

## What's News

### Business & Finance

- ◆ **Morgan Stanley** said second-quarter profit fell 13% from a year earlier, driven by a 22% decline in trading revenue, while investment-banking fees were about flat after falling sharply in recent quarters. BofA, meanwhile, reported higher earnings. **A1**
- ◆ **Americans** boosted their retail spending in June for the third straight month, a sign of consumers' continued resilience amid easing inflation and a strong labor market. **A2**
- ◆ **Microsoft** will release a new version of Meta's AI language model in a partnership between the tech giants that will make the software available to companies for the first time. **B1**
- ◆ **Microsoft and Activision** planned to continue to work toward completing their deal by sorting out lingering regulatory issues, people familiar with the companies said, as the merger's closing deadline approached. **B4**
- ◆ **Major U.S. stock indexes** extended recent gains, with the S&P 500, Dow and Nasdaq advancing 0.7%, 1.1% and 0.8%, respectively. **B11**
- ◆ **The Big Four** accounting firms are trimming their consulting ranks after forecasting slower growth as more businesses scale back on third-party help in certain areas. **B1**
- ◆ **The SEC is investigating** whether private-equity firm One Equity Partners' communications with investors about its past and future performance violated rules. **B1**
- ◆ **Gucci CEO Bizzarri** is leaving as part of a management shuffle that will elevate two other executives at Kering, the owner of the fashion house and other brands. **B3**

### World-Wide

- ◆ **Federal prosecutors** told Trump's legal team that the former president is a target of their probe into efforts to undo his loss in the 2020 election, a sign he is likely to be indicted in the case. The notification deepens Trump's legal peril as the 2024 presidential race heats up. **A1**
- ◆ **Michigan's attorney general** brought conspiracy and forgery charges against 16 people she said were part of a multistate effort to cast doubt on the outcome of the 2020 presidential election and keep Trump in power. **A4**
- ◆ **North Korean authorities** took a U.S. soldier into custody after he crossed the border during a tour on the South Korean side, U.S. officials said. **A7**
- ◆ **A U.S. nuclear-capable** submarine made its first port visit to South Korea in more than four decades, a boost to deterrence as North Korea steps up its threats. **A7**
- ◆ **Russia** launched one of its largest missile attacks on Ukraine's grain-exporting port of Odesa just hours after pulling out of an international agreement ensuring safe passage for Ukraine's exports through the Black Sea. **A8, A9**
- ◆ **The U.K.** will slim down its army and seek to create a better-equipped force that it says can be more quickly mobilized, as Russian aggression drives a review of strategy by Europe's biggest military spender. **A8**
- ◆ **AT&T** said it will halt plans to remove two lead-clad cables in Lake Tahoe that it had previously agreed to remove as part of a 2021 settlement and that it will test lead levels at other locations where it has lead-clad cables around the country. **A4**

**CONTENTS**

Opinion.....	A15-17
Arts in Review... A13	Personal Journal A11-12
Business News... B3,5	Property Report... B6
Crossword..... A14	Sports..... A14
Heard on Street... B12	Technology..... B4
Markets..... B11	U.S. News..... A2-4
Markets Digest... B9	World News... A7-9,18

# Trump Is Target of Jan. 6 Probe

## Prosecutors warn former president of possible charges over bid to undo 2020 loss

By **SADIE GURMAN** AND **ALEX LEARY**

WASHINGTON—Federal prosecutors told former President Donald Trump's legal team that he is a target of their investigation into efforts to undo his loss in the 2020 elec-

tion, a sign that he is likely to be indicted in the case.

The notification deepens Trump's legal peril as the 2024 presidential race heats up, with Trump as the front-runner for the Republican nomination. The former president already faces a separate federal prosecution on charges that he mis-handled classified documents after leaving the White House, criminal charges in New York and the prospect of an additional indictment by a local prosecutor in Georgia.

In a social-media post Tuesday morning, Trump said special counsel Jack Smith sent his legal team a letter Sunday indicating he could face charges in the probe examining Trump's actions leading up to the Jan. 6, 2021, attack by his supporters on the U.S. Capitol. People familiar with the matter confirmed that the Justice Department had sent the letter.

Trump said he had been given four days to report to a grand jury, which he said "almost always means an Arrest

and Indictment." He attacked Smith as "deranged" and accused the Biden administration of trying to undermine him as he makes another bid for the White House.

A spokesman for Smith declined to comment. Trump and his lawyers hadn't yet decided Tuesday how to respond to the letter, an aide said.

