to-do clients eat and how it all comes together. (Think 17 hours of standing at a kitchen island and the freshest produce farmers markets can provide.) Their day-in-the-life accounts and step-by-step recipe videos are earning them bookings, sponsorship deals and millions of online fans. Many chefs say social-media interest peaks in the summer, when they migrate to the vacation homes of their clients—most of whom are never named—and start clipping fresh parsley from sun-drenched backyard gardens.

"Hamptons summer is like our Olympics," said DyAnne Iandoli, a private chef and content creator with many Hamptons summer clients.

Iandoli, also a recipe developer for private-chef agency the Culinistas, said she estimated about 60% of the private chefs in New York City move to the Hamptons for summer work, whether it's for weekend jobs or full-time, live-in gigs in a family's home. Views of posts with the hashtag #privatechef have more than quadrupled since last June to reach more than one billion views, according to TikTok.

In the Hamptons, chefs said they can easily spot each other by

how quickly they move through a Citarella grocery store or the black work shoes they're wearing.

Reilly Meehan, a 32-year-old chef who works for a family living in Phoenix, said engagement with his TikToks nearly doubled in June, when he started posting from his clients' summer home in the Hamptons. Aside from several political fundraising events where he was asked not to film, Meehan said his clients allow him to decide when, where and who to post on social media. He said he always asks for permission before featuring anyone on his social feed.

He thinks private-chef TikToks resonate because they showcase aspirational lifestyles, but told from a more down-to-earth perspective: "Somebody working with food all the time is way more relatable to me than someone flying around on a private jet."

Though the backdrops are glamorous, these chefs make clear

that preparing a day's worth of gourmet meals several times a week can be grueling. In one video, private chef Meredith Hayden, known on TikTok as Wishbone Kitchen, spends 17 hours in the kitchen preparing food for a party before chugging a massive jug of water and collapsing into bed. She declined to comment for this article.

Hayden is the reigning queen of Hamptons-chef TikTok, with nearly two million followers. Though summer is one of her busiest seasons for work, it's also when she creates some of her most popular "day in my life" videos.

Videos made by Rob Li, a 26-year-old private chef, have garnered millions of views since he began posting videos in April. He often invites viewers to imagine

**'Hamptons summer is like our Olympics,' says chef DyAnne Iandoli.**



Chef Reilly Meehan saw his engagement on TikTok nearly double after posting from a client's Hamptons home.

themselves in his position—as a private chef for a billionaire in the Hamptons—with laid-back, minimally narrated videos of sunny beach walks and bowls of miso mushroom carbonara. Li, who has been working for the same client since November, said he's mystified by the success of his videos.

"People in general are fascinated by the world of celebrities," said Brooke Baevsky, a private chef based in Los Angeles who has cooked for high-profile figures like Chrissy Teigen and Imagine Dragons. "And what they eat is a very interesting part of it."

Some of the dishes also seem accessible, fans said. Even if you can't afford a yacht or a Hamptons property, you can probably make a

fancy chicken salad sandwich.

Several private chefs saw a boost in engagement on their pages after Pamela Vetrini, a 39-year-old social-media consultant, created a viral TikTok ranking private chefs in the Hamptons in the style of reality cooking show "Top Chef." Vetrini said she had been following Hayden for about two years, but noticed more chef creators taking up her style in May. The videos act like "wealth porn," Vetrini said.

Jay Lyon, a private chef based in Miami, takes a slightly different tack. Last year he went viral with TikTok clips in which he sensually hand-fed women grapes dipped in syrup. After his first viral grape-feeding video, he booked six

months' worth of private-chef work, he said.

"Those are the ones that land me my clients," Lyon said. He estimates that half his clients find him through TikTok.

Lyon said he got his start as a line cook earning about \$6 an hour. Now, his average fee for a meal for two begins at \$1,000, and can go as high as \$25,000 for larger events. But it also comes with the burden of having to do everything else alone.

"You're cooking for some of the wealthiest, most notable people on the planet," Baevsky said of chefs with high-profile clients.

"These are not the clients you say 'no' to," she added. "So you always have to figure out a way."

## The Money-Saving Mortgage That Isn't Working Right Now

By Veronica Dagher

**A**n adjustable-rate mortgage will save home buyers little, if any, money right now.

When 30-year fixed-mortgage rates go up like they are now, borrowers tend to flock to ARMs because they can help them pay less in the early days of homeownership or potentially make a larger offer on a house. ARMs start with low rates and then adjust higher years down the road.

But right now, the average rate on ARMs—6.5% to 7.21%, depending on the loan—is nearly equivalent to the average 30-year fixed rate of 6.95% as of July 5, according to Bankrate, a consumer financial-services company. This means most buyers won't save on monthly payments in the early years of the loan—and they will still shoulder the risk that the Federal Reserve keeps interest rates high later on.

The dimmed appeal of ARMs is another blow to the countless buyers getting priced out of the market by high mortgage rates and a lack of affordable homes. People who want a home but can't afford one now have even fewer tools.

"Going with an ARM now rather than a 30-year fixed is a pure gamble on lower rates since the initial-rate advantage has all but disappeared," said Greg McBride, chief financial analyst at Bankrate.

A better bet would be to lock in a 30-year fixed-rate mortgage and then refinance if rates drop, he said. ARMs' popularity generally waxes and wanes based on what is happening with interest rates.

ARMs were more appealing last year when they could save home buyers more. The average rate on a 30-year fixed-rate mortgage was 5.55% as of July 6, 2022, and the average rate on adjustable mortgages ranged from 4.19% to 5.46%, according to Bankrate's national

survey of large lenders.

Home buyers have noticed, and fewer are picking ARMs.

Around 6% of mortgage applications submitted the week ending June 30 were for ARMs, down from about 10% a year earlier, according to the Mortgage Bankers Association.

Normally, long-term rates are higher than short-term rates. ARMs have a shorter initial term than 30-year mortgages (often five, seven or 10 years before the rate

resets or those looking to flip a property for investment purposes are still choosing ARMs, financial planners said.

If rates drop during the reset period, people who opted for ARMs might land a lower rate. This could put them ahead of buyers who got a 30-year fixed mortgage and who will probably need to shell out thousands in closing costs if they want to refinance, said Robert Heck, a senior vice president at Morty, an online mortgage marketplace.

ARMs are also more in favor these days with those buying pricey homes, said Todd Johnson, a senior vice president in Wells Fargo's home-lending division. A slightly lower interest rate might mean more savings for the fixed portion of a larger loan.

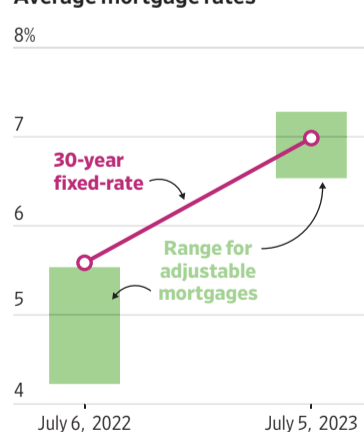
For instance, a \$2 million ARM with a 6.25% interest rate that is fixed for 10 years and resets every six months thereafter means monthly payments of roughly \$12,314, said Johnson. A home buyer with excellent credit who can put 20% down would pay around \$12,641 every month on a 30-year fixed-rate mortgage with a 6.5% interest rate.

When the Federal Reserve eventually cuts short-term rates, ARMs could become more appealing to home buyers, said Mike Fratantoni, chief economist at the Mortgage Bankers Association.

Most home buyers would need to feel that the savings from an ARM are enough to trump the certainty of knowing their monthly payment with a 30-year fixed-rate loan, he said.

Buyers should still be able to afford the maximum possible interest rate on the ARM if necessary, even if they lose their job, said Heck at Morty.

Average mortgage rates



Note: Rates range depend on loans terms. Source: Bankrate

adjusts), which means their starting rates are normally lower. But for several months the yield curve has been inverted—unusually, short-term interest rates are higher than long-term rates. That wipes out ARMs' advantage.

ARMs were among many factors that helped fuel the 2008-09 financial crisis, when lenders made loans with ultralow teaser rates to subprime borrowers. The millions of foreclosures during the ensuing housing crisis showed that many buyers weren't ready for the rate adjustments.

ARMs are different these days, with enhanced borrower protections, but they still carry risk.

Some buyers who plan to sell their homes in a few years before the ARM rate



### LOOK BEYOND

Be it above or below the surface, exploring the unknown is, by nature, unpredictable. To unveil its mysteries, two things are needed. A steadfast willingness to push one's limits always further. And a strong, unwavering ally to fuel your confidence. Over the past 70 years, we have constantly perfected the Submariner to make it the tool watch of reference for the pioneers of the marine world. Yet you need not swim 300 meters deep, or endure 30 bars of pressure, to field-test it. Diving into the unknown can be an exhilarating experience, in any circumstance. All it really takes is to look beyond the surface. **The Submariner.**

#Perpetual



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ARTS IN REVIEW

MUSIC REVIEW | MARK RICHARDSON

# Anohni's Heartfelt Songs of Tumult

Though English-born singer-songwriter Anohni takes on of-the-moment issues—climate change, gender identity, the tumultuous political landscape—her work has always been grounded in history. She's a student of art by and for those who exist outside of the mainstream, and these traditions have always informed how she presents her own work. The cover of her breakthrough second album, 2005's "I Am a Bird Now," is the famed photo of Andy Warhol associate Candy Darling on her deathbed, and two other sleeves feature Kazuo Ohno, a prominent figure in the expressionistic Japanese dance style Butoh. But while her work extends from underground traditions, she's always enjoyed broader recognition, including being nominated for an Oscar for Best Original Song for "Manta Ray," from the documentary "Racing Extinction," and she's collaborated with artists including Björk, Marianne Faithfull, Laurie Anderson and Lou Reed.

**A masterful balance between expressive musicality and of-the-moment political lyrics.**

"I Am a Bird Now," which won the Mercury Prize, was released under the band name Antony and the Johnsons, and the group, named for gay liberation activist Marsha P. Johnson, was known initially for sturdy and elegant arrangements based around guitar or piano. (In the mid-2010s, she began working as Anohni, and around that time, she also publicly adopted female pronouns.) Through the late 2000s and early 2010s, her work became both more experimental and more expressly political, touching on opera and avant-garde electronics. Sometimes, her lyrics can tip into preachiness. When such words are paired with music that is intentionally unsettling, the result is a record that one may both admire and not reach for often. But Anohni's new album, "My Back Was a Bridge for You to Cross" (Secretly Canadian), the singer's sixth and the first billed



'My Back Was a Bridge for You to Cross' is the new album from Anohni and the Johnsons.

with the Johnsons since 2010—a portrait of the band's namesake is on the cover—evinces a marked shift toward accessibility while losing none of her political bite. Steeped in the aesthetic of classic soul, with touches of folk and rock, this is easily the most sonically welcoming LP Anohni has made. Her main creative partner here is producer Jimmy Hogarth (Amy Winehouse, Duffy), who plays most of the guitar along with other instruments. The arrangements lean

toward reflective soul and R&B music from the late '60s and early '70s—think Marvin Gaye's "What's Going On" or Curtis Mayfield's "Roots"—albeit with simplified rhythms. Album opener "It Must Change" sets the tone, with a warmly expressive guitar perfectly suited to her vocal timbre. Anohni's voice is like a combination of Nina Simone's earthy gravity and the soaring theatricality of Alison Moyet, best known for her work with the '80s pop duo Yaz. On this

track, about the need for a shift in consciousness in a world that seems to be coming to an end, her phrasing is conversational and immediate, almost as if you're hearing someone serenading you on a street corner. The worrying health of the planet is a subject that crops up repeatedly on "My Back," but the album's straightforward presentation allows the work to be experienced on multiple levels simultaneously. Anohni specializes in songs that are

about humanity's relationship to its terrestrial home, but also our relationships with each other. The chorus of the gorgeous ballad "It's My Fault" finds her shifting to her falsetto range and singing with a striking tenderness and delicacy, "It's my fault / The way I broke the Earth," over a spare guitar backing and subtle strings. It sounds like a breakup song, even as it's also about the future of human life. Other tracks have a more personal genesis. Anohni was inspired to write "Sliver of Ice" after a conversation she had with Lou Reed while he was near the end of his life in 2013. Reed told her how good ice melting in his mouth felt, and how staring down death had made him fully appreciate the sensation in a way that wasn't possible before. Anohni transforms these thoughts about the simple beauty of life into a slow, quavering ballad that unfolds with breathtaking beauty and emotional resonance. The following track, "Can't," was inspired by the death of another friend, and while the words are harrowing, expressing the helplessness and anger one feels after losing someone close, the music is swinging and celebratory as it builds to a cathartic and chill-inducing climax, complete with strings and a glorious honking saxophone. Throughout "My Back Was a Bridge for You to Cross," the musical pleasures give the listener space to absorb the album's often despondent message. There's a strong sense of balance and layered meaning, so that one can shift attention between sonic and lyrical elements and come away with something new each time. "Why Am I Alive Now?," which arrives late in the set, is a good example of these forces at play. The loose soul arrangement comes across as uplifting and mournful in equal measure, while the words reflect the despair of someone who sees future life on the planet as unrelentingly bleak. And then the final track, the ultra-spare ballad "You Be Free," is more hopeful, suggesting that sacrifices made today could lead to peace down the road. It's a satisfying ending to one of the year's best albums, a record that sits easily alongside those by the forebears Anohni so admires.

Mr. Richardson is the Journal's rock and pop music critic. Follow him on Twitter @MarkRichardson.

ARTS CALENDAR

## HAPPENINGS FOR THE WEEK OF JULY 11

By WSJ Arts in Review Staff

**Film**  
**"Mission: Impossible—Dead Reckoning Part One"** (July 12)

Just because you have an AARP card doesn't mean you can't be an action star these days. Tom Cruise is back (and continuing to do many of his own stunts) as Ethan Hunt in the latest entry in the action- and star-packed franchise. "MI" vet Christopher McQuarrie returns to direct a cast that includes Hayley Atwell, Simon Pegg, Rebecca Ferguson, Vanessa Kirby and Esai Morales.

**"Afire"** (July 14)  
 On the Baltic Sea a group of friends suddenly finds itself trapped by a series of wild fires that spark their passions as the threat grows increasingly closer in Christian Petzold's Silver Bear-winning drama.

**TV**  
**2023 ESPY Awards** (ABC, July 12)  
 The 31st annual sports awards ceremony features an always-exciting team of talent vying for recognition. In the Best Athlete category, Nikola Jokic, Aaron Judge, Patrick Mahomes and Lionel Messi square off for the men's honor; on the women's side, the nominees are Mikaela Shiffrin, Sophia Smith, Iga Swiatek and A'ja Wilson.

**"Full Circle"** (Max, July 13)  
 Famed director Steven Soderbergh returns to the TV format with this six-part series. Starring Claire Danes, Jim Gaffigan and Timothy Olyphant, it tells the story of a kidnapping gone awry in New York.

**"Bird Box Barcelona"** (Netflix, July 14)  
 The 2018 streaming film starring Sandra Bullock,

about a mysterious, deadly force that couldn't be looked at, was a surprising viral hit. Now a sequel, with a new cast, is hoping to capture viewers' eyeballs once again.

**Music**  
**Kool & the Gang, "People Just Wanna Have Fun"** (July 14)  
 To mark its coming 60th anniversary in 2024, this group—whose sound and personnel have shifted over the years but have always been rooted in soul, funk and R&B—releases its 34th studio album.

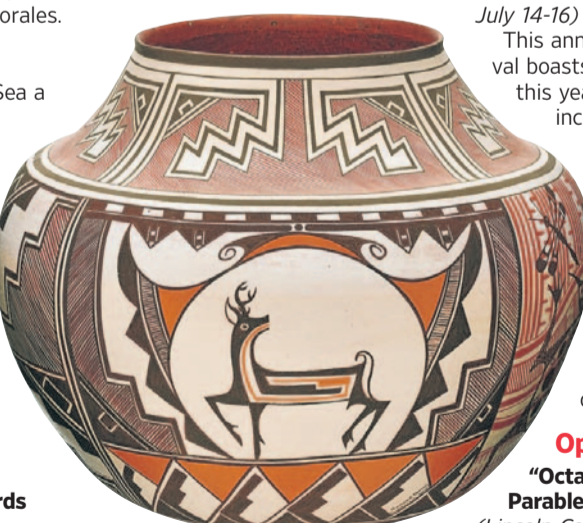
Abdollah Nafisi, David Nash and Hannah Rowan.  
**"Grounded in Clay: The Spirit of Pueblo Pottery"** (The Met Fifth Avenue, New York, July 14-June 4, 2024)  
 This show, the first community-curated Native American exhibition at the Met, collects more than 100 works spanning the 11th century to the present to explore the communitarian and personal aspects of Pueblo pottery.

**Dance**  
**Fire Island Dance Festival** (Fire Island Pines, N.Y., July 14-16)  
 This annual charitable festival boasts Alan Cumming as this year's host. Highlights include the world premiere of Jonathan Lee's dance celebrating hip-hop; a new work from Paul McGill set to Debussy's "The Sunken Cathedral"; Skyla Schreter's new duet; and more.

**Opera**  
**"Octavia E. Butler's Parable of the Sower"** (Lincoln Center, New York, July 13-15)  
 Part of Lincoln Center's Summer for the City festival, this New York premiere of Toshi Reagon and Bernice Johnson Reagon's opera draws on two novels of the Afrofuturist writer and looks at the past, present and future of race in America.

**Last Call**  
**"Regeneration: Black Cinema, 1898-1971"** (Academy Museum of Motion Pictures, Los Angeles, through July 16)  
 This celebration of black film prior to the wider integration of Hollywood features displays on Lena Horne, Josephine Baker, Louis Armstrong and others.

For additional Arts Calendar listings visit [wsj.com](http://wsj.com). Write to [brian.kelly@wsj.com](mailto:brian.kelly@wsj.com) and [julia.fischer@wsj.com](mailto:julia.fischer@wsj.com).



**Timothy Edaakie, Jaycee Nahohai, Anderson Peyneta, Bobby Silas, Noreen Simplicio and Eileen Yatsattie's 'Tribute Pot'** (2016)

**Art**  
**"Gather to Loose"** (Annelly Juda Fine Art, London, July 13-Aug. 25)  
 Artist's materials take center stage in this group show that highlights both the natural and the man-made, from soil and reclaimed timber to handblown glass and painted steel. There is a distinctly rustic and ecological bent to the works here from artists including Tadashi Kawamata,

The WSJ Daily Crossword | Edited by Mike Shenk

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- 23 Stuffy sort
- 25 Paperless exams
- 26 Frisbee, e.g.
- 28 Home brew?
- 29 Green prefix
- 32 Hung out to dry
- 33 Research site
- 35 Entirely certain
- 36 Called balls and strikes
- 37 Map within a map
- 39 Bakery product
- 40 All \_\_\_ sudden
- 45 Flagon filler
- 46 Skin art, for short
- 47 Presents
- 48 Skate park leap
- 49 Unreliable person
- 50 Clarifying words
- 51 Takes a turn, maybe
- 55 Smell awful
- 56 Vacant
- 58 Barracks bed
- 59 Med. care plan
- 60 Grammy winner \_\_\_ Nas X
- 61 Do-over in a tennis match

IT'S A STRETCH | By Rebecca Goldstein

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19 Winslet of "Avatar: The Way of Water"	44 Yarn	67 Kept a low profile?	21 Email attachment extension
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21 Argentina's Juan or Eva	47 Embrace one's inner star	1 NYSE watchdog	
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► Solve this puzzle online and discuss it at [WSJ.com/Puzzles](http://WSJ.com/Puzzles).

## SPORTS



A Senate hearing on the PGA Tour-LIV deal is set for Tuesday.

## Senators Set To Question PGA Tour About LIV Deal

By LOUISE RADNOFSKY AND ANDREW BEATON

**Washington**  
**WHEN THE PGA TOUR** viewed the Saudi-backed LIV Golf league as an existential threat, it counted politicians among its most prominent allies. A Senate hearing on Tuesday will be a public gauge of how dramatically and quickly that support transformed into antagonism.

Tour officials will appear before the Senate's Permanent Subcommittee on Investigations for a first hearing on the agreement between the Tour and Saudi Arabia's sovereign-wealth fund—a pact between bitter enemies that shocked the golf world and quickly drew the ire of Capitol Hill.

The hearing arrives at another moment of internal tumult for the Tour because of rancor over that stunning deal. They'll be testifying little more than 36 hours after Tour policy board member Randall Stephenson said he was resigning over the deal, while specifically citing the 2018 killing of journalist Jamal Khashoggi by Saudi agents.

Stephenson, the former chief executive of AT&T, also complained that the deal had been reached without input from the board. His departure was first reported by the Washington Post.

Lawmakers are set to grill the PGA Tour's chief operating officer Ron Price, after PGA Tour commissioner Jay Monahan took a leave of absence to address an unspecified "medical situation" shortly after he announced the deal. Monahan said Friday that he would be returning to work July 17—six days after the hearing.

Jimmy Dunne, a PGA Tour board member who was one of the deal-brokers, will also testify.

The committee's chairman, Connecticut Democratic Sen. Richard Blumenthal, indicated, in an interview ahead of the hearing, that it's likely to be a rough outing. "They betrayed the people and institutions that supported them," he said of the Tour, pointing to players who rejected LIV Golf's overtures, families of Sept. 11 victims that rallied against the upstart circuit—and public officials. "The American people want us to uncover the facts about this foreign government taking charge of a cherished American sports institution," Blumenthal added. The Saudi government, he said, is "taking over not a team, but the entire sport, so the stakes are real."