Attorney General Merrick *Please turn to page A4*

◆ **Michigan charges 16 in false-elector case..... A4**

# Bankers Pressured By Slump In Deals, Trading

## Morgan Stanley's profit dropped 13%; Bank of America notched a 19% gain

By **BEN EISEN** AND **ANNA MARIA ANDRIOTIS**

Wall Street's traders and deal makers are struggling to shake the doldrums.

Morgan Stanley said Tuesday that second-quarter profit fell 13% from a year ago, driven by a 22% decline in trading revenue. Investment-banking fees were about flat after falling sharply in recent quarters.

JPMorgan Chase and Citigroup last week both reported drop-offs in trading and investment banking. At Goldman Sachs, a Wall Street standard-bearer, analysts expect profits to drop by more than half when the bank reports on Wednesday, according to FactSet.

Still, the results so far have topped analyst expectations, and Morgan Stanley reported strong gains in its wealth-management division. Its equity underwriting and debt underwriting were also up sharply.

Investors sent shares of Morgan Stanley up 6.4%, with smaller gains for Citigroup and JPMorgan. Bank of America, which reported higher earnings Tuesday, rose 4.4%.

Shares of Charles Schwab shot up 13%, even after it reported a big profit decline and continued deposit outflow.

JPMorgan and Wells Fargo both turned in blockbuster profit gains last week, helped by big consumer businesses that have been able to charge more on loans. JPMorgan's purchase of the failed First Republic, with government help, also boosted its consumer and *Please turn to page A2*

◆ **Heard on the Street: Bonds are mixed bag for BofA... B12**

# Why Summer Swelters Around the World

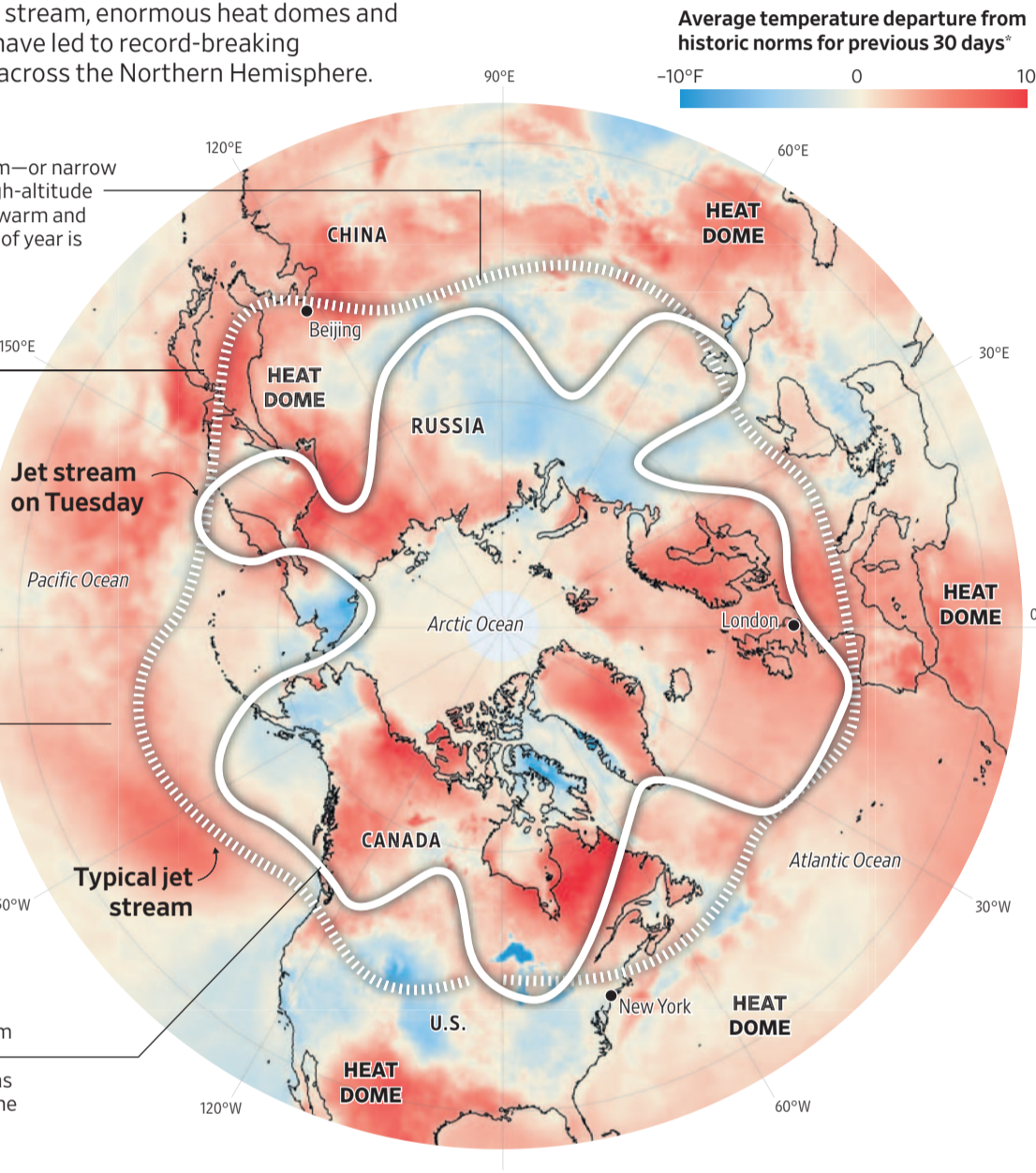
## A displaced jet stream, enormous heat domes and warm oceans have led to record-breaking temperatures across the Northern Hemisphere.