JASON GAY

# Trade Baseball's Best Player? It Really Could Happen

The Angels face a hard choice on Shohei Ohtani. Plus: a riveting duel at the Tour de France.



Hi! I'm back pecking consonants and vowels, after a quick break. I hope everyone had a nice Fourth. I spent mine at a river being outfished by a trash-talking 10-year-old, which is exactly as humiliating as it sounds, for me and the fish.

Lots happening in sports, let's catch up: Baseball's All-Star Game is here, and so is the annual fret for the future of Shohei Ohtani, the brilliant slugger-ace baseball superstar trapped in a bleak funhouse called the Los Angeles Angels.

This year there's urgency: Ohtani is a free agent at season's end, able to sign where he wants, and sure to attract historic offers from money pits like the Dodgers and Mets. So the question is whether the Angels, who have dropped 9 of 10 and sunk to a blah 45-46, should A) keep Ohtani and hope he craves more delicious mediocrity or B) deal him away now, grab some players and/or prospects, and load up for the inevitable rebuild.

The smart baseball move is to trade him, of course. But the Angels often resist smart baseball moves, so it's unclear how they will maneuver as the trade deadline approaches on Aug. 1.

It's a legit dilemma, a story line that threatens to swallow Tuesday's All-Star Game in Seattle, and another reminder that the Angels have been a lacking launchpad for the game's most transcendent player. An ultimate playoff weapon—a lights-out pitcher who leads the majors in home runs—has yet to participate in one lousy playoff game, not even a snivelly single-game elimination scrap. It's like having Bob Dylan walk the Earth without anyone bothering to record him. Whatever is next for Ohtani, let's hope his stage is bigger.

This column has been full of praise for baseball this season; I remain jazzed about the improvements to pace of play, which have slashed the average nine-inning game time from *This is Never Going to End* and *I Am Going to Die in This Ballpark* to a merciful two hours, 38 minutes.

**AT THE SAME TIME**, there's something extremely baseball about the fact that the All Star Game won't feature the most exciting player in the game—someone who is, amazingly, not Ohtani, and is uninjured and perfectly able to play.

I speak, of course, of the sensational Cincinnati Reds rookie Elly De La Cruz, who in one month has transformed a long-suffering franchise, helping vault the Reds into first place in the NL Central and gifting the Internet with a nightly dose of brain-melting highlights.

The most staggering Elly highlight thus far has to be The Saturday Night Triple Steal—in a single inning, over two pitches, the 6-foot-5 shortstop stole second base, third base and then home against snoozy rival Milwaukee.

If you're not alert to De La Cruz's skill, here's a crash course: Since his June 6 call-up from the

minors, he's hitting .325 with four home runs, 16 RBI and a crazytown 16 stolen bases. The Reds—22-7 in games De La Cruz has started—are suddenly the Greatest Show in Baseball, led by an irresistible tornado of talent and joy.

Wouldn't you want to see that on Tuesday? I would! Baseball has its traditions and protocols, and I know how important those are—pause here for lengthy eye roll—but there should be a commissioner's slot for a late-breaking candidate like De La Cruz. MLB already has the ability to add All-Stars for career achievement: Last year it named the be-

peat that for the old wooden racket diehards in the back: He comes to the net. It's delightful to watch.

**YOU KNEW** I would not be able to get this far without diving into the ongoing Tour de France. This is a *great* Tour so far. Chaotic, but great. Week one is in the books, a rest day on Monday, and already we've watched a spectacular battle for the champion's yellow jersey. Last year's winner, Jonas Vingegaard of Denmark, leads again—but barely, by 17 seconds. In pursuit is two-time champ and 2022 runner up, Tadej Pogacar, who for the last few stages

to come down to two men and what's in their tanks. Let's hope that Netflix—which bizarrely short-changed the good-natured Tadej-Jonas rivalry in its Tour 2022 documentary series—isn't napping now.

They'll need the story line, because of the departure of Mark Cavendish, the charismatic, aging sprinter who entered the Tour needing one victory to eclipse Eddy Merckx's record of 34 stage wins. In the space of 24 hours, Cavendish narrowly missed No. 35 after tech troubles (his chain skipped, slowing his momentum), and then crashed out of the Tour with a broken col-



Shohei Ohtani will be a free agent at the end of the MLB season.

loved geezers Albert Pujols and Miguel Cabrera.

**HARD TO FIND** a better story in sports right now than Chris Eubanks, the late-blooming Georgia Tech Yellow Jacket now in the Wimbledon quarterfinals after a five-set triumph Monday over World No. 5 Stefanos Tsitsipas.

What's not to love here? Eubanks is 27 years old, a tennis journeyman who was barely treading water inside the Top 200 at this time last year.

Eubanks is 6-foot-7, and when he gets rolling, as he's done lately, he's a hard-to-handle opponent with a powerful serve and potent ground strokes. He plays with slices and speeds, and best of all, he's not afraid to come to the net. I'll re-

has seemed like he's chasing Vingegaard with a chain saw down the corridor of a very narrow French motel.

This is the fantasy for cycling fans—two epic mountain goat superstars, trading high-watts-per-kilogram blows at altitude, racing with panache instead of dreary caution. Vingegaard hit Pogacar early in the Pyrenees, and it looked bad, but the 24-year-old Slovenian has emphatically responded, distancing his rival on two mountain stages to narrow the gap.

What's next? I don't know! Vingegaard has an edge with teammates like Wout van Aert and Durango's Sepp Kuss, but Pogacar looks on form, and, better yet, aggressive. In the end, it's going

larbone. He's done. It's a bummer.

That's the Tour, of course: cruelly pedaling alongside beauty, every day. On Sunday it was the ferocious late climbing of the Canadian rider Michael Woods, who spoiled a brilliant afternoon by Idaho's Matteo Jorgenson by overtaking him in the closing meters atop the volcanic Puy de Dôme.

For Jorgenson, it's heartbreak, but he's young—24, with plenty to come.

Woods is 36, a late bloomer who competed as a distance runner at the University of Michigan before injuries pushed him to give cycling a shot. He has been on a long climb since, and his furious come-from-behind Tour victory is a colossal career accomplishment.

Yes: I just wrote something positive about a Michigan Wolverine. If you report me, I'm going to tell all your friends you made it to the end of a Tour de France article.

## The All-Stars Thriving in MLB's New Era of Rules

By LINDSEY ADLER

**Seattle**  
**MAKING IT TO BASEBALL'S** All-Star Game this year required more than the usual on-the-field excellence that merits a trip to the Midsummer Classic. This class of All-Stars had to do it while navigating the first season of radical rule changes that have upended the pace and strategy of the game.

The 2023 All-Stars arrived here having shown their performance was unaffected by the league's new aesthetics—or showing that they have embraced the new rules and used them to their advantage.

This year, the league introduced a pitch clock after testing it in the minors for several years. It finally made good on a nearly decade-long threat to restrict the positioning of infielders—colloquially known as “banning the shift”—to try to make the game fairer to left-handers and ground ball/line drive hitters. To encourage the revival of the stolen base, MLB increased the size of the bases by 3 inches, giving runners

just a little more leeway to slide in safely, and added a rule limiting pickoff moves by pitchers.

Before the season, MLB commissioner Rob Manfred framed the new rules as a way to restore the previous aesthetics of the game. “Drastic is *your* word for it,” Manfred said in an interview with The Wall Street Journal in March. At the pivot point of the first regular season with the new rules in action, Manfred offered an update on his preseason description: The result of these changes is “dramatic,” he told the Journal through a spokesman heading into the break.

The league is tracking the impact of these rule changes closely. Heading into the break, the average time of game for a major-league contest in 2023 was 2 hours, 40 minutes. Each team is averaging a game length of 2 hours, 46 minutes or less. This is down from the 2022 mark of 3 hours, 6 minutes to complete a major-league game. That figure, “3:06,” haunts the minds of league executives, many of whom can recite it on command when speaking about the



Ronald Acuña Jr. has 41 stolen bases at the All-Star break.

rates remain high and the rate of balls in play per game don't yet reflect a marked difference in the overall action of the game.

One big change this season is in the number of players who are reliably stealing bases. In 2023, 13 MLB players have 20 or more stolen bases by the All-Star break. In 2022, that number was five players. In 2021, that number was two. Of the All-Stars, Braves outfielder Ronald Acuña Jr. has broken out on the bases more than anyone. He has 41 stolen bases in 89 games played.

Players have mostly adjusted to the new rules without incident. Entering the All-Star break, there have been 511 total pitch clock violations by pitchers (in 1,357 total MLB games) and just 213 batter violations. Only nine batters have three or more violations this season, and only four pitchers have had five or more violations of the pitch clock.

The broad effects of the rule changes can be difficult to observe on a pitch-by-pitch basis, but this year's class of All-Stars will be remembered as the first group of players to excel in this new era of the game. They're not all sitting up in All-Star uniforms thanks to the rule changes, and they're not all there despite them, but they have performed above their peers this season in a drastically altered offensive climate.

implementation of the pitch clock.

The offensive results of the changes are slightly more tenuous to quantify. The average number of hits per game is up to 8.39 from

8.16 in 2022, and stolen bases have increased from 0.72 per game from 0.51 last season. Overall, offense is up and looks a bit different from recent seasons, though strikeout

## OPINION

## The ‘Ongoing Investigation’ Dodge



MAIN STREET  
By William McGurn

Delaware U.S. Attorney David Weiss says he's willing to answer Congress's questions about the Hunter Biden case—but not yet. On Monday he again invoked an “ongoing investigation” as a reason for why he won't do so now. The problem for Mr. Weiss going forward is that there is no “ongoing investigation” exemption for refusing Congress.

His latest comments come in a reply to Sen. Lindsey Graham, ranking member of the Judiciary Committee, who had asked what actions Mr. Weiss had taken in regard to an informant's accusation that Joe Biden had accepted a \$5 million bribe from a Ukrainian energy company while he was vice president. Mr. Graham also wanted to know whether Mr. Weiss had sought special counsel status. Mr. Weiss answered that he had neither “requested” nor been “denied the authority to bring charges in any jurisdiction.” This contradicts what IRS investigator Gary Shapley testified that Mr. Weiss told six witnesses at an Oct. 7, 2022, meeting.

Remember what this is all about. It began with Republican questions about what exactly Biden family members did in exchange for millions apparently paid to them by overseas companies. Then we learned about the alleged bribe. Each bit of new information only

raised more serious questions. Notwithstanding the partisan sniping and media catcalls, Congress has done a decent job of unearthing specific information that the Justice Department and FBI didn't want public. Their stonewalling now presents the ultimate oversight issue: Did the FBI and Justice properly investigate? Or did the Biden name prevent that?

Attorney General Merrick Garland insists Mr. Weiss was free to bring whatever charges he wanted anywhere he wanted to bring them. Mr. Weiss's public statements back that up.

But Mr. Shapley testified that Mr. Weiss stated, in the presence of six witnesses, “I'm not the deciding official on whether charges are filed.” He further said Mr. Weiss “shocked us” with the news that “the Biden-appointed D.C. U.S. Attorney Matthew Graves would not allow him to charge in his district.” Finally, Mr. Shapley testified that Mr. Weiss had admitted he'd “subsequently asked for special counsel authority from Main DOJ at that time and was denied that authority.”

Mr. Garland insists there was no interference and Mr. Weiss was free to bring charges in any district he saw fit.

All we know is that someone is lying. The Republican House committees rightly want Mr. Weiss to come in and clear it all up.

Alas, Mr. Weiss isn't cooperating. And too many are letting him off with his “ongoing investigation” excuse.

“The executive branch response of ‘ongoing investigation’ is really a political objection, rather than a legal one,” says Andrew McCarthy, a former assistant U.S. attorney. “There is no ‘ongoing investigation’ privilege.”

The “ongoing investigation” dodge is particularly troublesome here, because the issue now is the integrity of Justice and the FBI. The suspicion isn't that Mr. Weiss is

**In the handling of the Hunter Biden case, all we know for sure is that someone is lying.**

protecting his case. It's that he's trying to shield the investigators and prosecutors from accountability for what they did and did not do.

It's true there are prudential reasons why prosecutors and investigators don't discuss ongoing cases—mostly for fear of jeopardizing them. But legitimate concerns can be accommodated, such as by holding a closed-door hearing.

Much of the information Congress has already unearthed, moreover, should be relatively easy to confirm or refute. On Sunday, Iowa Sen. Chuck Grassley released his own letter with six questions for Mr. Weiss to answer. They range from whether he's still investigating the bribery allegations against President Biden to why IRS agents were shut out of a key

Justice and FBI briefing in 2020.

That's oversight. It's maddeningly slow. Right now the House committees are trying to squeeze information from federal authorities. They are also beginning to depose the people involved under oath, such as those named by Mr. Shapley. Then come subpoenas, maybe even for Mr. Weiss and Hunter Biden.

That won't be until they've got enough of those involved on the record to have a fair idea of what's left to ask. In the past, Congress might have deferred to concerns about an ongoing investigation. But the FBI and Justice have lost the credibility that made that possible. They themselves are the issue now, and Congress has a duty to get answers.

The process isn't perfect, but it beats dumping everything on another special counsel. Former Attorney General William Barr told Fox News last month that the Justice Department's indictment of Donald Trump (which he says was justified) “really demands that the department assure everybody that the investigations into the Bidens was thorough and that the final decisions reached were reasonable.” They should accordingly view Mr. Comer's committee as “a good opportunity to do that.” It's in Mr. Garland's and Mr. Wray's interest to cooperate with Congress fully.

But only if they have nothing to hide.

Write to [mcgurn@wsj.com](mailto:mcgurn@wsj.com)

BOOKSHELF | By Timothy Farrington

## Movements With Meaning

Thinking With Your Hands

By Susan Goldin-Meadow  
(Basic, 263 pages, \$30)

S nob of Northern Europe have long prided themselves, among other marks of imagined distinction, on their stillness in speech. The gesticulating Italian is a stubborn stereotype, but some drew the boundary even farther north. “A Frenchman, in telling a story that was not of the least consequence to him or to anyone else, will use a thousand gestures and contortions of his face,” Adam Smith said in a lecture in the 1760s, his hands presumably visible and steady. Even when it's not wielded as a cudgel of nationalism, gesture is still often considered a garish ornament to rational discourse—or a cheap substitute for action, as when we dismiss something as a “political gesture.”

But it's a mistake to ignore gesture, Susan Goldin-Meadow writes in “Thinking With Your Hands: The Surprising Science Behind How Gestures Shape Our Thoughts.” Far “more than just hand waving,” it is an “undercurrent of conversation” that expresses emotion, conveys information and aids cognition.

Ms. Goldin-Meadow is a scientist—a developmental psychologist at the University of Chicago—and “Thinking With Your Hands” is a book of science exposition, something like a lecture from a good professor.

She doesn't swaddle the facts in phony narrative or make excessive claims for their world-shaking import. She summarizes results from the literature and her own extensive research; generously cites predecessors and collaborators; and frankly admits when more work is needed. There are occasional lumps of jargon, banal formulations (“Moral education is an important topic these days because it prepares children to be fully informed and thoughtful citizens”) and overlapping accounts of the same studies. But the subject is fascinating.

Ms. Goldin-Meadow turns first to “co-speech” gestures—those we make (and make up) as we speak. Unlike “emblems”—the repertoire of culturally specific hand signs such as the thumbs-up, the “OK” circle or the ear-to-ear throat slit—they have no fixed form. They also serve a wider range of functions than emblems, not only communicating meaning to one's listeners but also supporting our own cognition. People talking on the phone gesture, she points out, as do the congenitally blind, even when talking to other blind people.

One of her studies found that gesturing seemed to reduce the amount of mental work it took to explain the solution to a math problem. Effort was measured by asking the subjects to simultaneously recite a series of letters from memory, with more letters recited suggesting that less effort was required for the math-explanation task. (A small pleasure of “Thinking With Your Hands” is the inferential ingenuity on display in the experimental designs.) Another found that adults who gestured were better able to recount events in videos they had watched weeks earlier than those who didn't.

Gesturing can also help to spatialize abstractions, making them more tractable for discussion. Children in one study who moved their hands while considering a moral dilemma, seemingly assigning conflicting positions to distinct spaces in front of them, appeared to be better at assimilating multiple points of view. In another experiment, children were taught the meaning of a made-up word with one specific toy used to demonstrate it. Compared with those who didn't, the children who gestured were quicker to “generalize beyond the particulars of the learning situation” and extend the word's application to other cases.

**Gestures communicate meaning but also help support our own cognition. Even people on the phone often gesticulate.**

An expert in child development, Ms. Goldin-Meadow is especially focused on gesture's role in education. Taking gesture seriously by noticing and encouraging it, she insists, would benefit both teachers and students. Children learning to solve certain simple equations, it turns out, often verbally describe using an unsuccessful problem-solving strategy while gesturing in a way that indicates a different, effective approach (making V shapes that group certain numbers to be added together, for example). Those who exhibit these manual-verbal mismatches, Ms. Goldin-Meadow has found, are usually the closest to achieving a breakthrough in their understanding. And students whose teachers used such mismatches in their lessons performed better than others, suggesting that gesture offers a rich channel of additional information.

Interestingly, the effect doesn't seem to come from simply presenting two different strategies. Teachers who described two approaches verbally didn't achieve the same boost in their classes' learning. There's something distinctive, Ms. Goldin-Meadow writes, about the combination of words and movement unfolding in time. (The rate is relatively stable; English speakers tend to produce one gesture per grammatical clause.) In fact, she writes, the integration of sound and gesture is a “hallmark” of humans, used even by pre-adolescent children but not by apes.

Gesture throws indirect light on the nature of human language, Ms. Goldin-Meadow argues, drawing on research into the hand signs devised by deaf children born to hearing parents or otherwise deprived of established sign language. Such “homesign” shows the same sort of organization as spoken languages do, breaking events down into discrete components (signs, words) that are then assembled into an ordered string. “It is our minds,” Ms. Goldin-Meadow concludes, “and not the handed-down languages, that provide structure” for our thoughts. Language is deep enough in our brains that even a child can invent it from scratch. By contrast, she notes, children don't seem to invent the concept of exact numbers (as opposed to approximations) greater than five or so on their own.

There is relatively little in “Thinking With Your Hands” about cultural variation in co-speech gesture. One wonders to what degree the stereotypes are empirically true, for example, and whether there are differences in the amount and type of information conveyed by speakers from different cultures. But she does mention one intriguing detail about homesigners from China and the U.S.: Their signed narrations of certain events were more similar to each other than were the spoken accounts of Chinese and American children. Some kinds of gesture, it seems, are more universal than the occasional Scotsman might want to admit.

Mr. Farrington is a former editor at Harper's and the Journal.

## This Isn't Your Father's NATO

By Tod Lindberg

Just as military planners are often accused of preparing to fight the last war, geopolitical analysts sometimes may be fairly charged with trying to cram new developments into yesterday's familiar frameworks. Such is the case with Ukraine today.

The security challenges and opportunities in Europe have changed irrevocably since Vladimir Putin launched a full-scale invasion of Ukraine in February 2022. News accounts today focus on speculation about the progress of the Ukrainian counteroffensive and what assurances Ukraine may receive about becoming a member of the North Atlantic Treaty Organization at the alliance's summit this week in Vilnius, Lithuania. But the challenge at the moment is a conceptual one: updating our strategic assessment to reflect emerging security conditions.

Mr. Putin gambled and lost. His would-be war of conquest to reconstitute something like the Russian Empire failed more than a year ago. He is now in a war of devastation against an enemy unwilling to lose, and it will end either with his defeat and withdrawal from Ukraine or with a heavily armed, long-term standoff on either side of a de facto border determined by the progress of the fight.

Unfortunately, Russian rhetoric remains such that we can't

rule out the possibility of massive devastation of Ukraine by a Russian nuclear strike or destruction of Ukraine's Zaporizhzhia nuclear power plant. But that's the point at which speculation about what would happen next becomes useless, because no one knows. Nor does anyone know what would happen if some aspiring strongman decides to cross the Rubicon that Wagner Group

**An anti-Putin military alliance now stretches from the Barents to the Black Sea.**

chief Yevgeny Prigozhin approached but didn't cross. Mr. Putin has squandered substantial power throughout the Russian Federation over the past 18 months. Others may dare to try and seize it.

Even in defeat, however, Russia isn't going anywhere. It is difficult now to fault Russia's Baltic neighbors and other Central and Eastern European NATO members for their often-voiced post-Cold War suspicions about Russian intentions. Were postwar Moscow somehow to turn benign, nothing guarantees it would remain so. The security needs of Russia's neighbors are permanent. That's geopolitics.

Exactly contrary to his express war aims in Ukraine, Mr. Putin has managed to transform

Russia's geopolitical position for the worse. Sweden and Finland have moved from their long-held tactical position of NATO nonmembership to all-in with the alliance.

NATO's Article 5 pledges members to regard an attack on any of them as an attack on all of them. Members have long been inclined to see this as primarily an American security commitment. But in the Winter War and Continuation War more than 75 years ago, Finland successfully fought a war of national survival against Russia. Finland has considerable and growing military capability today. So does Sweden. Each has now not merely accepted an offer to be defended by NATO; they must pledge to defend its other members as well.

On the central front, Poland seems determined to become a consequential European military power. Ukraine seems likely to join Finland in having fought off an existential threat from Moscow, and its military is now large, capable and battle-hardened.

Consider as well Europe's collective response to Mr. Putin's attack on Ukraine. Once Ukrainians proved everyone wrong in thinking the country would collapse in 72 hours, the conversation quickly moved beyond sanctioning Russia to providing military assistance to a country whose bid for NATO membership most Europeans spurned in 2008. This was the response of Europe to

an attack on a nonmember. That bodes well for alliance solidarity.

Does anyone really think these are merely short-term features of European security? It is now barely a question at all whether Ukraine—if it fends off Russia—would be willing to come to the military assistance of Poland, Lithuania, or Finland in the event Russia becomes restive again a generation from now.

After 9/11, the Vilnius Group of NATO aspirants in Central and Eastern Europe declared themselves allies in fact, if not yet by treaty: They said they regarded the attack on the U.S. as an attack on themselves. It was the right thing to do diplomatically, and it exposed them to additional risk in a world whose future looked suddenly uncertain.

Ukraine, however, has established that it will fight. Not only in self-defense but also for its European aspirations and, by extension, for Europe, its trans-Atlantic partners, and the values they share.

Ukraine is already one of NATO's sharpest teeth in a collective defense arrangement that extends from the Barents Sea to the Black Sea. We just need to complete the paperwork.

Mr. Lindberg is a senior fellow at the Hudson Institute.

Walter Russell Mead is away.

## No Beauty Salons in Afghanistan

By Malaina Kapoor

Quickly and silently, women in Afghanistan are losing their identities. Last week the Taliban confirmed that all beauty salons in the country must close up shop in one month. According to the Taliban, these establishments present issues in Islamic law and impose unfair burdens on the families of grooms-to-be who traditionally cover a bride's services. But Afghan beauty salons have always been more than a place to get a hairstyle or eyebrow threading. It's where women go to look beautiful, even if that beauty can only be seen in the privacy of a home or a segregated wedding hall.

The salons were also one of the last places where women were allowed to gather, earn an income and exist apart from men. In a sea of burqas, nothing differentiates one woman from another. But a salon thrives on the idea that a curl or a

bright red lipstick can set you apart.

For many in the U.S., the salon ban may seem like a sad but minor footnote in Afghanistan's long, tragic history. But this moment holds particular weight because it highlights how quickly Afghan women have lost everything that defines them since the Taliban returned to power in 2021.

**The Taliban strip the country's women of everything, even their femininity.**

In two short years, women and girls have lost access to every intellectual area of the country. Women who once were doctors, teachers and students have been reduced to one function: their womanhood. Strict dress codes and the beauty salon ban have even denied women their femininity. It's chilling to

imagine what might be next.

As the coauthor of a book on women's rights in Afghanistan, I've followed this disintegration closely. The book recounts the story of Sola Mahfouz, who escaped Afghanistan in 2016. Sola grew up in Kandahar, a conservative city whose values have since been imposed on the rest of the country. When she was 11, a group of men came to her door and threatened to throw acid in her face if she continued her education. For the next nine years Sola was confined to her family's compound. She seldom ventured beyond its walls.

When Sola did leave home, it was usually to attend a wedding. Traditionally, Afghan women accompany the bride while she has her hair and makeup done before the ceremony. On such occasions, sisters and cousins spend hours crowded in a salon brimming with excitement, laughter and anticipation. Hearing Sola's memories, I

wondered at the freedom that small room must have offered. It would have been a welcome break from unrelenting cooking and cleaning and a rare chance for a woman to make decisions about herself, even if only aesthetic ones. Sola said that for many girls, the small taste of the outside world became their escape from reality, providing them with the strength to go on with their daily lives.

Today there are echoes of Sola's story in the story of every young Afghan woman. But these women are rapidly losing even the small freedoms that Sola once cherished. Through bans and decrees, the Taliban are posing a dire question: When you take away a woman's job, her education and her smallest freedoms, does she have anything left?

Ms. Kapoor is a co-author of “Defiant Dreams: The Journey of an Afghan Girl Who Risked Everything for Education.”

OPINION

REVIEW & OUTLOOK

The States Where Incomes Grow Faster

President Biden will never admit it, but he has Republican-led states to thank for the resilient U.S. economy and labor market. Witness how an earnings surge in right-leaning states is helping compensate for sluggish growth in progressive ones.

New state personal income data from the Bureau of Economic Analysis highlights how aggregate worker and proprietor earnings in red states grew significantly more in the last year than in the blues. The disparity owes to GOP-led states adding more jobs, including in higher-paying industries like tech and finance, along with faster-growing wages.

Earnings nationwide rose 5.4% on average between the first quarters of 2022 and 2023, but much less in New York (2.6%), Indiana (2.6%), California (2.9%), Connecticut (3.4%), Rhode Island (3.6%), Maryland (4%), New Jersey (4.3%), Oregon (4.5%) and Illinois (4.6%). Apart from Indiana, these states are run by Democrats—and most have been for years. They boast high taxes and a high cost of living, which along with Covid lockdowns spurred increased out-migration during the pandemic.

Meanwhile, earnings in the same period surged in North Dakota (9.7%), New Mexico (9.6%), Nevada (9.1%), Florida (9.1%), Nebraska (8.6%), Hawaii (8%), South Carolina (8%), Alaska (7.9%) and Texas (7.7%).

How to explain this? California suffered from tech layoffs. Hawaii, Florida and Nevada benefited from a tourism resurgence after Covid's Omicron wave ebbed. Higher oil and gas prices and production boosted earnings in New Mexico, North Dakota and Alaska, though less so in Texas, which has a more diverse economy.

States with higher earnings growth also tend to have lower tax rates as well as fast-growing

populations. Consider neighboring Utah (7.2%) and Colorado (4.9%), which have similar economies but diverging political climates as Colorado becomes more like California. Could that be affecting its earnings growth?

Progressive states have sought to shower subsidies on favored industries such as green energy. Yet earnings in Texas and Florida grew faster across the board than in New York and California, including in information, manufacturing, construction, retail, finance, and professional, scientific and technical services. (See the nearby chart.)

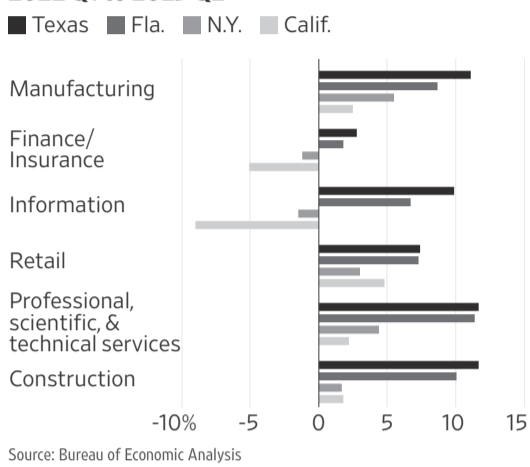
Manufacturing earnings grew 11.1% in Texas and 8.7% in Florida, versus 5.5% in New York and 2.5% in California. While information earnings declined 1.5% in New York and 9% in California, they grew 6.7% in Florida and 9.9% in Texas. Construction earnings grew five times faster in Florida (10.1%) and Texas (11.7%) than in New York (1.7%) and California (1.8%).

Population growth in Sun Belt states such as Florida and Texas continues to fuel housing construction despite rising interest rates. Easier permitting makes it less expensive to build, resulting in more affordable housing.

Wages have also been growing faster in general in GOP-led states, perhaps owing to tighter labor markets. Average private hourly earnings between March 2022 and March 2023 outpaced inflation in Texas (6%) and Florida (6.4%), but not in Illinois (1.4%), New York (2.7%) and California (3.2%). That means real wages in these blue states declined by 2% to 3%.

It's no surprise that more Americans are moving to states where wages are growing faster and their earnings go further. Maybe one reason the U.S. economy continues to chug along is because the rising tide in states like Florida and Texas is lifting all boats.

Aggregate Earnings Growth by Industry, 2022 Q1 to 2023 Q2



Source: Bureau of Economic Analysis

LETTERS TO THE EDITOR

Do U.S. Universities Have a 'Legacy' Problem?

Regarding William Galston's "End College Legacy Preferences" (Politics & Idea, July 5): Although I don't agree with state-financed discrimination in college admissions, I support legacy admissions at private universities. The institutions have evidently concluded that legacy admissions benefit them, probably financially, and why should they give that up?

The solution is obvious: Private institutions need to become private again. Heavily endowed colleges like Harvard, Stanford, Yale and the rest don't need to feast at the taxpayers' trough. If they use their own money, instead of mine, they can admit, educate and graduate whoever they like. After *Students for Fair Admissions v. Harvard*, if they really believe that their institution or our society will be better off with the preference of the month, that's exactly what they'll do. I won't be holding my breath.

JUDITH WARREN  
Pasadena, Calif.

I went to Notre Dame and so did my son. My grandson may also go one day. I wasn't a major donor, but when my son was on the admission wait list, I pulled as many strings as I could. It may have worked; my son graduated, then went to Notre Dame Law School. He is the kind of person that makes Notre Dame proud.

We both love Notre Dame. We "legacy people" care deeply about our alma mater and its culture. I believe this keeps it special, and I would guess that is true for other schools as well.

MIKE PRECOBB  
Menlo Park, Calif.

Imagine my astonishment when I saw Mr. Galston's headline. He opines further that "fairness requires equal opportunity for all and special privileges for none." If racial preferences are wrong, then legacy admissions are wrong—QED.

It is somewhat odd, however, that not a word of Mr. Galston's now apparently staunch opposition to preferences had managed to make its way into his columns previously. Perhaps the Supreme Court majority's arguments in *Students for Fair Admissions v. Harvard* were so convincing that he has been driven to realize the error of his ways and launch what one hopes is a persistent campaign of his own to stamp out preferences and special privileges, racial or otherwise. One can hope.

EM. PROF. PAUL E. MICHELSON  
Huntington University  
Huntington, Ind.

ROSS APPELEYARD  
Denver

It is exceedingly rare that I agree with Mr. Galston, but his exhortation to end legacy admissions in higher education is one such time. "Legacy" (read: "money") is as inimical to meritocratic institutions as are race-based admissions. Harvard has been playing that game for many years. It is time to put its more-than-\$50 billion endowment to better use. After all, Harvard isn't in the Massachusetts real-estate market for a bigger campus, is it?

The Cruel Disappearance of U.S.-Flag Shipping

Seth Cropsey's "Build Up the Merchant Marine or Pay the Price" (Letters, July 3) is a timely reminder of a continuing problem in U.S. policy. From its post-World War II position of strength, U.S.-flag international shipping is today virtually nonexistent.

The crux of this difficulty is the controversial Jones Act, ostensibly designed to protect U.S. shipping, shipbuilding and seafarers but failing to do any of this. It has instead stultified investment in shipping, permitted lack of competition in an outdated shipbuilding sector and discouraged young Americans from a seagoing career. In other words, a

century-old, reactionary, costly and protectionist piece of legislation has prevented the world's largest trading country from resuming its rightful place as a major international shipping force.

Over 90% of global trade is carried by sea in a global industry that depends on the freedom to build, trade, staff, insure and operate modern ships anywhere. Any state that attempts to restrict this will depend on nonnational-flag shipping for its international trading needs and its own flag fleet will wither away.

EDGAR GOLD  
Brisbane, Australia

Questions of Fact in Supreme Court Dissents

Speaking of factual errors in the dissents in the racial-preferences cases ("Justice Jackson's Incredible Statistic" by Ted Frank, op-ed, July 6), Justice Sonia Sotomayor writes that under Jim Crow, University of North Carolina "excluded all people of color from its faculty and student body." This is false. UNC excluded African-Americans until the civil-rights revolution of the 1960s, but other "people of color," including Asians, Hispanics and Native Americans, attended UNC. The first documented Asian student was a Japanese immigrant who matriculated at UNC in 1893.

PROF. DAVID E. BERNSTEIN  
Scalia Law, George Mason University  
Arlington, Va.

that only black doctors should treat black newborns. Logically, then, only white doctors should treat white newborns. Extending further to older children and adults, we would have a medical apartheid.

The implication is that white doctors put less effort into treating high-risk black newborns, a libel against white doctors. In more than 50 years of practice, I have seen no such thing.

MEL VIGMAN, M.D.  
Summit, N.J.

Mr. Frank shows that Justice Ketanji Brown Jackson's claim, "For high-risk Black newborns, having a Black physician more than doubles the likelihood that the baby will live," isn't only wrong, but absurd. From her statement, one could conclude

How Independent Voters Can Get Better Choices in 2024

Once again, we are reminded that most voters don't want a Biden-Trump matchup in 2024 ("Who's Afraid of a Third Party?" Review and Outlook, July 5). Rather than staying aloof or forming a third party with limited prospects and the potential for unintended consequences, independent voters should join either of the two major parties, join in "making the sausage" and take part in the nominating process. This would dilute the otherwise domineering bases of each party to the point where more centrist candidates would be nominated, leaving "independents" free to vote for either one in the general election. Problem solved.

BRIAN PORTIS  
Peekskill, N.Y.

Golf Is a Bargain, in a Way

Regarding Mark Naida's op-ed "The Primitive Appeal of Golf" (June 28): Golf has an additional appeal. As a friend of mine says, a round of golf is cheaper than seeing a psychiatrist.

ROBERT FIORE  
Newton, N.J.

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.

Hunter's Prosecutor Keeps Dodging

Delaware U.S. Attorney David Weiss keeps insisting he had complete authority to charge Hunter Biden how and where he wished. So why is he so reluctant to answer questions from Congress?

In a Monday letter to Sen. Lindsey Graham, Mr. Weiss repeats his recent claim to House Republicans that he had ultimate "authority" to charge the President's son, while also providing a few more details. Mr. Weiss says he never requested a special-counsel designation, but that he did have "discussions with Departmental officials" about a "potential appointment" as a special attorney.

The latter would have let him "file charges in a district outside my own without the partnership of the local U.S. Attorney." He says "I was assured that I would be granted this authority if it proved necessary." This conveniently gels with Attorney General Merrick Garland's claim that Mr. Weiss never asked for special-counsel status but could have filed charges anywhere.

Yet those claims conflict with the testimony of IRS investigator Gary Shapley. The tax specialist says a team of IRS, FBI and DOJ officials last year were ready to charge Hunter with fel-

ony tax offenses in Washington, D.C., and California, but that Mr. Weiss told them in an October meeting that he'd been denied "special counsel authority from Main DOJ" and that he wasn't "the deciding official on whether charges are filed." Mr. Weiss last month settled the tax case in Delaware in a deal that will likely let Hunter escape jail time.

Mr. Weiss's letter doesn't say if that's what he told Mr. Shapley and the others in October. It also doesn't answer whether U.S. Attorneys appointed by President Biden blocked Mr. Weiss from filing charges against Hunter in their D.C. and California districts. That's Mr. Shapley's claim, and the New York Times reports that it has confirmed the California story.

That undermines Mr. Garland's claim that the probe was free of political interference. If Mr. Weiss did have the freedom to ask for special-attorney privileges, why didn't he pursue the charges that his team spent years investigating and recommended?

In his letter Mr. Weiss again refused to discuss anything further about his "ongoing investigation." But if he's settled the case, why is it "ongoing"? Congress is right to demand that Mr. Weiss answer its questions.

America Is Running Out of Ammo

President Biden is taking flak for sending cluster bombs to Ukraine, and over the weekend he blurted out the truth that

both Kyiv and the U.S. are running low on firepower. So why doesn't the Commander in Chief unveil a new national effort to expand U.S. weapons production and stocks?

"The Ukrainians are running out of ammunition," Mr. Biden told CNN. "This is a war relating to munitions. And they're running out of that ammunition, and we're low on it." The U.S. has given Kyiv more than two million 155mm artillery rounds, and the Pentagon says Ukraine is burning through 3,000 shells a day.

The U.S. is ramping up to produce more than 20,000 shells a month this year and more in 2024, the U.S. Army says. But America's adversaries can do the math and understand the U.S. may struggle to support a long war. The Biden crowd has cited limited stocks as a reason to withhold the Army Tactical Missile System, which could help Kyiv strike deep into Russian positions. The Administration is now leaking that it might furnish the missiles as Ukraine's summer offensive becomes a slog.

Congress's supplemental cash for Ukraine is helping refill America's armory, but Mr. Biden has an obligation to make sure the U.S. never goes Winchester, as the saying has it, and not only for Ukraine. The lesson applies to the long-range missiles the U.S. may need if China decides to strike Taiwan.

In a war game for control of the island that the House Select Committee on China played this year, the U.S. ran out of long-range antiship weapons in three days. Retired Navy Rear Admiral Mark Montgomery says in most games the U.S. needs roughly 1,200 long-range anti-

ship missiles, known as LRASMs. But U.S. inventories are in the low hundreds after years of small orders.

**Biden admits the problem, but why not do something about it?**

Mr. Biden's budget requested money for multiyear missile buys to exploit economies of scale. But his budget deal with House Republicans cramps defense spending for 2024 and 2025, and now Congress is squabbling over the fixed pie.

The House Appropriations Committee is declining to fund bulk buying of two crucial precision weapons—the Standard Missile-6 and an air-to-air AMRAAM missile. GOP appropriator Ken Calvert told us the Pentagon didn't show sufficient savings and that contractors are struggling to fill their orders.

Yet capricious demand from Washington is one reason the industrial base is so brittle. Some manufacturers make a part or two for multiple missiles, and these subcontractors "have been living on the thin edge of profitability," says Mark Gunzinger of the Mitchell Institute for Aerospace Studies.

House appropriators are right that readiness accounts need more money for maintenance and training, which their bill offers, and the missile tussle is an example of the risks of insufficient defense spending. The ammo shortage will require presidential leadership that is so far missing in action.

Mr. Biden could announce he's asking Congress to fund a large expansion of U.S. weapons stocks. He could give a speech leveling to the public that deep American magazines make dictators think twice about invading a neighbor. He could explain how long-range missiles will reduce U.S. casualties in the terrible event the weapons are needed. America's munitions shortage is a disgrace that needs urgent fixing.

Pepper ... And Salt

THE WALL STREET JOURNAL



"Pull-tab dog food lids are fine, but I miss the exciting grind of a can opener."



OPINION

# Racial Preferences Bred 50 Years of ‘Mismatch’

By Heather Mac Donald

Justice Sonia Sotomayor had harsh words for her colleagues who voted last month to bar the use of race in college admissions. She alleged in her dissenting opinion that the six-justice majority in *Students for Fair Admissions v. Harvard* had subverted the Constitution’s guarantee of equal protection under the law, not upheld it, by “further entrenching racial inequality in education.” Chief Justice John Roberts’s majority opinion slammed shut the door of opportunity to underrepresented minorities, especially black students, who still fight against a society that is “inherently unequal,” she wrote.

**Thinking elite schools are the only path to success for students is a form of intellectual snobbery.**

Many in academia agreed with Justice Sotomayor. Incoming Harvard president Claudine Gay warned in a video statement that the decision “means the real possibility that opportunities will be foreclosed.” David A. Thomas, president of historically black Morehouse College, asserted that in the absence of racial preferences, black students will rightly conclude that they are “not wanted.” Students “of color” may not feel that they “matter,” according to Angel B. Pérez, chief executive of the National Association for College Admission Counseling.

The charge that colorblind admissions will foreclose educational opportunities for blacks rests on a breathtakingly elitist view of education. And the idea that minority students should now conclude that they aren’t “wanted” on college campuses defies reality. Black students will attend college in the same numbers after affirmative action as they did before, if they so choose. Colleges will be as eager to have them. The only difference, assuming compliance with the ruling (a big if), is that such students will attend college on the same footing as most students from unpreferred racial groups: admitted to schools for which their academic skills qualify them.

Racial preferences catapulted many minority students into colleges for which they were academically unprepared. As Richard Sander and Stuart Taylor Jr. demonstrated in “Mismatch,” their 2012 book on affirmative action, there are very few black students in the top academic cohorts from which highly selective colleges draw most of their students. Black high-school seniors are one-tenth as likely to be in the top tenth of college applicants nationwide as nonblack applicants. The average black SAT score in 2022 was 926 on a 1600 point scale. The average Asian score was 1229 and the average white score was 1098.

Activists have for decades scoured standardized tests for questions that might presume race-specific cultural knowledge; any references to regattas, say, if they ever existed, have long since been eliminated. The College Board has also eliminated questions with too-wide a racial variance in correct answers.



An anti-affirmative action protest at the Supreme Court on June 29.

Because elite colleges are determined to engineer racially diverse student bodies, they have reached deep down into the black applicant pool to fill their quotas. They end up admitting black students who, in a world without affirmative action, would attend less selective but perfectly respectable schools. Harvard’s own research in 2013 showed that the black share of its undergraduate population would drop from 10% to less than 1% if it admitted students according to academic skills only. Harvard has the pick of the black U.S. high-school population, but even it can’t fill its desired quota without double standards.

At each lower tier of academic selectivity, colleges dip deeper into the black applicant pool to try to fill their quotas in what Messrs. Sander and Taylor call the “cascade effect.” The result isn’t a benefit to these stu-

dents but a burden. Research shows they are more likely to end up in the bottom of their classes, if not to drop out of college and professional education entirely. This academic mismatch doesn’t dispel racial stereotypes; it reinforces them.

In a post-preference world, more black students, not fewer, will graduate in STEM fields since aspiring black STEM majors will attend schools where the teaching is pitched to their level of academic preparedness.