A typical jet stream—or narrow band of strong, high-altitude winds separating warm and cold air—this time of year is further south.

Areas of high pressure trap hot, humid air underneath, forming a stagnant heat dome and push into the jet stream's path.

Global ocean temperatures have hit record highs for three months.

With the jet stream further north this summer, hot air has persisted across the hemisphere.



As of July 12, compared to 1991-2020

Sources: Jose Alvaro Mendes Pimpao Alves Silva, World Meteorological Organization; European Centre for Medium-Range Weather Forecasts and Copernicus Climate Change Service; National Oceanic and Atmospheric Administration

Carl Churchill/THE WALL STREET JOURNAL

# Sibling Discounts End for College Aid

By **OYIN ADEDOYIN**

Parents paying tuition for two or more children in college stand to lose some financial aid under new government rules.

For years, the calculation for federal financial aid took into account a family's income and assets, as well as the number of children attending school. The information, which parents plugged into the Free Application for Federal Student Aid form, or Fafsa, was used to determine how much a family could afford to pay annually, a number called the expected family contribution.

The Education Department divided that number by the number of college students in the family to estimate how much parents could contribute for each child. That per-child number determines each child's eligibility for need-based federal financial aid.

Changes to the formula for the 2024-25 academic year intend to make more students eligible for federal aid like Pell grants. But that means parents won't get a break for having multiple children in college since the new formula looks at family members individually instead of as a family unit, said Dana Kelly, vice president of professional development and institutional compliance at the National *Please turn to page A11*

# Best of Frenemies: The Saudi-U.A.E. Clash

## Crown prince pulls away from former mentor in Gulf power contest as U.S. role wanes

Saudi Crown Prince Mohammed bin Salman gathered local journalists in Riyadh for a rare off-the-record briefing in December and delivered a stunning mes-

By *Summer Said, Dion Nissenbaum, Stephen Kalin and Saleh al-Batati*

sage. The country's ally of decades, the United Arab Emirates, had "stabbed us in the back," he said.

"They will see what I can do," he told the group, according to people at the meeting.

A rift has opened up between the 37-year-old Mohammed and his onetime mentor, U.A.E. President Sheikh Mohamed bin Zayed Al Nahyan, that reflects a competition for geopolitical and economic power in the Middle East and global oil markets. The two royals, who spent almost a decade climbing to the top of the Arab world, are now feuding

over who calls the shots in a Middle East where the U.S. plays a diminished role.

U.S. officials said they worry that the Gulf rivalry could make it harder to create a unified security alliance to counter Iran, end the eight-year-old war in Yemen and expand Israel's diplomatic ties with Muslim nations.

"These are two highly ambitious people who want to be key players in the region and the go-to players," a senior Bi- *Please turn to page A10*

# Bidding Wars Get Weird In a Tight Rental Market

## London applicants try flirting, flowers and boasts about 5K-race times—it's 'a dance'

By **JOSH MITCHELL** AND **YUSUF KHAN**

LONDON—Lola Agabalogun recently responded to an ad for an apartment only to find 100 other renters had called about the same flat in Hackney, one of the city's trendiest neighborhoods.

So the 27-year-old ex-New Yorker did what a growing number of other desperate tenants are doing in London these days, and what some landlords are even requiring. She pulled out her laptop and wrote what she described as a love letter to the anonymous landlord, describing how wonderful the flat and neighborhood were. She even mentioned personal details like her love for tennis.

No matter. She was outbid to the tune of £400, or about \$520, a month.

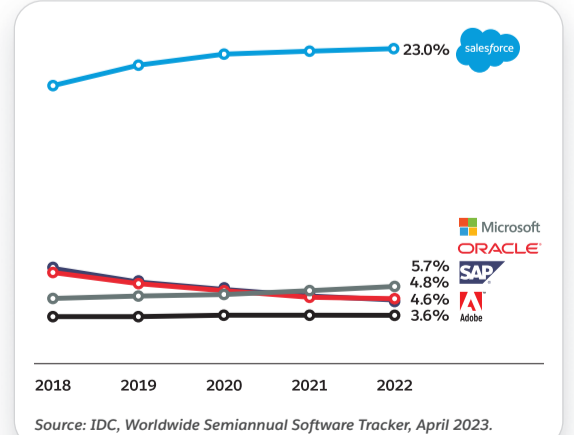
In New York, "You show up and if you have the right documentation you get the place," she said. "Here, there is more of a dance."

London rentals have been tight since a pandemic surge in home sales took thousands of renters returned to the city. Average rent has soared 49% from the April 2021 pandemic low, according to real estate agency Knight Frank, the second-sharpest growth of any major global city after New York.

"When the phone started blowing up I actually considered *Please turn to page A10*

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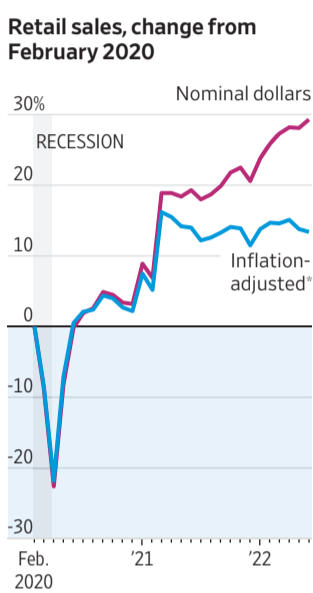


# U.S. NEWS

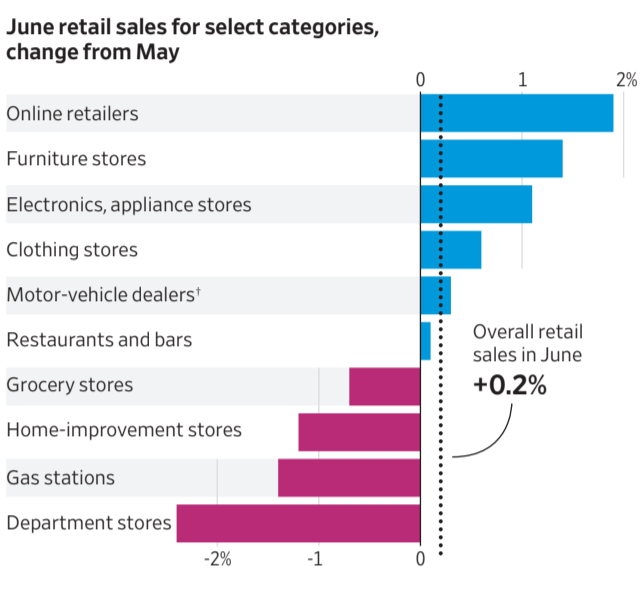
# Retail Sales Rise Amid Cooling Inflation



Shoppers, helped by a strong labor market, have continued to spend at a steady pace this year.



Retail sales, change from February 2020



June retail sales for select categories, change from May

\*Seasonally adjusted values deflated using the consumer-price index. †Includes parts dealers.  
 Note: Seasonally adjusted  
 Sources: WSJ analysis of Labor Department (CPI) and Commerce Department via St. Louis Fed (change in sales since February 2020); Commerce Department (sales for select categories)

June increase of 0.2% is slower than the previous two months, matches gain in CPI

By HARRIET TORRY

Americans boosted their retail spending in June for the third straight month, a sign of consumers' continued resilience amid easing inflation and a strong labor market.

Retail sales—a measure of spending at stores, online and in restaurants—rose a seasonally adjusted 0.2% last month from the month before, the Commerce Department said Tuesday. That was a slower pace than in May and April and matched the 0.2% increase in consumer prices last month, a sign that Americans' spending is keeping up with, but not outpacing, inflation.

The U.S. economy remains resilient this year, with consumer spending driving economic growth. Wage growth recently surpassed cooling inflation. American shoppers, boosted by a strong labor market, have continued to spend at a steady pace this year, despite rising interest rates by the Federal Reserve.

Fed officials are on track to raise rates to a 22-year high at their July 25-26 meeting because economic activity hasn't slowed down as much as anticipated.