The reconfiguration of the black college population would signify the destruction of educational opportunity only if elite colleges alone provide the potential for upward mobility. But if it is so aspiration-crushing for a black or Latino student to attend a third- or fourth-tier college, why should any student suffer so dire a fate? Lower-tiered schools should be shut down so that all students can

## Don’t Blame Liberalism for Illiberal Progressives



**FREE EXPRESSION**  
By Gerard Baker

There’s a lively debate on the right about whether liberalism as the organizing principle of the West’s political culture has had its day. Advocates for the proposition base their case on an irony. The precise moment at the end of the Cold War when we thought the political and economic systematization of individual freedom had won turned out, they say, to be the moment when that regnant ideology was about to be cruelly exposed for its excesses and contradictions.

Notre Dame political scientist Patrick Deneen’s latest book, “Regime Change,” expands on the idea in the title of his earlier work that liberalism has “failed.” Widespread popular discontent with the fruits of liberalism has been recorded in the successes of leaders such as Viktor Orbán in Hungary, or, if you squint hard enough to discern the outline of a coherent political philosophy, Donald Trump.

The idea is that, far from representing a kind of endpoint of political evolution, untrammelled liberalism has left us with social ruin. In the economic field, the pursuit of market extremism has led to the devastation of traditional industrial communities. In the political and social fields, the fetishization of individual choice has created a landscape of anomie and despair, pockmarked by all the modern familiar social pathologies of addiction, isolation and family collapse.

This is no accident, they say, but an inevitable outcome of a liberalism that, as a social objective, is essentially without values—a society that pursues freedom for freedom’s sake lacks the necessary moral direction to build a stable and happy country.

There may be something to this, but I think it fundamentally misses the much more immediate challenge our ailing liberal democracy faces. It isn’t some inherent flaw in liberalism itself, but a familiar threat from the authoritarian tendency of the left in the West’s political culture. The instinct of so-called progressives to impose statist and collectivist solutions to society’s problems is well established, but in the past decade or so a redefined

ideology of progressivism—in cultural and economic terms—has emerged in ways designed to look like an extreme liberalism but which are in fact the direct opposite.

Take the most obvious current battleground in the so-called culture wars—the battle over human sexuality.

On the face of it, this looks like Exhibit A for the case of those who say we have taken liberalism to its most

**What ails society isn’t too much liberty but deceptive packaging of familiar old authoritarian ideas.**

self-destructive point. We have elevated individual choice to the level at which we are told we can actually reject our biological sex, and that this freedom is so expansive that it must be extended to prepubescent children.

But if you dig beneath the rhetorical surface, you see that this isn’t really about extending freedom at all. The real objective here isn’t to emancipate children as young as 10 from

the shackles of convention, but to remove parents’ freedom to determine what is best for their children. This effort to undermine the institution of the family serves the larger purpose of transferring authority for children away from parents to the state.

Why do they do this? Because families are obstacles to the left’s ambitions. They are the most important building blocks of genuinely free societies. This conception of the family as an obstacle to the superior will of the collective is rooted in traditional Marxist ideology, not liberalism.

We see the same in the battle over what children are taught in schools. The left’s leading advocates in the media consistently frame the debate on the teaching of radical ideas about sex and race to young children as “book-banning,” conjuring images of brownshirted Republicans gleefully throwing innocuous story books on some giant bonfire. But remember what this is actually about. In one of those rare moments of revelatory candor in political debate, Terry McAuliffe, the Democratic candidate for governor of Virginia in 2021, told Glenn Youngkin, his Republican rival: “I don’t think parents should be tell-

ing schools what they should teach.” This “It Takes a Village” idea again frames itself as liberal, but it is in fact classically illiberal. It fits also with the modern orthodoxy that we must be indoctrinated to see ourselves not as individuals with agency over our own lives, but merely as scarcely autonomous component members of some larger identity group.

This modern cultural collectivism is accompanied by an ever more aggressive economic collectivism. When Barack Obama memorably told American business leaders “You didn’t build that,” it was a restatement of the subjugation of the idea of individual agency to statist responsibility. This idea is reaching its apotheosis in “Bidenomics,” a new term for a very old idea: The state always knows best how to spend your money.

It takes a village. You didn’t build that. Parents have no right to tell schools what to teach. Sex isn’t real, only “gender,” a social construct. These are the modern watchwords of the left’s ideology of control. And we should make no mistake: It is this mix of illiberalism old and new that most seriously threatens the American way of life.

When Donald Trump became president, Republican control of Congress gave Dodd-Frank opponents a serious opportunity to undo many of its provisions. Yet in an impressive display of effective governance and skillful cross-party maneuvering, red-state Democrats on the Senate Banking Committee worked with mainstream Republicans to refine the law. They raised the asset trigger to \$250 billion and allowed regulators to exempt community banks from having to document their noninvolvement in derivatives. The result was effectively to scrap politically sensitive yet relatively unimportant provisions, all while saving core features of earlier reform.

Still, the remaining tough and wide-ranging regulation of Dodd-Frank led the conservative-led House Financial Services Committee to threaten to block the Senate version unless it did more to roll back the existing regulatory framework. When the Democrats who had supported the narrow version insisted that it would be that or nothing, the banking industry appealed to Speaker Paul Ryan who pushed it through.

The Democrats’ and Mr. Ryan’s decision to adopt specific fixes for obvious problems—rather than reopen a broad philosophical debate—has served us well. It should, moreover, be our model today as we deliberate the way forward on crypto regulation, monetary policy’s effect on financial stability, and deposit insurance. That isn’t succumbing to the banking industry’s deep pockets—it’s applying fact-based analysis to decide how to strengthen the financial system.

*Mr. Frank, a Democrat, served as a U.S. representative from Massachusetts, 1981-2013, and chairman of the House Financial Services Committee, 2007-11.*

## A Healthy Financial Industry Is Good for America

By Barney Frank

The Wall Street Journal doubtless surprised its readers with a March editorial headlined “Barney Frank Was Right About Signature Bank.” The editorial board affirmed my belief that federal regulators had taken over only the cash deposits of the bank—on whose board I sat—“to send a message to get people away from crypto.” I return the acknowledgment with interest, believing that we can arrive at a solution on how to fix the problems that caused the failures of Silicon Valley Bank, First Republic and Signature.

In a separate year-end editorial, these pages expressed surprise that there hadn’t been more financial casualties as the Federal Reserve tightened monetary policy. In turn, it proposed two potential explanations: that the financial system is “sturdier” today than in 2008, or that the “debt dominoes” had yet to fall.

The latter warning, which I considered too negative at the time, proved prescient. Yet I still stand by the durability of our financial system. The

damage done to the banking industry in recent months—from rising interest rates to the volatility of cryptocurrency—would’ve been significantly worse had Washington not adopted the Dodd-Frank banking-reform bill in 2010.

That avoided catastrophe, however, doesn’t mean we should ignore the damage that has been done, and there’s potential for broad agreement on how to repair what’s been broken. Disputes over cryptocurrency, for example, are primarily technical, not ideological, and thus ripe for bipartisan reform. Even more-partisan issues—such as addressing the liquidity crises brought on by bank deposits fleeing medium-size institutions for money-market funds or large banks—are amenable to compromise. But achieving those aims will require a targeted and precise assessment of what directly caused the banks’ collapse.

Many of my friends on the left reject this approach. Their theory is that I, and several Democratic senators with whom I worked, succumbed to the lures of the banking industry and helped enact the Economic Growth,

Regulatory Relief and Consumer Protection Act of 2018, which ostensibly betrayed our commitment to reform and caused our current troubles. These claims are inaccurate and apply neither to me nor any fellow Democrat who supported reform.

Several Democrats supported banking reform in 2018 to preserve effective Dodd-Frank-era regulation from a potential Republican-led rollback. The amendments, for example, reduced mandatory information-sharing applicable to banks with less than \$250 billion in assets—rather than \$50 billion—without trimming safeguards against irresponsible practices. More important, the changes were mostly limited in scope and didn’t cause the past several months of crises. Signature Bank was closed by the New York State Department of Financial Services—whose authority and procedures were unaffected by modifications to federal law. As for SVB, federal regulators have acknowledged they knew of the bank’s flaws but didn’t respond to them adequately.

Understanding the Democratic approach in 2018 is critical for developing our approach today. Within

three years of Dodd-Frank’s passage, several of my colleagues and I noticed that two provisions were generating significant opposition without any corresponding benefit. Red-state Democratic senators were hearing constituent complaints that the \$50 billion asset trigger for automatic reporting requirements was too low and that the requirement

**Democrats can’t be afraid to work with Republicans to prevent failures like Silicon Valley Bank.**

that community banks document their noninvolvement in derivative trading with their own funds was too burdensome. These complaints came not from the biggest banks but from small and midsize institutions, whose broad geographic spread magnified their political clout. With President Obama in the White House, no changes to the law stood much chance, but they nevertheless

## Notable & Quotable: Novels

From “*Joseph Epstein’s Brief for the Novel*” by Gary Saul Morson in the July/August issue of *Commentary* magazine:

Perhaps most destructive of all current doctrines is “appropriation,” the idea that one must not represent a group other than one’s own. The whole point of the novel is to transcend one’s own experience and enter into the mind and heart of people unlike oneself. In that way, one broadens one’s sense of what it is to be human, questions assumptions that one has taken for granted, and acquires a

healthy skepticism of one’s own ways of looking at the world. Great novels teach tolerance and empathy—but, of course, that is just what the ideologues who inveigh against “appropriation” reject. In the Soviet Union—which replaced realism with socialist realism—skepticism, empathy, and tolerance were regarded as vices. Novels, as Epstein explains, explore inexhaustible human nature, but Soviet ideology denied there was such a thing and endeavored to reconstruct human beings the same way they tried to run the economy, according to a simple plan.

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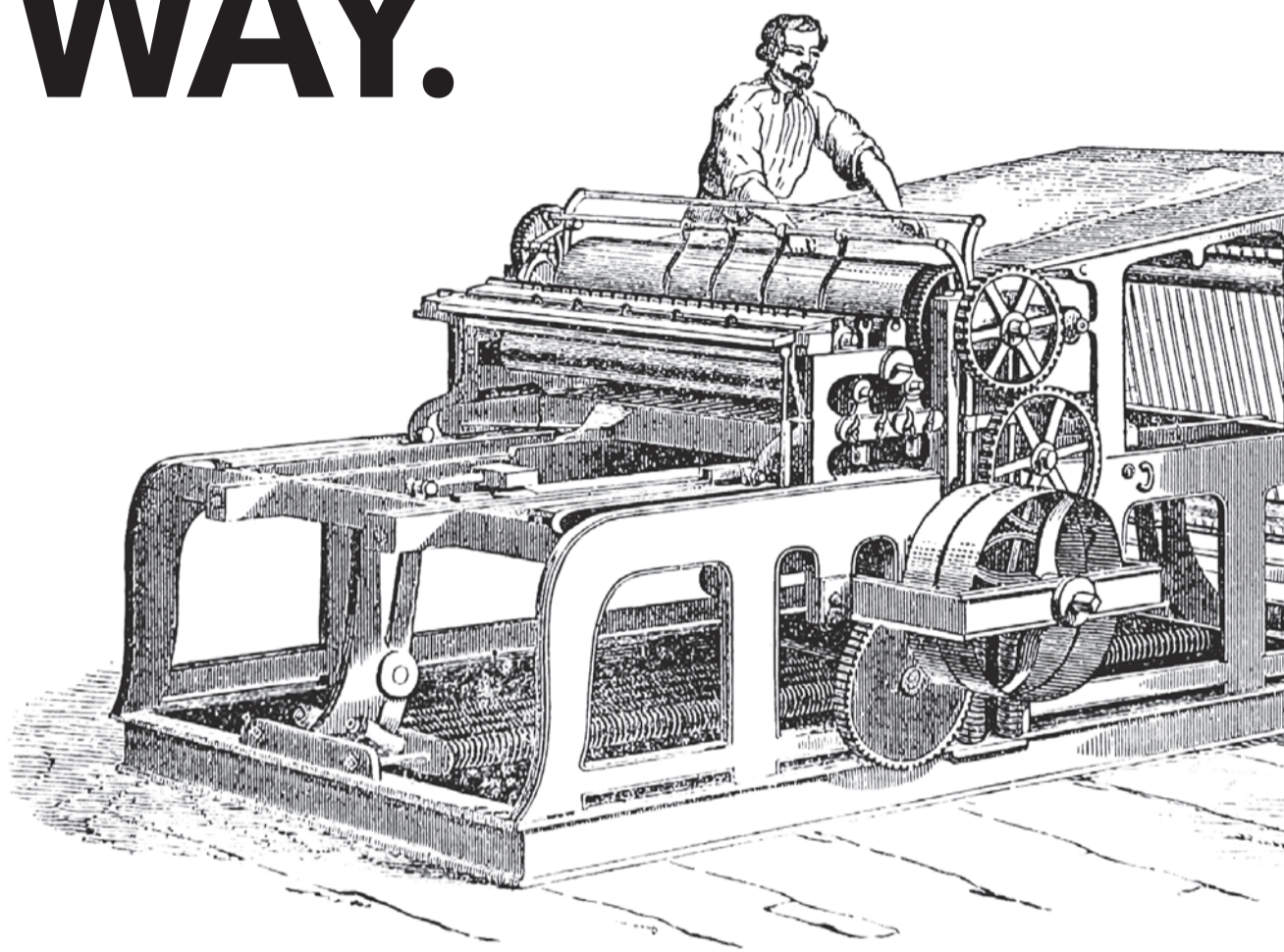
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## China's EV Makers Erode West's Edge

Industrial policy starts to pay off in terms of increased market share

By YOKO KUBOTA AND SELINA CHENG

BEIJING—Sales of home-grown passenger-car brands in China are consistently eclipsing those of their Western rivals, signaling the growing influence of the country's electric-vehicle makers—and a triumph for Beijing's industrial policy.

Local brands captured 54% of China's wholesale car market in the first six months of 2023, from 48% a year earlier, the China Passenger Car Association said Monday. That is the second consecutive time local brands have surpassed foreign ones on a half-year basis, according to Cui Dongshu, the industry body's secretary-general. Wholesale figures include vehicle exports.

Western carmakers have dominated China since they were first allowed to set up joint ventures with local partners decades ago. Some made a fortune as the country sped

past the U.S. to become the world's biggest auto market. But as homegrown brands solidify the trend of outselling foreign rivals, the era of Western dominance is over.

China's auto revolution is being driven by its commanding lead in battery-powered and plug-in hybrid cars—the only types of vehicle for which demand has been consistently growing. Led by BYD, nine local manufacturers were among China's 10 bestselling electric-vehicle makers in June, according to CPCA data. Tesla was the only foreign carmaker on the list.

Sales of electric and plug-in hybrid passenger cars jumped 44% in the first half of 2023 to more than 3.5 million vehicles, making up around a third of total sales that grew almost 9% over the same period, the data showed. Some industry experts predict electric cars will outsell gas-fueled ones in China in the next four years. In the U.S., electric vehicles' market share was 7% in the first half, after sales surged 50% to 557,330 units.

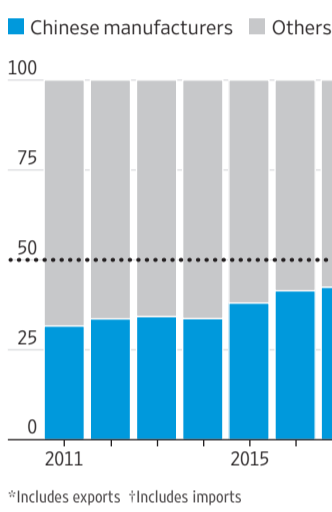
China's pursuit of electrification since 2009 has turned the country from a follower of

Please turn to page B4



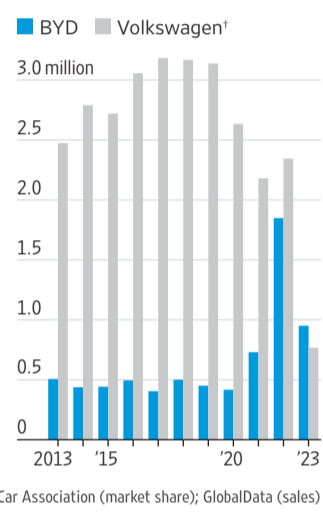
Led by BYD, nine local manufacturers were among China's 10 bestselling EV makers in June.

China's wholesale vehicle market share\*



\*Includes exports †Includes imports

Passenger-car sales in China



Sources: China Passenger Car Association (market share); GlobalData (sales)

## EU Clears Deal With U.S. on Transfers Of Data

By KIM MACKRAEL

BRUSSELS—The European Union has approved a plan that will allow companies to keep storing data about Europeans on U.S. soil, averting a potentially costly disruption in trans-Atlantic data flows.

The deal announced Monday by the European Commission, the EU's executive arm, marks the culmination of lengthy negotiations with the U.S. about data transfers that are used by thousands of companies to do things such as sell online ads and measure traffic to their websites.

The issue has been a concern for some of the world's biggest tech companies, including Meta Platforms and Alphabet's Google, which have faced legal challenges to data transfers that are central to their business in Europe.

However, the deal approved Monday—known as the Trans-Atlantic Data Privacy Framework—is expected to face a legal challenge from European privacy advocates, who have long said that the U.S. needs to make substantial changes to surveillance laws.

Transfers of data from Europe to the U.S. have been in question since an EU court ruled in 2020 that a previous deal allowing trans-Atlantic data flows was illegal because the U.S. didn't give EU individuals an effective way to challenge surveillance of their data by the U.S. government.

EU privacy regulators earlier this year fined Meta €1.2 billion, equivalent to \$1.3 billion, for storing information about European users on servers in the U.S. The company was also told to stop sending information to the U.S. about Facebook's European users and to delete data it had already sent if it had no new legal way to keep it there by fall.

The deal announced Monday means Meta should be able to avoid the order to delete data and halt flows, although the company is still expected to be subject to the fine. Meta has said it would appeal the EU privacy ruling. Meta said on Monday that it welcomed the data-flow agreement, which it said would safeguard the goods and services relied on by people and businesses on both sides of the Atlantic.

The Computer & Communi- Please turn to page B4

## Bitcoin Soars on Hopes for BlackRock ETF

By VICKY GE HUANG

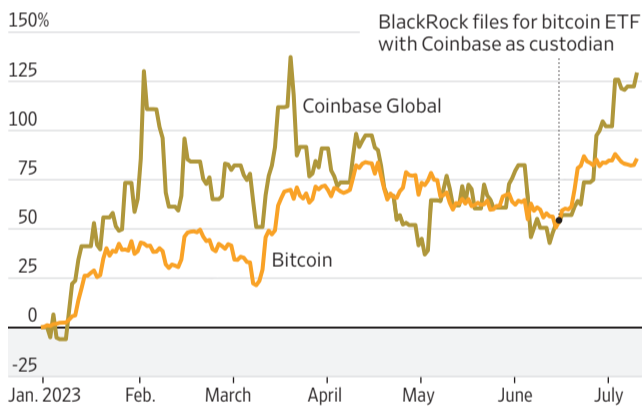
Bitcoin and crypto stock Coinbase Global have soared on hopes that an exchange-traded fund that holds the digital currency will soon be approved by U.S. regulators. Analysts say that outcome faces long odds.

Bitcoin has climbed about 20% since June 15, when BlackRock filed paperwork with regulators to launch an ETF that would own bitcoin. Shares of Coinbase Global, which is listed as the custodian for the fund's bitcoin holdings, leapt more than 40% over the same period.

Approval of such a fund—known as a spot bitcoin ETF—by the Securities and Exchange Commission would mark a milestone for the industry and offer wider access to the cryptocurrency. Investors would be able to buy and sell it through a brokerage account as easily as shares of stock.

Fidelity Investments, Please turn to page B11

Performance this year



Sources: CoinDesk (Bitcoin); FactSet (Coinbase Global)

Cathie Wood's Ark Investment Management, Invesco, WisdomTree, Bitwise Asset Management and Valkyrie updated and reactivated their own applications following BlackRock's move.

Yet the SEC has repeatedly rejected spot bitcoin ETF applications going back to 2017 on the grounds that they are vul-

nerable to fraud and market manipulation. At least half a dozen ETFs that own bitcoin futures are already on the market.

In previous denials, the regulator argued that the filings didn't specify an agreement to share "surveillance" between the stock exchange where the ETF would be listed and a spot

bitcoin-trading platform that is "regulated" and "of significant size." The crypto platform is meant to share data for orders and trades as well as information about buyers and sellers, with the stock exchange to prevent potential market manipulation.

Some industry watchers say the latest round of applications might not clear the bar either. Several of the asset managers, including BlackRock, Fidelity and Ark, specified that Coinbase would help monitor trading.

But analysts warn that Coinbase might not tick the box for "regulated market" or "significant size." The SEC sued the exchange last month saying it violated rules that require it to register as an exchange and be overseen by the federal agency.

Although it is the largest crypto exchange in the U.S., with more than half of the domestic market share, Coinbase accounts for just 7% of global spot market share, according to

digital-assets data provider Kaiko. In contrast, Binance has 52% of the global market share.

"Given that they are under these SEC charges, it's an open question that the SEC would allow these ETFs to be approved until there's an outcome there," said Stephen Glagola, an analyst at TD Cowen.

Some of the applications, including the one from BlackRock, outline a second surveillance-sharing agreement with CME Group, which lists bitcoin futures and is overseen by the SEC.

That is unlikely to satisfy the agency either, according to John Paul Koning, an independent financial writer. The securities regulator has never accepted previous applicants' arguments that futures trading on the CME exerts enough influence over the global market to qualify as "significant," he said.