In June, shoppers picked up their spending on furniture, electronics and online shopping. Sales at grocery stores, gasoline stations, hardware and sporting goods stores dropped. Dining out at bars and restaurants was broadly flat.

The report "suggests a very mixed picture for spending

right now," said ING economist James Knightley. Retail sales were up 1.5% in June from a year earlier, a slowdown from a 2% rise in May. "There's momentum being lost in retail," he said.

Retail sales aren't adjusted for inflation and reflect price differences as well as purchase amounts.

Gregg Gannon, a 54-year-old from Huntsville, Ala., says rising costs haven't stopped him from enjoying wine and cheese, as well as other interests such as fly fishing, race bikes and books.

"I don't see myself spending any less money on any of those things," he said. Gannon, a broadcast advertising sales executive, said he feels "guardedly optimistic" about the economy, though he recently downsized his truck for a more fuel-efficient car as a cost-saving measure.

Consumers have seen some reprieve on inflation after a recent peak last summer. The consumer-price index climbed 3% in June from a year earlier, the Labor Department said last week, down from a 4% advance in May.

Shoppers report feeling better about the economy as price pressures have abated. Consumer sentiment jumped to a near two-year high in July, according to preliminary results from the University of Michigan's survey. The survey attributed the gain to easing inflation and a strong job market.

The retail-sales report mainly captures spending on goods rather than most services such as travel, housing and utilities, offering only a partial picture of spending. The Commerce Department will release its monthly report that includes more complete spend-

ing figures later this month.

The Fed said Tuesday that U.S. industrial production declined for the second straight month in June as manufacturing of autos and energy products fell. Industrial production, which comprises manufacturing, mining and utility output, dropped by 0.5% in June from the prior month.

Some economists expect spending will eventually slow if high interest rates persist. High interest rates can make vehicles, appliances and other big-ticket items less affordable for consumers who finance those purchases. They can also push up credit-card balances, which could constrain spending.

"The bottom line is the contours of weaker consumer spending are still in place," said Joseph LaVorgna, chief economist at SMBC Nikko Securities America, pointing to still-high borrowing costs.

Hank Coates, a 38-year-old in Evanston, Ill., said he is going to be "walloped" by student loan payments when they resume. The pandemic-era pause on federal student-debt payments and interest accrual is due to end Aug. 30.

Coates and his spouse face an extra \$400 a month each in debt payments, he said. Coates, the father of two young children, also has a daycare bill of nearly \$4,000 a month and high costs for other expenses such as groceries.

"It feels just so dang tight, and now my student loans are going to kick back in," said Coates, who works in fundraising development.

—Inti Pacheco and Christian Robles contributed to this article.

◆ Heard on the Street: U.S. shoppers keep going.... B12

## Trading, Deal Slump Press Banks

Continued from Page One

commercial businesses. The picture for Wall Street businesses is more complicated. A resilient U.S. economy hasn't done much to shake the uncertainty that has kept corporate executives from taking their companies public and pursuing deals. And calmer financial markets have reined in the trading boom that had been a bright spot for the industry.

Trading revenue posted big gains during the pandemic, when markets took a nosedive, and in its aftermath, when stocks came roaring back. Market volatility induced by

sky-high inflation was also good for trading desks. Now, the banks are still making more in trading revenue than they did before the pandemic, but the gains look to be subsiding. Trading revenue was down 10% at JPMorgan and 13% at Citigroup.

"Everybody is on pause because they want to see where the Fed will peak out at rates," said Sandy Pomeroy, senior portfolio manager of the Neuberger Berman equity income fund, which includes Morgan Stanley stock. "If the Fed were to really pause and not just lower rates but where people get comfortable about what the new discount rate is, there will be more trading activity."

One notable outlier was Bank of America, which has been building out its trading division over the past few years. Its adjusted trading revenue rose 10%, for one of the best second quarters ever. Investment-banking fees rose

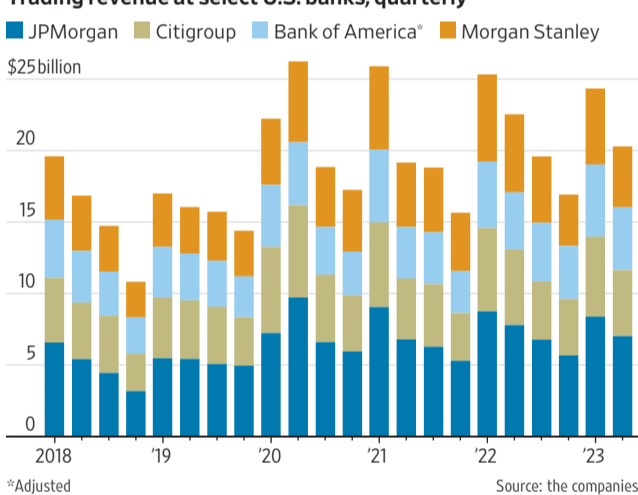
6%, partly because the bank worked on more middle-market deals.