"As long as Binance and the Please turn to page B11

### INSIDE

## New York Times Shuts Sports Desk

By ALEXANDRA BRUELL

The New York Times said it is dismantling its sports desk and will rely on the Athletic for its daily sports coverage, part of an effort to further integrate the publication it bought for \$550 million last year.

Current sports staff will be offered other roles within the Times newsroom, Executive Editor Joseph Kahn and Deputy Managing Editor Monica Drake said in a memo to staff Monday, a copy of which was viewed by The Wall Street Journal. "We have no plans for layoffs as part of this change," they said.

They also said the Times would form a group within its business section focused on covering money and power in sports. "We plan to focus even more directly on distinctive, high-impact news and enterprise journalism about how sports intersect with money, power, culture, politics and society at large," they said in the memo. "At the same time, we will scale back the newsroom's

coverage of games, players, teams and leagues."

The decision comes as the Times goes all in on its strategy to sell subscriptions to a multiproduct offering, including news, games and sports, and justify its Athletic purchase. The sports site is currently losing money and set a goal to turn a profit by 2025.

"We intend to utilize The Athletic—which has among the largest sports newsrooms in the world—to provide Times readers with a greater abundance of sports coverage than ever before," Times publisher A.G. Sulzberger and Chief Executive Meredith Kopit Levien said in a separate note to staff.

The print version of the New York Times will still have a sports section, and content from the Athletic will be clearly labeled as such, a New York Times spokeswoman said.

Last year's acquisition of the Athletic created tensions within the Times from the start and fueled concerns among staffers that it may lead to the sports section eventually being shut down. Please turn to page B2



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Trucking company Yellow gets a break from lenders as it seeks to restructure. B2



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Meta's popular Threads app already appears to take a toll on Twitter. B3



Taiwan Semiconductor Manufacturing will double floor space for making advanced packaging.

## Lego-Style 'Chiplets' Stack Together To Drive Faster Artificial Intelligence

By YANG JIE

The artificial-intelligence boom is pushing chip makers to speed up development of designs that stack chips together like high-tech Lego pieces.

"Chiplets" can be an easier way to design more powerful chips, according to industry executives who call the tech-

nology one of the most significant advances since the dawn of the integrated circuit more than 60 years ago.

"A huge part of the future of semiconductor is packaging and chiplets," said International Business Machines head of research Dario Gil in an interview. "It's just much more powerful than having to design a massive chip from scratch."

Tech giants including Intel, Microsoft, Qualcomm, Samsung Electronics and Taiwan Semiconductor Manufacturing Co. last year formed a coalition to create standards for designing chiplets. Nvidia, which has ridden the AI wave to become the world's first trillion-dollar chip company, joined later. IBM Please turn to page B4

BUSINESS & FINANCE

# Fed to Require Banks to Bolster Capital After String of Failures

By Andrew Ackerman

WASHINGTON—The Federal Reserve’s regulatory chief outlined steps to strengthen the financial cushions for larger banks, which he said would help boost the resilience of the system after a spate of mid-size bank failures this year.

“Events over the past few months have only reinforced the need for humility and skepticism, and for an approach that makes banks resilient to both familiar and unanticipated risks,” Michael Barr, the Fed’s vice chair for supervision, said in a speech Monday.

The changes, which regulators are expected to propose this summer, come after what Barr described as a holistic review of big-bank capital requirements. Under the plan, large banks could be required to hold an additional 2 percentage points of capital, or an additional \$2 of capital for every \$100 of risk-weighted assets, he said.

Capital is the buffer banks are required to hold to absorb potential losses.

The precise amount of addi-

tional capital would depend on a firm’s business activities. The biggest increases are expected to be reserved for the largest, most complex U.S. megabanks, Barr said.

Banks also would face more difficult stress tests to gauge their ability to weather a hypothetical recession, tougher

He also plans to make changes to improve the “speed, agility, and force” of the Fed’s bank supervision.

The biggest banks say they already have far more capital than they would need in any crisis. As evidence, they point to their stress-test results and their ability in March to pump \$30 billion in combined deposits into struggling First Republic, which later failed.

The banks say the March crisis reflected a failure of

some bank managers and regulators—not a systemic lack of capital. They also say higher capital rules will cause them to hold back more funds and limit lending, which they warn will hurt the economy.

“Capital isn’t free,” Kevin Fromer, the head of the banking group Financial Services

Forum, said Monday. “Further capital requirements on the largest U.S. banks will lead to higher borrowing costs and fewer loans for consumers and businesses—slowing our economy and impacting those on the margin hardest.”

Barr estimated the increases would be covered in less than two years by bank profits. The first quarter of the year set a high for bank profits, according to the Federal Deposit Insurance Corp., following on the heels of a boom in 2021 and 2022. Large lenders start to report second-quarter results

this week.

One potential issue for investors: Analysts and executives have said stock buybacks and dividends, a Wall Street favorite, are likely to slow down while executives await the proposed rules.

“Many banks have already pulled back on capital return in preparation for potential increases in requirements,” said Jefferies analyst Ken Usdin in a research note last month.

Tougher rules were already on the way for the biggest lenders before the March failures of Silicon Valley Bank and Signature Bank sent tremors through the industry. Since then, regulators have said they plan to propose applying their toughest rules to banks with at least \$100 billion in assets.

While regulators and legislators previously assumed the biggest risks to the financial system came from a handful of “too-big-to-fail” banks, this year’s failures show that line of thinking was wrong, Barr said, calling into question the manner in which regulators calibrate their rules.

—David Benoit contributed to this article.

**\$2**  
Additional capital to be required for every \$100 of risk-weighted assets

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# Times To Shut Sports Desk

Continued from page B1

On Sunday, members of the sports desk sent a letter to management asking for transparency about the company’s plans.

“For management to dispose of our section so unceremoniously is an insult to all of our writers and editors, both past and present,” Times sports features columnist Juliet Macur said in a statement Monday.

“We must acknowledge that this transition is a difficult one,” Kahn and Drake said in their memo. They said the sports desk, “part of the fabric of our newsroom for generations, has been home to some of our most distinctive writing and trenchant commentary.” They referred to coverage of Jackie Robinson and Muhammad Ali, National Football League concussions and Russian doping.

The tensions within the Times about the Athletic were also sometimes cultural, as the two newsrooms keep a different set of standards and editorial processes, the Journal previously reported.

The Times, for example, has a policy that prohibits voting in industry events such as player awards and Hall of Fame entries, while the Athletic doesn’t.

The Athletic also lets one of its highest-profile reporters, Shams Charania, work for FanDuel, a prominent online sportsbook.

Though Charania isn’t a FanDuel employee, he regularly appears on FanDuel’s TV channel and is compensated

by the company.

Both the Times and the Athletic have somewhat similar restrictions in place preventing sports reporters from betting on sports or leagues that they cover, the Times spokeswoman said.

The Athletic has a newsroom of roughly 400 people, while the Times’ sports desk had about 40 employees. The Athletic isn’t part of a union, and Athletic Publisher David Perpich said in a recent interview he would respect a decision to unionize.

Members of The New York Times Guild on Monday said they were infuriated by the decision to dissolve the Times sports desk. “Times leadership is attempting to outsource union jobs on our sports desk to a non-union Times subsidiary under the preposterous argument that The Times can ‘subcontract’ its sports coverage to itself,” they said.

Founded in 2016, the Athletic made a name for itself in sports media for its hyperlocal coverage of major sports teams. It recruited established reporters and columnists in local markets, often by offering big pay increases, and rapidly increased its head count.

That hyperlocal approach has been altered under the Times’ management. For instance, the Athletic doesn’t have beat reporters covering the Denver Nuggets and Miami Heat, two teams that faced off in the National Basketball Association Finals last month.

The Times in June eliminated around 20 roles at the Athletic as it focuses coverage on teams with broad appeal, rather than assigning beat reporters to every team regardless of interest, Perpich said.

“In the end, we’re still going to have over 100 reporters who are beat reporters covering teams,” Perpich said. “We’re just not able to make it work everywhere,” he said.

By Alexander Saeedy

Silicon Valley Bank’s former parent company, **SVB Financial**, is suing the Federal Deposit Insurance Corp., seeking the return of about \$2 billion that SVB Financial had deposited at the bank and that the regulator seized after its collapse.

When the FDIC took over Silicon Valley Bank in March, federal regulators said that depositors would be able to access all their funds stored at the bank, rather than the standard \$250,000 guaranteed by federal deposit insurance.

SVB Financial, the bankrupt holding company that used to control the now-defunct lender, said in its lawsuit that the FDIC has rejected its attempts to collect nearly \$2 billion that the former parent deposited at Silicon Valley Bank.

The FDIC declined to comment on the lawsuit.

Nearly all of the failed bank’s assets and deposits were transferred to new owner First Citizens Bancshares at the end of March, though the FDIC has held on to the deposits made by the former parent, SVB Financial, arguing that they could be used to help pay for the costs of the bank failure.

Lawyers representing SVB Financial have asked the bankruptcy judge overseeing its reorganization to force the FDIC to give them at least partial access to the funds and provide an explanation within two weeks for how it intends



SVB Financial filed for bankruptcy days after Silicon Valley Bank was put into receivership.

to make SVB shoulder the costs of the bank’s failure, according to a lawsuit filed with the U.S. Bankruptcy Court for the Southern District of New York.

“The \$1.93 billion in account funds is the core estate asset,” lawyers representing SVB Financial said in their lawsuit. A “lack of access to these account funds is impeding [the company’s] ability to reorganize.”

In previous court testimony, lawyers representing the FDIC have highlighted “the lack of observance of corporate formalities” between the failed bank and its former parent, which had a skeleton

staff of employees and relied on Silicon Valley Bank for much of its day-to-day operations.

If any of the \$2 billion deposited by SVB Financial is found to be the effective property of the bank, the FDIC could use it to offset the costs

of rescuing the bank.

SVB Financial’s chapter 11 filing was the largest bankruptcy stemming from a bank failure since Washington Mutual in 2008.

Silicon Valley Bank’s failure cost an estimated \$16 billion to the FDIC.

# Trucker Yellow Wins Reprieve on Loans

By Paul Berger

Trucking company **Yellow** gained a reprieve from lenders, including requirements under a federal government loan of \$700 million in pandemic aid, as the company tries to reset its finances and restructure its operations.

Yellow, one of the country’s largest trucking companies, has been seeking to refinance about \$1.3 billion in debt that must be repaid in 2024 while it seeks cooperation from the Teamsters union for structural changes aimed at better competing in a tough freight market.

Nashville, Tenn.-based Yellow, which employs 30,000 workers, recently warned it was running out of cash and earlier this year hired investment bank Ducera Partners to help refinance its debt. A Yellow official said refinancing efforts stalled in the spring when the Teamsters blocked the company’s operations overhaul.

The agreements with lenders allows “the company to fo-



The company wants to refinance \$1.3 billion in debt.

cus completely on getting to the table with the International Brotherhood of Teamsters and having alignment on modernization of the company and increasing wages for union employees,” said Darren Hawkins, Yellow’s chief executive.

Yellow got the \$700 million federal loan as part of a 2020

Covid-19 package for private industries. The Biden administration expects the loan to be repaid by September 2024, but it waived requirements that the company maintain certain financial targets through this year’s financial quarter that ended June 30, according to a Yellow filing on

Monday with the Securities and Exchange Commission.

Other lenders, led by Apollo Global Management, waived the financial requirements through Sept. 30 this year, according to the filing. That group is owed \$567 million to be repaid in June 2024.

The agreements come with oversight requirements that include requiring Yellow to file weekly liquidity reports to the lenders along with weekly consolidated operating budgets. Yellow must also maintain liquidity above \$35 million.

According to SJ Consulting, Yellow is the country’s third-largest operator in the less-than-truckload business, in which carriers haul shipments from multiple customers on the same truck between factories, warehouses and retail stores.

If Yellow goes out of business, SJ Consulting President Satish Jindel said the loss of trucking capacity is likely to raise shipping prices by mid-single to low-double digits for retailers and manufacturers.

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BUSINESS NEWS

# Rapid Rise Of Threads Appears To Hurt Twitter

By SARAH E. NEEDLEMAN

The ultrafast growth of Threads looks like it is already taking a toll on Twitter.

Mark Zuckerberg, chief executive of Threads parent **Meta Platforms**, said the new microblogging platform hit 100 million sign-ups less than a week after launching. At least two third-party estimates suggest Twitter traffic has been falling in tandem, an indication that its users may be leaving it for Threads rather than attempt to juggle both.

Twitter said it had roughly 535 million monetizable monthly active users in June.

The two products look and function in similar ways.

Both focus on sharing short snippets of text but also allow users to post photos and videos. One distinction is that joining Threads requires having an account with Meta's Instagram, which has more than 2 billion monthly users. That has made signing up easy and fast, though deleting a Threads account means also having to delete one's Instagram account.

In the first two days that Threads was fully available, traffic to Twitter's website was down 5% compared with the same two days of the previous week, according to SimilarWeb, which tracks online activity. Year over year, such traffic was down 11%, the firm said.

On Sunday, Matthew Prince, CEO of cloud-infrastructure company Cloudflare, tweeted "Twitter traffic tanking" alongside a chart showing a decline in Twitter's web domain ranking relative to other top internet destinations.

A spokeswoman for Cloudflare said it ranks domains according to the volume of requests for access.

In a post on Threads, Zuckerberg said the 100 million sign-ups are from "mostly organic demand and we haven't even turned on many promotions yet."

Broader markets rose on Monday, but many of the largest technology companies were a weak spot—except for Meta.

Microsoft, Apple, Amazon.com and Alphabet were all down. Meta shares gained more than 1%.

"Don't want to leave you hanging by a thread... but Twitter, you really outdid yourselves! Last week we had our largest usage day since February," said Twitter CEO Linda Yaccarino in a tweet Monday afternoon. "There's only ONE Twitter. You know it. I know it."

A Meta spokeswoman referred to Zuckerberg's post.

A Twitter spokesman referred to Yaccarino's tweet.

# USPS Seeks More Parcel Business

Service's delivery cost for smaller items lowered in challenge to FedEx, UPS

By ESTHER FUNG

The U.S. Postal Service is ramping up competition with **FedEx** and **United Parcel Service** to deliver small parcels in a bid to win over cost-conscious customers.

USPS Ground Advantage is a rebranded service that aims to move packages up to 70 pounds across the country without fees for residential delivery or fuel surcharges. A 10-pound package delivery from Indianapolis to Dallas in three days used to cost \$13.59 with USPS, and it would cost \$12.87 under Ground Advantage, according to the Postal Service.

The cost of shipping packages has grown so quickly that businesses large and small have looked for ways to save money. At FedEx and UPS, general ground rates have risen 4.9% every year from 2015 to 2021, 5.9% in 2022 and 6.9% in 2023.

The Postal Service changes come as package-delivery volumes for the largest carriers have declined in recent months. UPS and FedEx haven't adjusted prices for package deliveries, and have been cutting costs by reducing head count and trimming hours for package handlers.

"We have a role mandate to serve the American public and businesses in it, and we have to be financially self-sufficient," said Jakki Krage Strako, who oversees commerce and business solutions at the USPS.

The Postal Service has been trying to convince customers large and small that it is a viable option to deliver packages



In the past two years, the Postal Service's on-time shipping performance has improved. A delivery fleet in Louisville, Ky.

on time. In late 2020, millions of packages arrived late following an unprecedented jump in parcel volume and a shortage of workers. Some shippers have said they avoided using the Postal Service as their first choice because of the complexity of the various shipping options as well as the uncertainty of items getting delivered on-time.

In the past two years, the Postal Service's on-time shipping performance has improved to be on par with national carriers such as FedEx and UPS. In 2022, 95.1% of USPS packages were delivered on time, compared with FedEx's 92.4% and UPS's 96.9%, according to ShipMatrix, which analyzes package-shipping data.

The service changes, overseen by Postmaster General Louis DeJoy, support the

Postal Service's 10-year plan to overhaul its business amid a long-term decline in mail volumes. Still, mail accounted for 91% of the Postal Service's delivery volume in the March quarter, but only 51% of revenue. Packages made up 6% of volume but 39% of revenue.

The agency has lost money in 15 of the past 16 years, due in large part to prepaying retiree health benefits. Federal legislation last year ended the prepayment requirement.

In recent years, the Postal Service has invested in more package-sorting equipment and moved more mail and packages to trucks from planes to cut costs. It has also expanded sorting facilities in locations where there is more demand from businesses and converted more temporary workers to career employees to ensure adequate staffing levels.

Not all USPS services are getting cheaper. The price of first-class "forever" stamps rose on Sunday to 66 cents from 63 cents previously, to help offset a rise in costs.

Some communities around the country also say that gaps remain in the Postal Service's delivery operations. USPS said it does continue to struggle with hiring in certain locations where the cost of living is high and housing is expensive.

Carriers and companies that consolidate shipments regularly use USPS as their last-mile delivery service to save costs of delivering to a place with less parcel density, since USPS delivers to more than 165 million addresses covering every state, city and town.

Parcel consultants said the USPS Ground Advantage option simplifies steps for shippers, and would help the

agency make money that it previously left on the table.

"What they're left with is a service that's very competitive with UPS or FedEx," said Joshua Taylor, senior director of professional services at Shipware. "They deliver far more packages to far more locations on Saturday than UPS, and more locations on Sunday than FedEx and UPS."

UPS expects that customers would choose it over competitors because of its better on-time performance, and services through an integrated network, said UPS spokesman Glenn Zaccara. UPS added that it also has a low-cost option for value-minded shippers.

FedEx spokeswoman Christina Meek said the company is focused on serving customers "with an outstanding value proposition that includes speed, flexibility and visibility."

# Retailers Set Higher Bars for Free Shipping

By LIZ YOUNG

Some retailers are concluding that free shipping comes at too great a cost.

**Macy's**, **Saks Fifth Avenue**, **Neiman Marcus** and **Abercrombie & Fitch** are among the merchants that have raised the bar for spending for consumers to get orders shipped free, as companies look to shore up their profit margins on online sales and pass a portion of rising delivery costs onto customers.

The average minimum-order threshold for retailers to offer free shipping rose to \$64 this year from \$52 in 2019, based on a sample set of 48 retailers, according to retail-technology provider Narvar.

Free shipping "was out of control," said Satish Jindel, president of ShipMatrix, which analyzes parcel-shipping data. "It wasn't going to last, and finally the party is over."

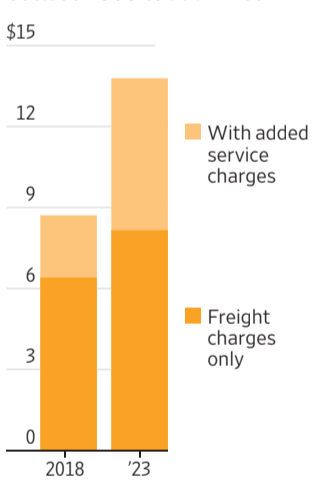
Retailers are following on the heels of Amazon.com, which last year raised the price

UPS average revenue per domestic ground package, quarterly



Sources: the company (revenue); ShipMatrix (cost)

Costs for a 10-pound package shipped via UPS Ground between 600 to 999 miles



of its Prime membership, which includes home delivery, to \$139 a year from \$119, citing rising wages and transportation costs.

The push to rein in the share of orders that are shipped free is the latest sign

of retailers resetting their logistics strategies following changes in consumer buying patterns. A surge in online shopping by locked-down consumers early in the pandemic has receded, but retail industry experts say shoppers still have

high expectations for the availability of goods in a digital world and merchants are looking to sharpen the profitability of those sales.

Higher thresholds for free shipping mark a step back from longtime efforts to spur online sales with offers of free or cheap delivery. That helped increase U.S. e-commerce sales from \$55.3 billion in the first quarter of 2012 to \$272.6 billion in the first three months of this year, according to Commerce Department figures, but free delivery has also weighed on retailer profits as parcel-shipping prices have increased.

About 47% of merchants in a recent survey said they spend more than 10% of an order's total value on shipping, according to e-commerce shipping services provider Shippo, and 41% said the rising cost of shipping was the biggest challenge for their business in 2022.

Online shoppers have grown to expect free shipping since Amazon in 2005 launched its Prime membership with unlim-

ited two-day shipping for an annual fee. Walmart later created a similar subscription with free delivery.

Other retailers have offered free shipping as a way to stay competitive in the industry and to prompt customers to spend more. About 62% of e-commerce shoppers in the Shippo survey said they wouldn't purchase from a retailer without a free-shipping option, up from 40% in 2020.

The impact on profit margins can be substantial. Costs associated with home delivery are equivalent to 10% to 15% of an e-commerce brand's sales, versus 2% to 3% when a truck delivers goods to stores, according to Deutsche Bank Research. Private parcel carriers have stepped up their price increases since the pandemic as they have handled growing volumes of e-commerce shipments. United Parcel Service and FedEx raised their average prices 5.9% in 2022, and then raised prices this year by an average of 6.9%.

# Commercial Insurance Pressured by Weather Disasters, Inflation

By RICHARD VANDERFORD

Business insurance has been roiled by severe weather and inflation, the same forces disrupting home insurance markets in catastrophe-prone areas of the U.S., with companies facing tougher conditions as they try to insure their properties against disaster.

The problem of how—or even if—properties can be insured in areas at risk of wildfires, hurricanes and other damaging weather has come to the fore as several insurance companies have in recent weeks stopped writing new home insurance policies in California and elsewhere. The U.S. Treasury Department last month warned that climate risk poses a major challenge to the insurance industry.

Insurers face similar headwinds in trying to cover businesses in those areas, and companies are facing mounting costs and more onerous questions at policy renewal time. Kilroy Realty, a developer, has had to turn to about 40 separate insurers to try to



Damage in Florida from Hurricane Ian last September

cobble together sufficient coverage for its portfolio of office buildings, said Scott Ritto, a vice president at the company.

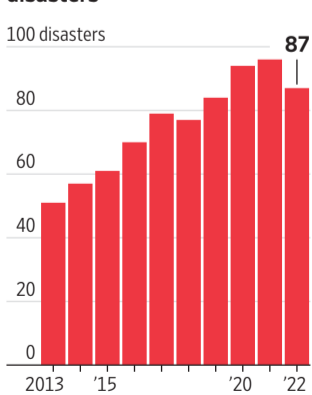
"The insurance increase is something that is incredible," said Ritto, who also serves as president of the Los Angeles chapter of the risk professional society RIMS. "It's definitely a very volatile situation."

The size of policies that in-

surers are willing to write for businesses is lower than it has been for decades, and companies are having to take extra steps to try to win over insurers by touting their efforts to mitigate against loss, said James "Chip" Stuart, leader of the real-estate specialty practice at broker HUB International.

Educational institutions with their often sprawling

Number of relevant natural disasters\*



\*Defined as those that meet one of the following: economic loss of \$50 million, insured loss of \$25 million, 10 fatalities, 50 injuries. Source: Aon

campuses are also major insurance buyers. Colleges in southeast Louisiana are facing "severe pressure" with costs related to flood insurance, said Peter Waggoner, the public policy director for economic development agency Greater New Orleans Inc.

The cause of the trouble facing Kilroy, the colleges and other organizations is rela-

tively straightforward. "Losses are going up," said Steve Bowen, a meteorologist who serves as chief science officer at reinsurance broker Gallagher Re. "Events are becoming more intense, and it's combining with more and more people moving into higher-risk areas."

Losses from natural disasters in the U.S. totaled about \$165 billion in 2022, according to professional-services firm Aon, more than 140% higher than the median annual loss since 2000. Private and public insurers covered about \$99 billion of that amount, Aon said.

Continued inflation, which makes it more costly to rebuild after a loss, is another factor. Reinsurers, which write insurance policies for insurance carriers to backstop them, also have raised their rates in the face of losses, said Liz Henderson, the head of the climate risk advisory team at Aon.

The problem is most visible in states such as California, Florida and Louisiana, where severe weather is relatively common. But weather such as

thunderstorms and tornadoes, though often less damaging than hurricanes, for example, can still cause large losses and occur in a swath of the country.

Climate scientists tend to be reluctant to pin any given weather event on climate change, but some have linked a general warming trend to a pattern of more intense natural disasters. Henderson said areas that are prone to certain kinds of severe weather are changing. Tornadoes, for example, seem to be shifting to the southeast of their traditional zone, she said.

Many observers have expressed hope that the tough market may yet turn a corner. In the U.S., June 1 and July 1 are major dates for insurance companies to renew their policies with reinsurers. Observers say that the market for reinsurance looks to have, if not cooled down, at least heated up less quickly. Though rates for property catastrophe reinsurance jumped between 25% and 35% in the most recent round of renewals, the level of increase is slowing, according to Aon.

# The Cloud May Not Be Ready for the Boom in AI

By ISABELLE BOUSQUETTE

Many companies say the cloud is their go-to when it comes to training and running large AI applications—but today, only a small portion of existing cloud infrastructure is actually set up to support that. The rest is not.

Now cloud providers, including Amazon Web Services, Microsoft Azure and Google Cloud are under pressure to change that calculus to meet the computing demands of a major AI boom—and as other hardware providers see a potential opening.

“There’s a pretty big imbalance between demand and supply at the moment,” said Chetan Kapoor, director of product management at Amazon Web Services’ Elastic Compute Cloud division.

Most generative AI models today are trained and run in the cloud. These models, designed to generate original text and analysis, can be anywhere from 10 times to a 100 times bigger than older AI models, said Ziad Asghar, senior vice president of product management at Qualcomm Technologies, adding that the number of use cases as well as the number of users are also exploding.

“There is insatiable demand,” for running large language models right now, including in industry sectors like manufacturing and finance, said Nidhi Chappell, general manager of Azure AI Infrastructure.

It is putting more pressure than ever on a limited amount of computing capacity that relies on an even more limited number of specialized chips, such as graphic chips, or GPUs, from Nvidia. Companies like Johnson & Johnson, Visa, Chevron and others all said they anticipate using cloud providers for generative AI-related use cases.

But much of the infrastructure wasn’t built for running such large and complex systems. Cloud sold itself as a



Google Cloud Platform said it is making AI infrastructure a greater part of its overall fleet.

convenient replacement for on-premise servers that could easily scale up and down capacity with a pay-as-you-go pricing model. Much of today’s cloud footprint consists of servers designed to run multiple workloads at the same time that leverage general-purpose CPU chips.

A minority of it, according to analysts, runs on chips optimized for AI, such as GPUs and servers designed to function in collaborative clusters to support bigger workloads, including large AI models. GPUs are better for AI since they can handle many computations at once, whereas CPUs handle fewer computations simultaneously.

At AWS, one cluster can contain up to 20,000 GPUs. AI-optimized infrastructure is a small percentage of the company’s overall cloud footprint, said Kapoor, but it is growing at a much faster rate. He said the company plans to deploy multiple AI-optimized server clusters over the next 12 months.

Microsoft Azure and Google Cloud Platform said they are similarly working to make AI infrastructure a greater part of their overall fleets. However, Microsoft’s Chappell said

that that doesn’t mean the company is necessarily moving away from the shared server—general purpose computing—which is still valuable for companies.

Other hardware providers have an opportunity to make a play here, said Lee Sustar, principal analyst at tech research and advisory firm Forrester, covering public cloud computing for the enterprise.

Dell Technologies expects that high cloud costs, linked to heavy use—including training models—could push some companies to consider on-premises deployments. The computer maker has a server designed for that use.

“The existing economic models of primarily the public cloud environment weren’t really optimized for the kind of demand and activity level that we’re going to see as people move into these AI systems,” Dell’s Global Chief Technology Officer John Roes said.

On premises, companies could save on costs like networking and data storage, Roes said.

Cloud providers said they have several offerings available at different costs and that in the long term, on-premises deployments could

end up costing more because enterprises would have to make huge investments when they want to upgrade hardware.

Qualcomm said that in some cases it might be cheaper and faster for companies to run models on individual devices, taking some pressure off the cloud. The company is currently working to equip devices with the ability to run larger and larger models.

And Hewlett Packard Enterprise is rolling out its own public cloud service, powered by a supercomputer, that will be available to enterprises looking to train generative AI models in the second half of 2023. Like some of the newer cloud infrastructure, it has the advantage of being purposely built for large-scale AI use cases, said Justin Hotard, executive vice president and general manager of High Performance Computing, AI & Labs.

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## Lego-Style ‘Chiplets’ Power AI

Continued from page B1 and some Chinese companies are members too.

Apple’s high-end Mac Studio computer, introduced last year and updated in June, is among the early consumer products using a form of chiplet technology to connect two computing processors. The chips are made by TSMC. In recent months, Intel and Nvidia have each announced chiplet-based customized products.

A typical consumer device such as a smartphone contains many types of chip for functions including data processing, graphics processing, memory, telecommunications and power control. The chips are delicately tethered to minuscule wires and ensconced in a protective plastic casing, forming a package that can be fixed to a circuit board.

With the new chiplet packaging, engineers have found ways to bolt together pre-existing chips, the equivalent of using a few Lego pieces to build a toy car.

Wang Xiaoyang, an executive at Chinese chiplet startup M Square, compared chip designers to creators of recipes and chiplets to pre-prepared ingredients. Chip-design companies can toss together the ingredients they want, “and

it’s simple to cook up the dish and serve it right away on the table,” he said in a company release.

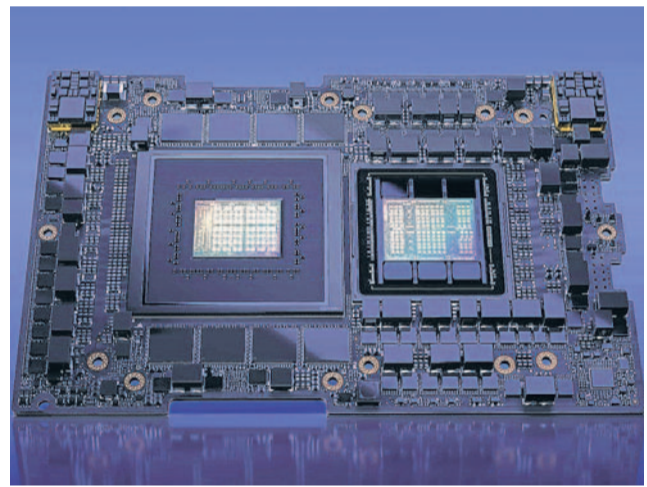
The concept is particularly appealing to AI companies that are in a hurry to design chips optimized for the type of calculations used in AI.

Nvidia said its chiplet technology allowed its existing products such as graphics-processing chips to be connected with custom chips designed by companies with specialized needs.

As packing more transistors into a tiny space becomes ever more difficult, the stacking of chips “will be the primary mechanism for continuing to scale chip performance in a cost- and power-efficient way,” Nvidia said in a report last year to the Commerce Department.

TSMC, the world’s largest contract maker of chips, has its own platforms for clients to design chiplet-based products. The company, whose clients include Apple, said it expects its floor space for production in advanced packaging in 2025 to be twice what it was in 2021.

Companies are still working to bring down chiplets’ production cost, with work continuing on how to stitch them together most effectively. Also, chiplets need a different process to verify performance, and they aren’t suited to every function. People in the industry say chiplet designs are a good fit for products such as higher-end Apple desktops that sell for \$4,000 and up, as opposed to being the main chips in current mass-market smartphones.



An Nvidia chip that uses a form of chiplet technology.

## Foxconn Abandons Plan For India Chip Tie-Up

By TRIPTI LAHRI AND YOKO KUBOTA

Taiwan’s **Foxconn Technology** said it has ended a partnership to make chips with India-focused resources conglomerate **Vedanta**, a setback to India’s nascent plans to become a semiconductor manufacturing hub.

The two companies announced the nearly \$20 billion collaboration last year, which was slated to set up a plant in Gujarat, the home state of Prime Minister Narendra Modi, who has sought to turn India into an electronics manufacturing player with the help of billions of dollars of incentives for companies that “Make in India.” Incentives for chip makers marked a new level of ambition for the program and came as the U.S.-China rivalry increasingly centered on components critical for high-tech manufacturing.

“In order to explore more diverse development opportunities, according to mutual

agreement, Foxconn has determined it will not move forward on the joint venture with Vedanta,” said Foxconn, formally known as Hon Hai Precision Industry. The contract manufacturer is one of Apple’s biggest suppliers.

The company said it is working to remove its name from a project that is now fully owned by Vedanta, which said Monday it remains committed to setting up India’s first foundry.

“Vedanta has redoubled its efforts to fulfill the prime minister’s vision for semiconductors and India remains pivotal in repositioning global semiconductor supply chains,” the metals-and-energy group said. It said it has secured a license from a prominent chip maker for the technology to manufacture a larger, more established type of chip.

India’s junior tech minister Rajeev Chandrasekhar said the dissolution of the joint venture wouldn’t affect the country’s chip-making plans.

## EU Clears U.S. Deal Over Data

Continued from page B1 cations Industry Association, which represents companies including Amazon and Google, said the deal would give companies full legal certainty in transferring personal data across the Atlantic.

The deal, which takes effect immediately, comes after Brussels and Washington reached a preliminary agreement on data privacy last year.

The agreement requires the U.S. to create a court that will have the authority to handle EU individuals’ claims and impose remedies if it finds that U.S. laws were violated.

President Biden announced the creation of the court,



Data transfers are key to the business of firms such as Meta.

which the U.S. called the Data Protection Review Court, in an executive order last year.

Complaints will first be reviewed by a civil-liberties-protection officer in the U.S. and may undergo a second layer of review at the data-protection

court, according to the executive order.

The U.S. has also committed to limiting the collection of signals intelligence, which can intercept electronic communications, as part of the agreement with the EU.

Biden said the deal reflects a joint commitment to data privacy and will create greater economic opportunities in both the U.S. and Europe.

“Personal data can now flow freely and safely,” EU Justice Commissioner Didier Reynders said.

The commission is confident that it can defend the agreement against a legal challenge, he added.

Two previous data agreements, known as Safe Harbor and Privacy Shield, were struck down by European courts.

Max Schrems, an Austrian lawyer and privacy activist who led the legal challenges to the earlier agreements, said he plans to challenge the latest deal, too. “We would need changes in U.S. surveillance law to make this work and we simply don’t have it,” Schrems said.

The deal comes during a period of close cooperation between the U.S. and Europe.

## China EV Makers Win Share

Continued from page B1 automotive trends into the recognized leader in new-energy vehicles—and one that global carmakers increasingly say they want to learn from. And they must, if they hope to compete in the Chinese market, said Stephen Dyer, a Shanghai-based auto consultant at AlixPartners.

In past decades, global automakers including **Volkswagen** and **General Motors** piled into China, seeking growth to offset slowdowns in the U.S., Europe and other mature markets.

But after China’s auto sales topped out in 2017, the market became a headache for many of those carmakers still relying

on sales of internal-combustion motors. In 2022, sales of internal-combustion-engine vehicles were roughly eight million lower than at the 2017 peak, according to Shanghai-based consulting firm Automobility. Meanwhile, the recent speed of China’s transition caught Western companies by surprise.

“Japanese, American and European automakers all have this sense that they were too late to make the initial moves,” **Honda** Chief Operating Officer Shinji Aoyama said at April’s Shanghai auto show. “We’re now in a phase of trying our best to catch up.”

Whether the foreign brands can slow the momentum of their Chinese rivals quickly enough remains to be seen.

**Ford** discontinued its 2017 plan to build a new center in China to speed up its product cycle, while its software unit plans to this year expand the head count of experts in China by 400 to 1,200.

The rise of China’s EV makers is another victory for Beijing’s industrial policies, following high-speed rail, solar panels and batteries.

To build the EV market, China bankrolled local manufacturers and subsidized sales, prodding the industry along with production targets and tighter emissions standards. For a few years, only EVs with Chinese-made batteries were eligible for subsidies as the government set out to control more of the supply chain.

An early focus on electrifying public transport and government fleets ensured EV makers revenue—and data and experience to improve. At the same time, China created a nationwide charging network. Tax incentives and other inducements spurred demand. Buyers of electric vehicles

could skip lengthy waits for license plates that were rationed in some cities, and circumvent rules that limited when gas-fueled cars could be used.

For the first five months of the year, 45% of vehicles sold in Shanghai were electric or plug-in hybrids, Volkswagen said. In less developed cities, the transition has been slower.

BYD, backed by billionaire investor Warren Buffett, stopped making cars powered solely by gasoline in March last year. The company sold over 1.2 million electric vehicles and plug-in hybrids in China in the first six months of 2023, almost double from a year earlier. More than half of those were plug-ins.

The automaker offers a range of models, including the Seagull, a four-seater electric hatchback with a starting price around \$10,000, and an off-road SUV under its new luxury Yangwang brand that costs around \$138,100. Startup **Li Auto**, stands out alongside

BYD in growing plug-in hybrid sales.

Chinese carmakers are also going global. The country surpassed Japan in the first quarter of 2023 as the biggest exporter of vehicles, though about three-quarters of the 1.1 million autos shipped abroad were internal-combustion-engine models, Automobility data show.

BYD this month said that it will open an EV complex in Brazil, while state-owned SAIC said it plans a plant in Europe. SAIC and **Great Wall Motor** are manufacturing in Thailand, where BYD and several other Chinese carmakers said they plan factories.

—Qianwei Zhang contributed to this article.



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Scan this code for a video on the EV battery race between the U.S. and China.

The Watsonx logo features the word "watson" in a dark blue, lowercase sans-serif font, followed by "x" in a lighter blue, lowercase sans-serif font. A small trademark symbol (TM) is positioned to the upper right of the "x".

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COMMODITIES

Futures Contracts

Table with columns: Metal & Petroleum Futures, Copper-High (CMX), Gold (CMX), Palladium (NYM), Crude Oil, Light Sweet (NYM), NY Harbor ULSD (NYM), Gasoline-NY RBBOB (NYM), Natural Gas (NYM), Agriculture Futures, Corn (CBT), Oats (CBT), Soybeans (CBT), Soybean Meal (CBT), Soybean Oil (CBT).

Table with columns: Contract, Open, High, Low, Settle, Chg, Open interest. Includes Rough Rice (CBT), Wheat (CBT), Cattle-Feeder (CME), Hogs-Lean (CME), Lumber (CME), Milk (CME), Cocoa (ICE-US), Coffee (ICE-US), Sugar-World (ICE-US), Sugar-Domestic (ICE-US), Cotton (ICE-US), Orange Juice (ICE-US), Ultra Treasury Bonds (CBT), Treasury Bonds (CBT), Treasury Notes (CBT), 5 Yr. Treasury Notes (CBT), 2 Yr. Treasury Notes (CBT), 30 Day Federal Funds (CBT), Three-Month SOFR (CME).

Table with columns: Contract, Open, High, Low, Settle, Chg, Open interest. Includes Currency Futures: Japanese Yen (CME), Canadian Dollar (CME), British Pound (CME), Swiss Franc (CME), Australian Dollar (CME), Mexican Peso (CME), Euro (CME).

Table with columns: Contract, Open, High, Low, Settle, Chg, Open interest. Includes Index Futures: Mini DJ Industrial Average (CBT), Mini S&P 500 (CME), Mini S&P Midcap 400 (CME), Mini Nasdaq 100 (CME), Mini Russell 2000 (CME), Mini Russell 1000 (CME), U.S. Dollar Index (ICE-US).

Table with columns: Agriculture Futures, Corn (CBT), Oats (CBT), Soybeans (CBT), Soybean Meal (CBT), Soybean Oil (CBT).

Table with columns: Interest Rate Futures, Ultra Treasury Bonds (CBT), Treasury Bonds (CBT), Treasury Notes (CBT), 5 Yr. Treasury Notes (CBT), 2 Yr. Treasury Notes (CBT), 30 Day Federal Funds (CBT), Three-Month SOFR (CME).

Bonds | wsj.com/market-data/bonds/benchmarks

Tracking Bond Benchmarks

Return on investment and spreads over Treasuries and/or yields paid to investors compared with 52-week highs and lows for different types of bonds

Table with columns: Total return close, YTD total return (%), Index, Yield (%), Latest, Low, High. Includes Broad Market Bloomberg Fixed Income Indices, U.S. Corporate Indexes Bloomberg Fixed Income Indices, High Yield Bonds ICE BofA, Global Government J.P. Morgan, U.S. Agency Bloomberg Fixed Income Indices.

Dividend Changes

Table with columns: Company, Symbol, Yld % New/Old, Frq, Payable/Record. Includes Lindsay, Acasti Pharma, authID.

Table with columns: Company, Symbol, Yld % New/Old, Frq, Payable/Record. Includes Juzi Holdings, Quoin Pharm ADR, Banco Macro ADR.

Cash Prices | wsj.com/market-data/commodities

Monday, July 10, 2023

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

Table with columns: Energy, Metals, Fibers and Textiles, Grains and Feeds, Food, Fats and Oils. Includes Iron Ore, Steel, Battery/EV metals, Wheat, Beef, Pork, Eggs, Flour, Hams, etc.

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=Spotland Publishing; R=SNL Energy; S=Platts-TSI; T=Comlook Limited; U=USD/A; V=Benchmark Mineral Intelligence; W=weekly; Y=International Coffee Organization; Z=not quoted. \*Data as of 7/7

Exchange-Traded Portfolios | WSJ.com/ETFResearch

Table with columns: ETF, Symbol, Closing Price, Chg (%), YTD (%). Includes ISHESG, ISHEDGE, ISHGold, ISHBoxx, ISHCore, etc.

Table with columns: ETF, Symbol, Closing Price, Chg (%), YTD (%). Includes IVE, DVV, IEF, SHV, TIP, etc.

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Commercial Real Estate: FLORIDA LAND SALE - EAST COAST HOMESTEAD-RANCH-FARM - 27 LOTS of 12 to 120 Acres Prices \$5,500/ac to \$16,500/ac COMMERCIAL - 14 LOTS 3 to 17 Acres Prices \$125K/ac to \$150K/ac Act Today! Limited Time Sale 130 Ac Airport, 24 Hangars \$9M Contact Bob Brewster, Watson Realty Phone / Text 386-341-0423

Global Government Bonds: Mapping Yields

Yields and spreads over or under U.S. Treasuries on benchmark two-year and 10-year government bonds in selected other countries; arrows indicate whether the yield rose (▲) or fell (▼) in the latest session

Table with columns: Coupon (%), Maturity, in years, Country, Latest(-), 0, 1, 2, 3, 4, 5, Previous, Month ago, Year ago, Spread Under/Over U.S. Treasuries, in basis points Latest, Prev, Year ago. Includes U.S., Australia, France, Germany, Italy, Japan, Spain, U.K.