The regional banking crisis and uncertainty about the debt ceiling contributed to a slowdown in Wall Street businesses at the beginning of the second quarter, Morgan Stanley CEO James Gorman said on a call with analysts. The outlook improved toward the end of the quarter, Gorman said.

Globally, the total deal value of mergers and acquisitions fell about 39% during the first half of this year compared with the same period last year, according to Dealogic. Total deal value for initial public offerings was down 32%. And while M&A announcements have picked up recently, banks typically don't get paid until the deals close.

Morgan Stanley finance chief Sharon Yeshaya said that the bank is focused on a backlog of deals including in financials and energy. "There are

### Trading revenue at select U.S. banks, quarterly



Source: the companies

positive green shoots as you look into 2024," she said.

Big banks have otherwise fared well in the era of higher interest rates, since it has allowed them to earn more on the loans they make. Bank of America said its net interest income rose 14% from a year

earlier. JPMorgan, Wells Fargo and Citigroup also reported jumps in net interest income.

The high rates have also brought a challenge for Bank of America: It has an especially large portfolio of securities that it bought when rates were superlow. As rates rise,

those bonds lose paper value. On Tuesday, it said it was sitting on unrealized losses of \$106 billion on the bonds it plans to hold to maturity, up from \$99 billion at the end of March. It doesn't have to recognize the losses if it never sells the bonds, but holding on to them means that it can't invest or lend out that money at higher rates.

Earnings season is expected to be harder on regional banks, which face a particularly tough fight for deposits. Some are more exposed to commercial real-estate loans, which have come under pressure since office buildings have been slow to fill back up.

PNC Financial, the first big regional lender to report results, lowered its earnings forecast for the year, pointing to an uptick in deposit costs and softer loan growth. Still, the stock rose 2.5%.

—Gina Heeb contributed to this article.

## U.S. WATCH

### ILLINOIS End of Cash Bail Is Upheld

The Illinois Supreme Court upheld the broadest law in the nation eliminating cash bail for criminal defendants, paving the way for the state to overhaul its criminal-justice system.

The bail changes were enacted in 2021 as part of a law known as the Safe-T Act. The new rules, which had been set to go into effect at the start of 2023, make all defendants eligible for pretrial release without monetary bail unless a court finds detention is necessary for public safety. The law also allows judges to set additional release conditions, such as electronic monitoring.

The state high court, which previously postponed the rules on the eve of their implementation, on Tuesday ruled the Illinois Constitution doesn't mandate that cash bail is the only means to protect the public and ensure defendants show up for trial.

"Our constitution creates a balance between the individual rights of defendants and the individual rights of crime victims. The act's pretrial release provisions set forth procedures commensurate with that balance," Chief Justice Mary Jane Theis wrote for the court. The court said the rules would take effect in September.

—Mariah Timms

### NEVADA Warrant Served In Shakur Case

Authorities served a search warrant this week in connection with the long-unresolved killing of rapper Tupac Shakur nearly 30 years ago, they confirmed Tuesday.

Shakur, one of the most prolific figures in hip-hop, was shot on the night of Sept. 7, 1996, in a drive-by shooting in Las Vegas and died days later. He was 25.

The Las Vegas Metropolitan Police Department said the search warrant was executed Monday in the nearby city of Henderson. It is unclear what they were looking for and where they were looking.

Department spokesperson Aden OcampoGomez said in a brief phone call that he couldn't provide further details on the latest development in the case, citing the open investigation.

Shakur was gunned down while sitting inside a black car with Marion "Suge" Knight, head of Death Row Records. Police have said the two were stopped at a red light near the Las Vegas Strip when a white Cadillac pulled up next to them and gunfire erupted.

Shot multiple times, Shakur was rushed to a hospital, where he died days later.

—Associated Press

### WASHINGTON Spyware Firms Are Blacklisted

The Biden administration added two new foreign technology companies to its export prohibition list, accusing the firms of selling cyber intrusion tools that pose a global threat to digital privacy and security.

The Commerce Department said it was adding Intellexa, with corporate holdings in Greece and Ireland, and Cytox, with holdings in Hungary and North Macedonia, to its entity list that generally bars U.S. firms from engaging in trade activity with them.