Corporate Debt

Prices of firms' bonds reflect factors including investors' economic, sectoral and company-specific expectations

Table with columns: Issuer, Symbol, Coupon (%), Yield (%), Maturity, Spread, Current, One-day change, Last week. Includes Nomura Holdings, Sumitomo Mitsui Financial, Southern Company, HSBC Holdings, Diageo Capital, Toyota Motor, Mercedes-Benz Finance North America, Walmart.

...And spreads that widened the most

Table with columns: Issuer, Symbol, Coupon (%), Yield (%), Maturity, Spread, Current, One-day change, Last week. Includes BHP Billiton Finance, Toyota Motor Credit, JPMorgan Chase, Telefonica Europe, Morgan Stanley, Toronto-Dominion Bank, Sprint Capital, Bank of Nova Scotia.

High-yield issues with the biggest price increases...

Table with columns: Issuer, Symbol, Coupon (%), Yield (%), Maturity, Spread, Current, One-day change, Last week. Includes Intelsat Jackson Holdings, Ford Motor Credit, Occidental Petroleum, Hat Holdings I, Transocean, FirstEnergy, Royal Caribbean.

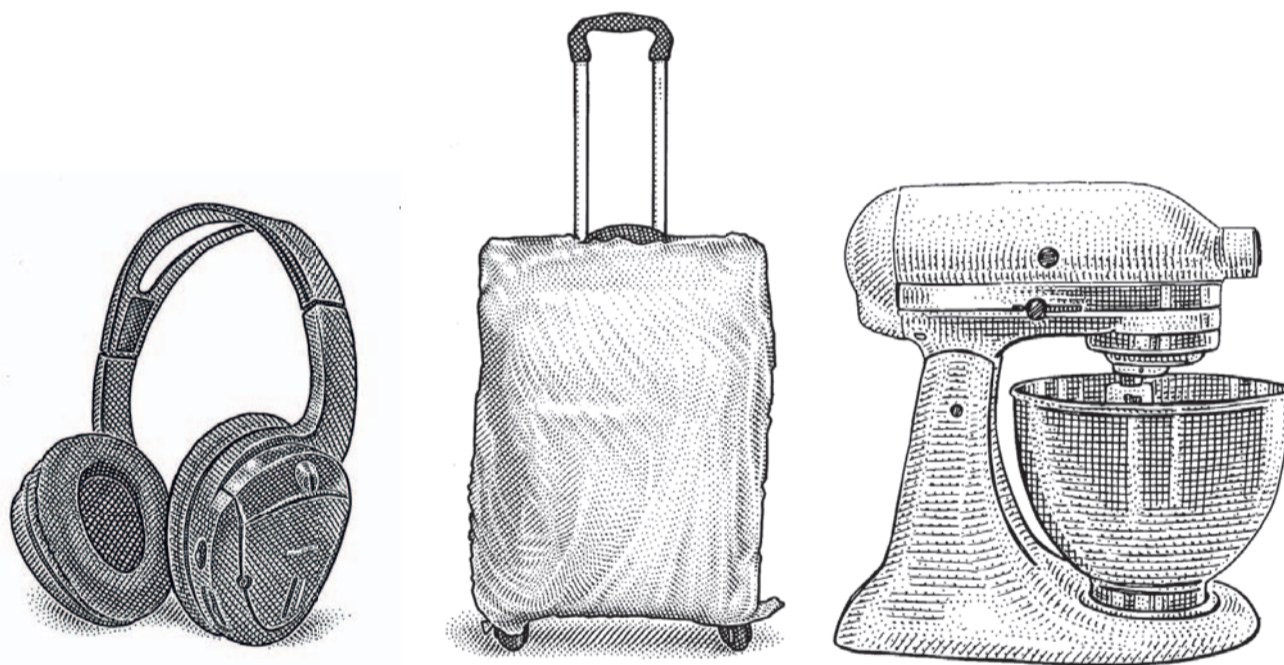
...And with the biggest price decreases

Table with columns: Issuer, Symbol, Coupon (%), Yield (%), Maturity, Spread, Current, One-day change, Last week. Includes Hughes Satellite Systems, Dish DBS, Liberty Interactive, Telecom Italia Capital, Transocean, Howmet Aerospace, United States Cellular, Teva Pharmaceutical Finance Netherlands.

\*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



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**JULY 11 AND 12, 2023**

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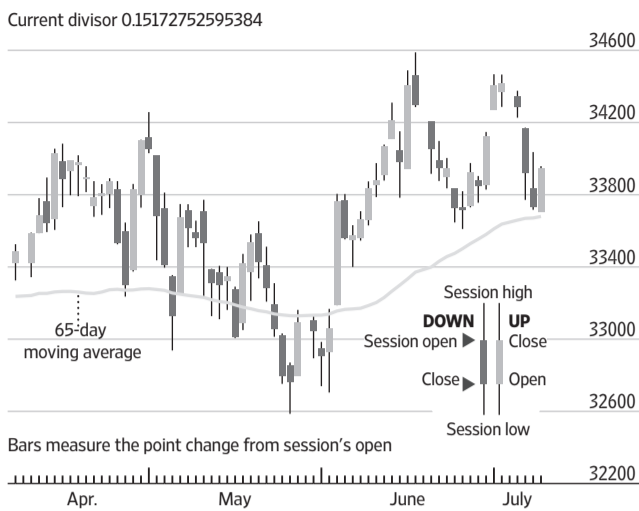
*Buy Side* FROM **WSJ**

# MARKETS DIGEST

## EQUITIES

### Dow Jones Industrial Average

**33944.40** ▲209.52, or 0.62%  
 High, low, open and close for each trading day of the past three months.  
 Last: 22.65, Year ago: 17.83  
 Trailing P/E ratio: 22.65, P/E estimate\*: 18.22, Dividend yield: 2.10, All-time high: 36799.65, 01/04/22



\*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.; \*Based on Nasdaq-100 Index

### S&P 500 Index

**4409.53** ▲10.58, or 0.24%  
 High, low, open and close for each trading day of the past three months.  
 Last: 19.69, Year ago: 21.07  
 Trailing P/E ratio\*: 19.69, P/E estimate\*: 20.10, Dividend yield\*: 1.58, All-time high: 4796.56, 01/03/22



### Nasdaq Composite Index

**13685.48** ▲24.77, or 0.18%  
 High, low, open and close for each trading day of the past three months.  
 Last: 31.25, Year ago: 25.28  
 Trailing P/E ratio\*: 31.25, P/E estimate\*: 28.92, Dividend yield\*: 0.72, All-time high: 16057.44, 11/19/21



### Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	52-Week High	52-Week Low	% chg	YTD	3-yr. ann.
<b>Dow Jones</b>										
Industrial Average	33958.36	33705.68	<b>33944.40</b>	209.52	0.62	34589.77	28725.51	8.9	2.4	9.2
Transportation Avg	15723.97	15522.95	<b>15720.12</b>	160.61	1.03	15720.12	11999.40	18.7	17.4	19.1
Utility Average	907.22	896.60	<b>902.65</b>	-3.12	-0.34	1061.77	838.99	-6.6	-6.7	4.5
Total Stock Market	44105.48	43864.05	<b>44097.78</b>	183.36	0.42	44485.63	36056.21	14.0	14.5	10.8
Barron's 400	981.40	967.54	<b>981.38</b>	12.77	1.32	1023.20	825.73	12.3	6.6	13.7
<b>Nasdaq Stock Market</b>										
Nasdaq Composite	13692.41	13584.87	<b>13685.48</b>	24.77	0.18	13816.77	10213.29	20.3	30.8	8.8
Nasdaq-100	15066.44	14924.64	<b>15045.64</b>	8.79	0.06	15208.69	10679.34	26.9	37.5	11.6
<b>S&amp;P</b>										
S&P 500 Index	4412.60	4389.92	<b>4409.53</b>	10.58	0.24	4455.59	3577.03	14.4	14.8	11.5
MidCap 400	2636.47	2598.22	<b>2635.77</b>	32.53	1.25	2726.61	2203.53	14.9	8.5	14.1
SmallCap 600	1217.69	1196.72	<b>1215.42</b>	15.59	1.30	1315.82	1064.45	7.7	5.0	14.1
<b>Other Indexes</b>										
Russell 2000	1895.57	1860.42	<b>1895.25</b>	30.59	1.64	2021.35	1655.88	9.4	7.6	10.0
NYSE Composite	15778.05	15648.68	<b>15748.87</b>	77.24	0.49	16122.58	13472.18	8.6	3.7	9.3
Value Line	573.67	566.59	<b>573.45</b>	6.16	1.09	606.49	491.56	8.6	6.9	9.3
NYSE Arca Biotech	5203.52	5120.52	<b>5193.37</b>	72.85	1.42	5644.50	4390.11	7.7	-1.7	-4.2
NYSE Arca Pharma	846.66	839.93	<b>843.44</b>	3.51	0.42	892.45	737.84	0.3	-2.8	9.6
KBW Bank	81.51	80.35	<b>80.89</b>	0.18	0.22	115.55	71.96	-20.8	-19.8	3.3
PHLX <sup>S</sup> Gold/Silver	119.86	116.40	<b>119.64</b>	2.53	2.16	144.37	91.40	11.2	-1.0	-4.2
PHLX <sup>S</sup> Oil Service	84.73	83.20	<b>84.50</b>	0.71	0.85	93.94	56.08	35.5	0.8	38.1
PHLX <sup>S</sup> Semiconductor	3655.91	3586.41	<b>3651.60</b>	73.87	2.06	3739.75	2162.32	43.0	44.2	20.8
Cboe Volatility	16.21	15.04	<b>15.07</b>	0.24	1.62	33.63	12.91	-42.4	-30.5	-18.0

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KBW Bank	81.51	80.35	<b>80.89</b>	0.18	0.22	115.55	71.96	-20.8	-19.8	3.3
PHLX <sup>S</sup> Gold/Silver	119.86	116.40	<b>119.64</b>	2.53	2.16	144.37	91.40	11.2	-1.0	-4.2
PHLX <sup>S</sup> Oil Service	84.73	83.20	<b>84.50</b>	0.71	0.85	93.94	56.08	35.5	0.8	38.1
PHLX <sup>S</sup> Semiconductor	3655.91	3586.41	<b>3651.60</b>	73.87	2.06	3739.75	2162.32	43.0	44.2	20.8
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Sources: FactSet; Dow Jones Market Data

### 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, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

#### Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After-Hours % chg	High	Low
SPDR S&P 500 ETF Trust	SPY	8,204.2	439.61	-0.05	-0.01	464.11	411.24
iShares iBoxx \$ HY Cp Bd	HYG	7,425.1	74.15	-0.07	-0.09	74.24	74.15
Invesco QQQ Trust I	QQQ	3,660.3	366.55	0.19	0.05	367.10	350.74
AES	AES	3,273.2	20.57	-0.45	-2.14	21.15	20.51
Apple	AAPL	2,816.3	188.55	-0.06	-0.03	188.74	179.14
iShares Russell 2000 ETF	IWM	2,385.6	188.20	0.33	0.18	188.20	187.87
Vangd Div Appreciation	VIG	2,225.4	160.74	0.18	0.11	160.74	159.30
Meta Platforms	META	1,853.0	293.67	-0.43	-0.15	294.80	293.00
<b>Percentage gainers...</b>							
Ezopen Parent	ETWO	540.6	6.11	0.42	7.38	7.00	5.58
WD-40	WDFC	54.7	202.40	8.60	4.44	205.00	193.80
Natera	NTRA	96.8	50.15	1.84	3.81	50.15	47.75
Payoneer Global	PAYO	53.8	5.00	0.17	3.52	5.29	4.83
AllianceBernstein	AB	201.9	32.77	1.09	3.44	32.77	31.68
<b>...And losers</b>							
Equitrans Midstream	ETRN	1,129.5	8.30	-0.89	-9.68	9.19	8.30
Iovance Biotherapeutics	IOVA	481.8	7.95	-0.84	-9.56	8.80	7.88
ForgeRock	FORG	67.3	19.13	-1.00	-4.97	20.65	19.00
Relay Therapeutics	RLAY	82.2	11.70	-0.59	-4.80	12.29	11.70
ADT	ADT	410.5	6.07	-0.27	-4.26	6.34	6.00

### Trading Diary

#### Volume, Advancers, Decliners

	NYSE	NYSE Amer.
<b>Total volume*</b>	812,609,429	7,964,101
<b>Adv. volume*</b>	562,565,023	5,465,43

BIGGEST 1,000 STOCKS

How to Read the Stock Tables
The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities.

Monday, July 10, 2023
Stock Sym Close Net Chg

Table with columns: Stock, Sym, Close, Net Chg. Includes entries like AECOM, AES, AFL, etc.

Monday, July 10, 2023
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Table with columns: Stock, Sym, Close, Net Chg. Includes entries like GSK, GXO Logistics, etc.

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Stock Sym Close Net Chg

Table with columns: Stock, Sym, Close, Net Chg. Includes entries like Medpace, Medtronic, etc.

Stock Sym Close Net Chg

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Key Interest Rates

Data are annualized on a 360-day basis. Treasury yields are per annum, on actively traded noninflation and inflation-indexed issues that are adjusted to constant maturities. Data are from weekly Federal Reserve release H.15.

Table showing interest rates for Federal funds, Commercial paper, Treasury yields, and TIPS.

Notes on data: Federal funds rate is an average for the seven days ended Wednesday, weighted according to rates on broker trades.

Commercial paper rates are discounted offers of certificates of deposit. Discount window primary credit rate is charged for discounts made and advances extended under the Federal Reserve's primary credit discount window program.

Inflation-indexed long-term TIPS average is indexed and is based on the unweighted average bid yields for all TIPS with remaining terms to maturity of 10 years or more.

Sources: Federal Reserve; for additional information on these rate data and their derivation, please see: https://www.federalreserve.gov/dataanddownloads/Build.aspx?rel=H15

Borrowing Benchmarks

wsj.com/market-data/bonds/borrowing-benchmarks

Money Rates

Key annual interest rates paid to borrow or lend money in U.S. and international markets. Rates below are a guide to general levels but don't always represent actual transactions.

Table showing money rates for Inflation, U.S. consumer price index, International rates, Prime rates, Policy Rates, and Overnight repurchase.

DTCC GCF Repo Index

Treasury 5.125 20.526 5.195 1.530 MBS 5.158 46.600 5.199 1.563

U.S. government rates

Discount 5.25 5.25 5.25 1.75

Federal funds

Effective rate 5.000 5.000 5.100 1.5800

Treasury bill auction

4 weeks 5.150 5.085 5.840 1.530

Notes on data:

U.S. prime rate is the base rate on corporate loans posted by at least 70% of the 10 largest U.S. banks.

Prime rates aren't directly comparable; lending practices vary widely by location; Discount rate is effective May 4, 2023. Secured Overnight Financing Rate is as of July 7, 2023. DTCC GCF Repo Index is Depository Trust & Clearing Corp.'s weighted average for overnight trades in applicable CUSIPs. Value traded is in billions of U.S. dollars. Federal funds rates are Tullett Prebon rates as of 5:30 p.m. ET.

Sources: Federal Reserve; Bureau of Labor Statistics; DTCC; FactSet; Tullett Prebon Information, Ltd.

New Highs and Lows

The following explanations apply to the New York Stock Exchange, NYSE Arca, NYSE American and Nasdaq Stock Market stocks that hit a new 52-week intraday high or low in the latest session. % CHG-Daily percentage change from the previous trading session.

Monday, July 10, 2023

Table with columns: Stock, Sym, Hi/Low, % Chg. Includes entries like ATI, AbacusLifeWt, etc.

Monday, July 10, 2023

Table with columns: Stock, Sym, Hi/Low, % Chg. Includes entries like ATI, AbacusLifeWt, etc.

Monday, July 10, 2023

Table with columns: Stock, Sym, Hi/Low, % Chg. Includes entries like ATI, AbacusLifeWt, etc.

Stock Sym Hi/Low % Chg

Table with columns: Stock, Sym, Hi/Low, % Chg. Includes entries like Belden, BluegreenV A, etc.

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Stock Sym Hi/Low % Chg

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Table with columns: Stock, Sym, Hi/Low, % Chg. Includes entries like EgoTech, Ecolab, etc.

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MARKETS

Stocks Rise in Face of Tech-Share Slump

Market awaits inflation report Wednesday, start of earnings season

BY SAM GOLDFARB

A potentially busy week for markets got off to a quiet start, with stock indexes edging higher despite an off day for shares of big technology companies.

Bouncing back from declines last week, the Dow Jones Industrial Average gained 0.6%. The S&P 500 and Nasdaq Composite both ticked up 0.2%.

A major engine of this year's stock rally, shares of Microsoft, Apple and Alphabet all lost at least 1.1% Monday, with Alphabet leading the way with a 2.5% decline. Meanwhile, financials, energy and industrials were among the better-performing sectors.

Investors and analysts largely shrugged off the poor day for tech stocks, saying some volatility was to be expected

ahead of a key inflation report Wednesday and the start of earnings season later in the week.

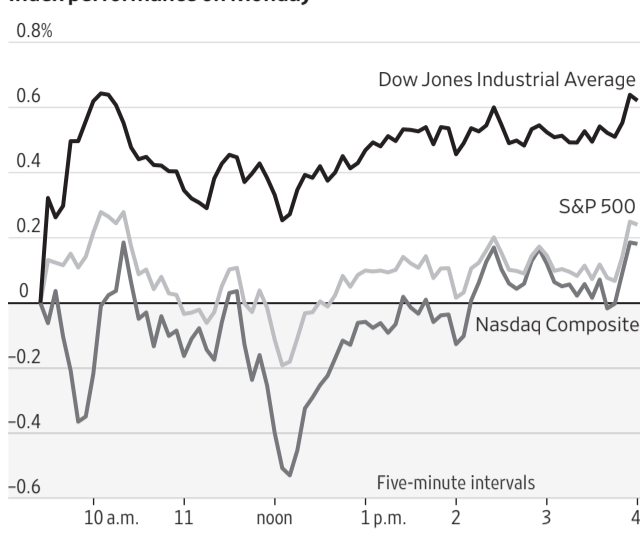
Before those events, "you'll probably see some shifting around, mostly on positioning, not necessarily fundamentals," said Matt Peron, director of research at Janus Henderson Investors.

Companies outside the tech sector have been helped of late by a run of surprisingly strong economic data. Despite widespread fears earlier in the year that a recession was around the corner, there has been little evidence of a slowdown. Demand for workers is still high, consumer spending remains strong and even the housing market has shown signs of a possible rebound.

On Friday, the latest monthly jobs report indicated the economy added slightly fewer jobs than expected in June. Even so, the unemployment rate ticked down a notch to an ultralow 3.6%, and wages rose faster than economists had anticipated.

There have been some warning signs outside the U.S. Data

Index performance on Monday



Source: FactSet

released before the start of U.S. trading Monday showed that China's consumer inflation flatlined in June, while factory-gate prices fell at their fastest pace in more than seven years—both evidence of weak demand in the world's second-largest economy. Up 2.7% at one point, Hong Kong's Hang Seng Index gave up gains after the inflation

data, ultimately closing up 0.6%. U.S. markets, though, were largely unaffected, as investors remained more worried about inflation at home than deflation elsewhere.

With inflation still well above the Federal Reserve's 2% target, many investors now expect the Fed to raise its benchmark federal-funds rate by a

quarter-of-a-percentage point to a range between 5.25% and 5.5% when it meets later this month.

Bets that the Fed will need to raise rates to a higher level than previously expected and then leave them there for longer have recently led to a selloff in bonds and sharp increase in U.S. Treasury yields.

Last week, the yield on the benchmark 10-year U.S. Treasury note climbed back above 4% for the first time since early March—erasing declines that followed the collapse of Silicon Valley Bank and subsequent concerns about the regional banking sector.

On Monday, the yield on the benchmark 10-year U.S. Treasury note settled at 4.006%, according to Tradeweb, down from 4.047% Friday.

Many investors and analysts see rising Treasury yields as a threat to stocks because they increase the appeal of government bonds as a safe alternative to riskier investments.

To that end, investors are warily looking forward to Wednesday's consumer-price index report, with some wor-

ried that a bad inflation report could drive bond yields even higher.

Even if prices rise less than expected, "I still think the Fed is basically biased to hike at this next meeting," said Blake Gwinn, head of U.S. rates strategy at RBC Capital Markets.

Overseas, Europe's Stoxx 600 rose 0.2% and the FTSE rose 0.3%. Early Tuesday, Japan's Nikkei 225 was up 0.3%, Hong Kong's Hang Seng Index was up 1.4% and South Korea's Kospi was up 1.3%. S&P 500 futures rose 0.1%.

—Anna Hirtenstein contributed to this article.

AUCTION RESULTS

Here are the results of Monday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

Table with columns for Applications, Accepted bids, \* noncomp, \* foreign noncomp, Auction price (rate), and 13-Week and 26-Week Treasury yields.

Both issues are dated July 13, 2023. The 13-week bills mature on Oct. 12, 2023; the 26-week bills mature on Jan. 11, 2024.

Rally in Asian Equities Leaves China Behind

BY DAVE SEBASTIAN

The shaky performance of Chinese stocks this year has been good news for other Asian markets.

China was once by far the most attractive stock market in the region for global investors. But as the world's second-largest economy has spluttered, those investors have turned their attention elsewhere. Hong Kong's Hang Seng Index, which includes many of the biggest mainland Chinese companies, is down more than 6% this year. Stock indexes in Japan, South Korea and Taiwan are up by double digits in percentage terms.

"It's been quite a shift away from China," said Sat Duhra, a co-portfolio manager of the Asian dividend income strategy at Janus Henderson Investors.

The biggest benefits have gone to Japan, where the Nikkei 225 index is trading at more than 30-year highs after rising more than 23% this year. Foreign institutional investors have moved a net \$33.3 billion into Japan's stock market since Jan. 1, according to data compiled by Goldman Sachs Group.

A push by the Tokyo Stock Exchange to boost valuations, signs the economy is finally turning a corner and encouragement from Warren Buffett—who has made a big bet on Japanese shares—have drawn investors to Japan's stock market. But the pull-back from China has clearly helped.

"There is a significant China angle to this rally; pre-

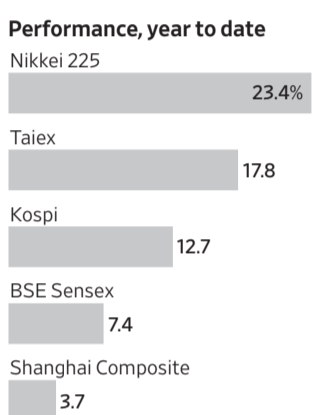
vious rallies of the Japanese market had nothing to do with China," said Zuhair Khan, senior portfolio manager at Union Bancaire Privée. "Japan is again regaining the spotlight because there isn't this rapidly growing, super attractive investment opportunity right next door."

Indian stocks got a boost from a net \$13.6 billion of foreign investment in the second quarter, reversing an early exit from global investors. That has helped India's Nifty 50 and Sensex stock indexes rise around 7% this year, despite both falling in January.

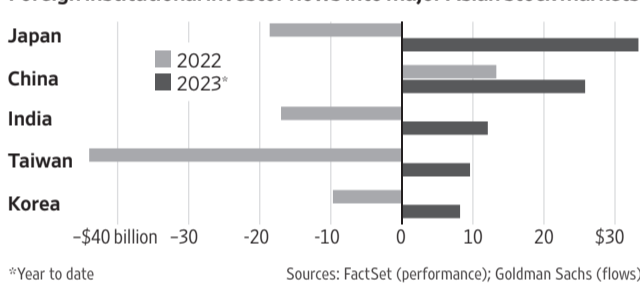
Some investors raised questions about valuations in India earlier this year, saying there were cheaper opportunities elsewhere, including—at the time—China. But the South Asian country still attracted plenty of demand. U.S. short seller Hindenburg Research's allegations against the conglomerate Adani Group also brought a spotlight on the country, though the saga didn't lead to a widespread selloff. Adani has denied the allegations.

"The market was willing to give India the benefit of the doubt to look at the glass as half full, versus China's case where the glass is a little bit half empty," said Rahul Chadha, chief investment officer at Mirae Asset Global Investments (HK). Compared with India, China has more imminent structural problems to resolve, such as its property woes, Chadha added.

India's market performance has in some ways been



Foreign institutional investor flows into major Asian stock markets



the mirror image of China's this year. Investors started this year optimistic about China, after the government rolled back its strict zero-Covid policy in late 2022, setting the stage for a January rally. "That euphoria fizzled out," said Manishi Raychaudhuri, Asian equity strategist at BNP Paribas, referring to the early rally in Chinese shares.

Foreign institutional investors have purchased a net \$25.8 billion of mainland Chinese shares through a link with Hong Kong's stock exchange this year, but they have turned sellers over the past three months or so, according to Goldman Sachs. In the second quarter, they sold a net \$300 million. In the first week of July alone, foreigners sold a net \$1.3 billion of Chinese stocks.

Multinational companies—like Apple's main manufacturer, Foxconn—are increasingly seeking alternative manufacturing spots to China as they seek to diversify supply chains, and India is on the

receiving end. That, coupled with the Indian government's infrastructure-spending plans, means more jobs for the country's booming 1.4 billion population.

Taiwan's benchmark Taixex index is up 18% this year, while South Korea's Kospi index is almost 13% higher. Foreign investors have added \$9.6 billion and \$8.2 billion this year into Taiwan and Korea, respectively.

Stocks in the two markets have gained partly because of the increased focus on semiconductor manufacturing, as the rise in artificial intelligence has created new opportunities—and a few headaches—for the industry. Semiconductor chips are at the center of the latest tit-for-tat trade dispute between China and the U.S.

There is some concern that Japan's big rally may have been driven by foreign investors that might not stick around for long. Chinese stocks are also going to get more attractive if prices continue to slide.

ETF Hopes Lift Bitcoin, Coinbase

Continued from page B1

offshore spot and futures markets are so big, it will probably never be possible to prove to the SEC that the CME exerts more than temporary and intermittent leadership over the global price of bitcoin," Koning said. The SEC has also sued Binance, alleging the overseas company operated an illegal trading platform in the U.S. and misused customers' funds.

Investors and analysts have viewed the bid by BlackRock, the world's largest money manager, as the best hope yet for a spot bitcoin ETF, partly because of its near-perfect record of seeing applications through. BlackRock Chief Executive Larry Fink, a longtime critic of bitcoin, called the token "digitizing gold" and "an international asset" last week in an interview with Fox Business.

"When and if these ETFs get introduced, they are going to bring a lot of money in and a lot of action," said Eric Balchunas, senior ETF analyst at Bloomberg Intelligence. "You cannot overstate how potent and powerful the ETF is as a bridge to a gigantic wad of money, especially from finan-

cial advisers." Balchunas and his team put the odds of a spot bitcoin ETF approval at 50%, up from just 1% a month ago, before BlackRock filed its application.

The latest leg of the race to launch a spot bitcoin ETF hit a speed bump last week when the SEC said the applications were inadequate. Nasdaq and Cboe Global Markets, which had filed for the ETFs on behalf of the asset managers, quickly updated and refiled their applications to address the regulator's feedback.

The SEC has up to 240 days to approve or reject the applications. Although Coinbase is thought to be a potential winner should regulators eventually approve the funds, some analysts are skeptical that there is much meaningful revenue to be earned via providing custody services to the likes of BlackRock.

As the bitcoin custodian of the BlackRock fund, Coinbase would be responsible for safekeeping the bitcoin and would receive a fee based on the total value of those assets. Coinbase is already the custodian of the world's largest bitcoin fund, the \$19 billion Grayscale Bitcoin Trust.

TD Cowen's Glagola estimates Coinbase would generate just \$57 million in additional annual custody revenue, if BlackRock's fund gathered the \$43.6 billion in assets that the Grayscale fund held under management at its peak.



Coinbase accounts for just 7% of global spot-market share.

Bain Gets a Courtesy Call From Shanghai Communist Party Official

BY ELAINE YU

HONG KONG—Global consulting company Bain said one of Shanghai's top Communist Party officials visited the company's office in the city, in what appears to be an effort to ease heightened concerns of foreign businesses in China following a series of raids and arrests.

The party secretary of Shanghai's commercial Jing'an district, Yu Yong, visited

Bain's office there last Wednesday to discuss the company's operations, the Boston firm said in a statement posted on its WeChat account on Monday.

The friendly nature portrayed by Bain of the latest meeting came after Chinese police questioned the staffers in the same office in March—and as authorities increased pressure on companies that gather business intelligence, restricted foreign access to

information channels and broadened its spy law amid increasing U.S.-China tensions.

Chinese authorities had signaled that its national-security agencies were investigating whether the due-diligence industry, which has served Western companies in China, has been used for foreign espionage.

In recent months, authorities detained local staff at Mintz Group's Beijing office

and raided the offices of Capvison, a leading provider of expert-network consulting, in a high-profile swoop across several Chinese cities.

Bain was one of Capvison's largest clients in the country.

Yu, the local party chief, said Jing'an has always pursued international development and worked to become a hub for professional services, adding that that the district would continue to "create a

premier business environment and escort the development of enterprises," according to Bain's statement.

Bain and Han declined to comment further.

Capvison, which is based in New York, has also sought to allay concerns and show that the beleaguered expert-network company is committed to keep operating in China.

In a statement on WeChat last week, the company said it

held a conference about private investment attended by its clients and a well-known family office that it didn't identify.

It added that the company's experts can help institutional investors find quality projects. Capvison encouraged investors and companies that have financing needs to reach out.

The company didn't respond to a request for comment.

New Highs and Lows

Table listing various stocks with columns for Stock, 52-Wk % Change, and % Change. Includes sub-sections for Continued From Page B9, Lows, and New Highs.

# HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

## U.S.-China Decoupling Gains Momentum

Officials have a small window to stabilize economic ties before the political calendar starts driving events

Treasury Secretary Janet Yellen is determined to convince Beijing that Washington doesn't want wide-scale economic decoupling from China.

If she and other like-minded administration officials succeed in stabilizing Sino-U.S. ties over the next half year—before presidential elections in the U.S. and Taiwan—that would remove a major risk factor for markets in 2024, to say nothing of the world at large. But a partial decoupling of the two economies has strong momentum of its own now. And China's unexpected economic weakness this year—along with the U.S. economy's surprising resilience—may embolden hawks in Washington.

Students of international relations will be familiar with the concept of the security dilemma, whereby actions meant to boost security—for example, raising military spending—sometimes damage a nation's security over the long run, because rivals conclude it is preparing for war and take countermeasures.

An economic twist on the concept might go something like this: The world's two largest economies, both increasingly worried that armed conflict is inevitable at some point, begin pulling apart their long-intertwined technological and trade supply chains. Over time, much weaker economic and interpersonal links hand more and more influence to security hawks in both capitals. Meanwhile the economic impacts of disentanglement damage growth in both nations, in different ways, and fuel populist politics. That makes managing unexpected crises more difficult.

Yellen's painstaking efforts to reassure are probably aimed, at least in part, at avoiding precisely such a scenario. In comments to CBS on Sunday, Yellen told viewers, "My purpose is to make sure that we don't engage in a series of unintended escalatory actions that will be harmful to our overall economic relationship."

Beijing is sending some obvious signals of its own: The announcement of plans for new export re-

strictions on minerals gallium and germanium, both important for tech and defense applications, was a clear sign that if the U.S. continues strangling China's chip sector, it won't be cost free.

One problem is that while the Chinese and American economies are deeply entangled, the impact of the fraying relationship on supply chains has been very significant. And as **Apple's** moves in India show, "de-risking" is now being driven by major corporate actors and not just politicians.

Imports from China as a percentage of total U.S. goods imports fell below 12% in March. That was, excluding March 2020 at the onset of the pandemic, the lowest level since 2005, according to figures from data provider CEIC—and down from over 20% as recently as 2018. Over the same period, U.S. imports from Taiwan and Vietnam have roughly doubled their share to about 6% of the total. Some of these shifts may represent Chinese goods being "re-packaged" in third-party

countries, but even so the 2018 and 2019 tariffs, uncertainty over future tech-sector restrictions and the general downturn in relations have already had a large effect.

Another reason for pessimism is that while the White House is eager to avoid a full breakdown in relations, the U.S. has a clear upper hand economically right now—and that may tempt hawkish administration members to keep pushing for additional restrictions, like the ones on investment and artificial-intelligence chips reportedly under consideration.

China's post-Covid recovery is shaping up to be far weaker than expected, and while it does have clear points of economic leverage—for example, plane orders for **Boeing** and key points along the battery and solar supply chains—the U.S. and its allies' dominance of the entire chip sector limits its options for retaliation in semiconductors.

Even the mooted controls on Chinese gallium and germanium may be something of a red her-

ring. Analysts at the Center for Strategic and International Studies, a leading Washington security think tank, conclude that China's gallium restrictions may be "mostly symbolic," in part because there are other significant suppliers and processors, including core U.S. allies like Japan. China may succeed in raising costs for U.S. users by forcing transshipments of such goods, but in general restricting trade flows of commoditized items is very difficult—just look at what has happened recently with Russian oil, or U.S. efforts to keep low-tech semiconductors out of Russia.

The optimistic view of the weekend's visit is that more direct contacts between high-level U.S. and Chinese officials is, in and of itself, an essential lubricant to the relationship. But ultimately, it may take some incident in the South China Sea or Taiwan Strait to focus minds in both capitals on the real downsides of a further deterioration in relations.

—Nathaniel Taplin

## Optimism on Rivian Shares Makes No Sense

Rivian is having a moment. It needs to seize it.

Shares in the electric-vehicle maker are up an astonishing 84% in the past eight trading days to levels last seen in December—a record-breaking streak of consecutive gains from a stock better known for losing streaks. Even after the latest rally, Rivian has lost more than two-thirds of the market value at which it went public in November 2021.

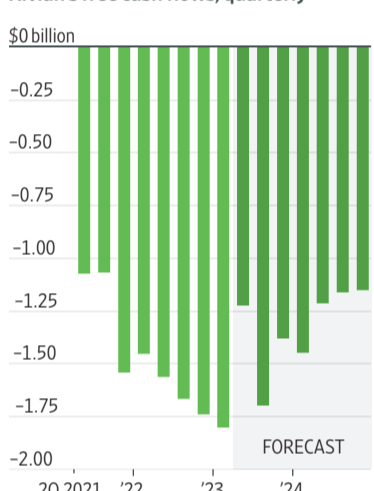
There has been some news to justify more optimism, but not much. A week ago, the company reported better-than-expected production and delivery numbers for the second quarter and, importantly, reiterated its guidance for the full year. **Amazon.com**, Rivian's top shareholder, also said it is about to receive some of the vehicle maker's delivery vans in Europe.

Then came bullish commentary from stock analysts. Brokers often revamp their price targets and recommendations after big stock moves for fear of appearing behind the curve. Some media outlets then pointed to broker upgrades as a justification for Rivian's share-price moves, completing the positive-feedback loop that can improve "sentiment" toward a stock.

On the buy side, individual investors have suddenly piled into Rivian, according to data provider Vanda Research. After Tesla's rally last month, some may have decided to broaden their bets on the EV sector, including through exchange-traded funds, in the hope of catching the next wave.

Shares in **Lucid**, Rivian's closest peer and another recent beneficiary of retail buying, have risen 45% since hitting a closing low in late June. The rally started after Lucid

Rivian's free cash flows, quarterly



Source: FactSet



Rivian might be wise to tap the market while demand for its stock is strong.

announced a partnership with British sports-car brand **Aston Martin** that should bring it at least \$450 million in fees and parts sales. Unlike Rivian and **Tesla**, the company didn't report second-quarter deliveries.

With retail buying comes the risk of retail selling. "Retail investors often rotate between themes as they get excited by short-term trends," note the analysts at Vanda Research. The news about the companies' operations will likely come in August, when they report second-quarter earnings. The supply pressures that tripped up car manufacturers last year are easing across the whole industry, so it wouldn't be a surprise if Rivian and Lucid can talk about getting a better handle on production.

The bigger question now is just how many consumers want their expensive EVs. Both companies now say on their websites that vehicles

are available in two weeks or less, pointing to short order books.

A wild card for Rivian is market leader Tesla's long-delayed Cybertruck. To date, Rivian has sold its products into a less competitive category than Lucid, whose luxury sedans compete directly with Tesla's Model S. But that might change next year as Tesla likely increases output of its quirky take on a pickup truck, due to launch in the coming months.

The reason why Rivian hasn't faced much competition to date is that cost-effective electric pickups are hard to engineer. There is a reason why most EVs are aerodynamic sedans or small eco-cars: Trucks require a lot of expensive batteries to shift. The vehicles Rivian sold in the first quarter for roughly \$83,000 on average cost it about \$150,000 each to manufacture.

Rivian might be wise to tap the market while the appetite for its

stock is strong. It raised almost \$12 billion in its IPO and sold \$1.5 billion worth of convertible notes in March, topping up its cash balances, but it will need more. It has already burned through roughly \$10 billion in its short life as a public company, and analysts don't expect its quarterly free cash outflow to fall below \$1 billion until at least the end of next year.

Given the vast sums required to build EV plants and increase production, startup brands are engaged in a race to secure funding. Those that can finance their way through to the point of positive cash flow will survive, and those that can't, such as Lordstown Motor, are already falling by the wayside.

Never mind that Rivian's sudden return to stock-market vogue makes little sense; it is itself an asset the company can and should exploit. Then it just might make sense.

—Stephen Wilmot

## Ralph Lauren Stock Leads An Apparel Rally

Ralph Lauren has been able to keep commanding higher prices on its clothes. Now its shares are reflecting that premium, too.

The apparel brand's shares surged 5.1% on Monday on no obvious catalyst other than a filing that showed it inked a revolving credit facility for up to \$750 million. The company has lately stood out among peers for its ability to keep passing along higher price tags to its customers. In its quarter ended April 1, it said average selling prices rose 12% compared with a year earlier. That was on top of a 77% rise over the past five years.

This hasn't been the case for all brands. Levi's mentioned on its earnings call last Thursday that it will start cutting prices on some of its value-tier jeans to move inventory. In its latest quarterly report, Tapestry, which owns Kate Spade, said handbag prices rose by a milder low-single digit percentage from a year earlier.

The bounce on Monday wasn't limited to Ralph Lauren and could reflect a shift in investor senti-

12%

Rise in Ralph Lauren's average selling prices during the quarter ended April 1

## Obesity Drugs Won't Deprive Other Blockbusters

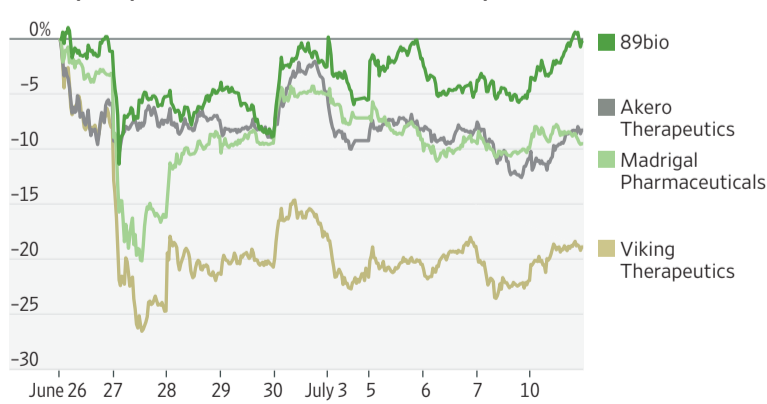
The obesity-treatment revolution is threatening to put a damper on another high-flying part of the drug industry: companies developing drugs for fatty liver disease.

That niche had been on a tear recently, with shares of companies such as **Akero Therapeutics**, **Madrigal Pharmaceuticals**, **Viking Therapeutics** and **89bio** all more than doubling in the past year thanks to encouraging data from clinical trials targeting the liver condition known as NASH, or nonalcoholic steatohepatitis.

But data from **Eli Lilly's** next-generation weight-loss drug, retatrutide, spooked investors in late June because the powerful medication helped reduce liver fat content for a subset of patients. The drug delivered as much as 24% weight loss, the highest number yet for a weight-loss medication.

All NASH-focused companies fell on the news, with Madrigal—the largest and clinically furthest along—falling 13% after Lilly's results. Though the stocks bounced back, questions remain over the potential impact that the class of obesity-diabetes drugs known as incretins can have on the NASH

Share-price performance of NASH-focused companies



Source: FactSet

group.

If obesity-targeting drugs can reduce the excess fat stored in your liver, the bear thesis goes, there might not be as big an opportunity for companies that target liver inflammation and scarring. While in theory a reduction in liver fat early on might mean there will be fewer patients with liver complications to treat, the idea that one class of drugs can displace other approaches to this disease afflicting about 5% of Americans seems far-fetched. For

starters, the obesity medications haven't yet demonstrated they can reduce the scarring in the liver known as fibrosis, explains Liisa Bayko, an analyst at Evercore ISI. That is an important measure because such scarring can lead to complications such as cirrhosis. Crucially, Madrigal and Akero studies demonstrated a reduction in liver scarring.

What is more, says Bayko, plenty of patients can't tolerate obesity-diabetes drugs, with side effects including diarrhea and

vomiting. And about 10% of NASH patients are skinny. NASH drugs are likely to end up being given in combination with drugs for weight loss for many patients, she says.

Madrigal could be the first to get Food and Drug Administration approval. The company said it started the application process for its pill, resmetirom. If approved, it would become the first approved drug for a chronic disease that has grown widespread because of the world's obesity epidemic. It would mark a rare win in a painful quest after dozens of companies have faced setbacks over the years.

Dr. Nikolaos Pysopoulos, chief of gastroenterology and hepatology at the New Jersey Medical School, says the future treatment of NASH will encompass different medicines. "At this point we don't have anything in our hands," he says. "So it's very appealing to have multiple compounds, which would give us an opportunity to tailor treatments for patients in a more personalized way."

The weight crisis will be with us for some time. That means there will be plenty of room for an array of medications for liver complications.

—David Wainer

ment on apparel stocks. Levi's, which fell 8% on Friday after reporting a surprise net loss, saw its shares rebound a bit on Monday.

And at least some of that stock-price reaction might be explained by investors looking to cover their shorts: The biggest gainers on Monday tended to be the most heavily shorted stocks. Short interest in Ralph Lauren stands at roughly 19% of its free float, according to FactSet. Online clothing retailer Revolve Group, which surged 6.8% on Monday, has 31% short interest. Tapestry and Capri Holdings, which have much less short interest, were up roughly 2% each.

There is one metric worth monitoring at Ralph Lauren: Even while its average selling price has risen, its gross margin has been shrinking for four consecutive quarters. This could be because, rather than simply selling the same goods for higher prices, Ralph Lauren is selling a higher mix of more expensive categories, according to Simeon Siegel, analyst at BMO Capital Markets.

If that is the case, Ralph Lauren's growth story of elevating its cachet might soon hit some limits.

—Jinhoo Lee