The action is the latest by the Biden administration to attempt to erect rules around the growing and lucrative spyware industry, where firms sell high-powered digital surveillance tools to law enforcement and intelligence agencies around the world that are able to surreptitiously infiltrate targeted smartphones and other devices.

U.S. officials have said the proliferation of such tools can jeopardize U.S. national security and violate human rights.

Intellexa didn't immediately respond to a request for comment. Cytox couldn't be reached.

—Dustin Volz

July 8th – 23rd

# SALE

Reine. Floor lamps, designed by Chape & Mache.

### CORRECTIONS & AMPLIFICATIONS

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U.S. NEWS

# Texas Trooper Warns on Migrants' Treatment

By Elizabeth Findell

AUSTIN, Texas—Texas state police troopers and National Guard members patrolling the border with Mexico were ordered to deny water to people at a time when temperatures surpassed 100 degrees, to push an exhausted mother with a nursing baby into the Rio Grande and to prevent a preschooler near razor wire from getting to shore, according to an email from a trooper airing his concerns to his superior.

The email, which was reviewed by The Wall Street Journal, contained allegations of severe injuries to migrants by razor wire that state authorities have placed in the river. A pregnant 19-year-old was stuck in the wire, doubled over in pain and having a miscarriage, when state police found her and cut her free, the trooper wrote. The trooper wrote that state police found a man with a significant laceration to his leg after he had tried to cut his child free from what the email termed a "trap"—a barrel covered in razor wire—in the river.

The 4-year-old girl who troopers pushed back from the wire passed out from the heat shortly thereafter, according to the email.

The July 3 email, from trooper and medic Nicholas Wingate to his superior, Sgt. Colin Kolupski, was first reported Monday by the Houston Chronicle. Another trooper, Brandon Tinsley, sent it to state police Sgt. Garrett Rit-

**'I believe we have stepped over a line into the inhumane,' the trooper wrote.**

ter and wrote that he fully assigned the message. The Texas Department of Public Safety's Office of the Inspector General is investigating the allegations, a department spokesman said.

Troopers with the Department of Public Safety have been deployed over the past two years as part of Operation Lone Star, an effort by Republican Gov. Greg Abbott to establish a state operation for border security.

In recent months, a primary focus has been on the riverfront of the Eagle Pass area, where Wingate was working. State police there have put up blockades of shipping containers and covered the river's edges in razor wire.

"I truly believe in the mission of Operation Lone Star," Wingate wrote, but added, "I believe we have stepped over a line into the inhumane. We need to operate it correctly in the eyes of God."

Texas Department of Public Safety officials Tuesday denied that it was policy to refuse water to migrants in the heat, and said the razor wire was intended to deter crossings, not injure people. Wingate didn't respond to a request for comment.

Emails provided to the Journal by the department from Director Steven McCraw sent to multiple DPS recipients say that the department has seen an increase in injuries from the state's placement of the razor wire.

"Crossing through the concertina wire without protective gear is no doubt likely to result in an injury," McCraw wrote, adding that "we need to ensure that migrants are reminded of this by signage and continued verbal warnings."

A Department of Public Safety spokesman denied that state police put wire around barrels in the river. A statement issued by Abbott's office said state authorities give assistance to migrants in distress and defended the state's placement of razor wire. "No orders or directions have been given under Operation Lone Star that would compromise the lives of those attempting to cross the border illegally," it said.



# Drought, Late Rain Test Wheat Harvesters

By Shannon Najmabadi

Drought in the Great Plains has hurt the harvest season of U.S. winter wheat.

SHARON SPRINGS, Kan.—Rows of wheat fall like waves under the combine Laura Haffner drives in a 320-acre field in far west Kansas, leaving stalks stripped of kernels in its wake.

It is among the most bountiful fields Haffner has cut in a harvest season marred by a yearlong drought expected to produce a historically poor wheat crop in the nation's breadbasket.

Downpours in May through July have revived a few flagging fields and nourished crops such as corn, sorghum and soybeans that will be harvested in the fall.

But the rain has also slowed harvesters—seasonal crews that travel each summer and early fall as they follow the maturation of crops. Harvesters have typically moved out of Kansas to cut wheat ripening north in Colorado and South Dakota by mid-July.

Some are losing out on business as they hustle to make up for lost time. About 60% of winter wheat in Kansas had been harvested as of July 10, down from more than 90% at the same time last year.

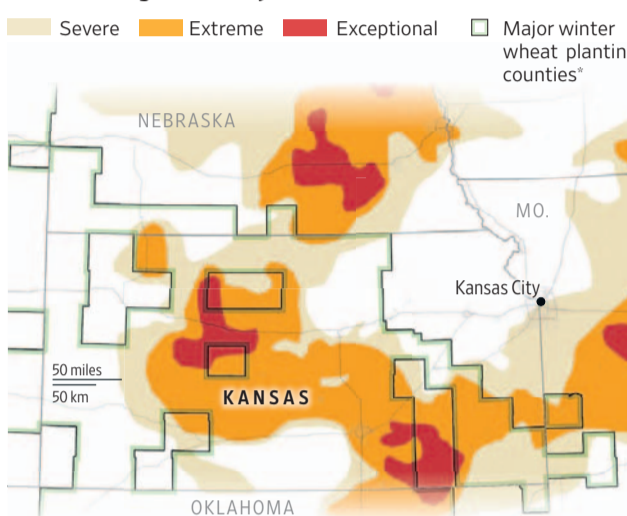
"They have begun harvest in central South Dakota already," harvester Brian Jones said. "That's a major issue as there is no way to get to our Nebraska stop in between."

"A year to remember for all the wrong reasons," he said.

Laura and Ryan Haffner and Jones are custom harvesters, part of a shrinking industry that links U.S. wheat fields to flour mills that process grain into bread that ends up on grocery-store shelves. Each May, a procession of harvest crews and their combines sets off from Oklahoma or Texas to cut wheat, following south-to-north routes. The U.S. Custom Harvesters association estimates there are about 650 harvesters in the U.S.

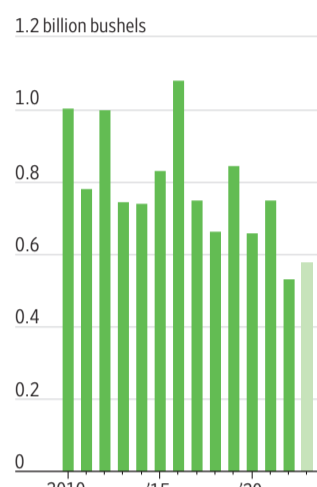
The profession holds an allure for some—the chance to travel with a group, the big machinery, the sight of shimmering fields—but it is financially risky and dependent on weather. Unlike farmers, har-

### State of drought as of July 11



Counties that planted more than 10,000 acres of wheat in 2022. 2023 data through July 13. Source: USDA

### Hard-red winter wheat production'



Carl Churchill/THE WALL STREET JOURNAL



Harvesting crews like Laura and Ryan Haffner's, shown in photo above in Kansas, move from farm to farm in the summer and fall, working fields from Texas to Northern Plains states hundreds of miles away. Ryan Haffner, left, says some stability for his business stems from his customers' geographic spread, with some living in states having bad years but others in states projecting strong harvests.

vesters don't have insurance to cushion the blow of a lackluster harvest. Many deals are still sealed with a handshake.

Harvesting is time-sensitive: Wheat in north-central Texas typically ripens in May, Kansas in June, South Dakota in July. Harvesters must be there to cut it as soon as it is ready.

Wait too long, and a wheat field could be pelted by hail that destroys it, fall prey to diseases, or have kernels that dry up. Too much moisture, though, and it might be rejected at grain elevators.

"Crops will literally go bad," Ryan Haffner said.

"They'll either fall on the ground or sprout. They can just rot."

Delays can become a customer-relations problem for harvesters, said Greg Doering, with the Kansas Farm Bureau.

"How do you manage a customer whose field is ready to be cut," he said, when "you're several hundred miles away and still have days and days of work before you get to them?"

The Haffners are planning to divide their 18-person crew, sending some to Colorado and others to Montana to make up for the delays caused by rain and wheat that has been slow

to mature in southern states.

They regularly harvest well into the night. Ryan Haffner said the geographic spread of their customers, where one state could have a fruitful harvest while their neighbor has poor weather, offers some stability for harvesters.

Jones's crew is smaller, so it doesn't make sense to split it up. After warning customers in Nebraska of the delays, they are skipping the state because about one-third of the acres they harvest in the summer are in South Dakota.

They so far have encountered few fields that benefited from summer moisture; most

have been relatively sparse, Jones said.

"That automatically means significantly reduced income for the acres we do harvest with the low yield. Not to be all doom and gloom but to be blunt," he said.

Kansas is the nation's top producer of winter wheat. The U.S. was expected in May to produce 514 million bushels of hard-red winter wheat—used in bread—the lowest output since the late 1950s. That forecast has increased to 577 million bushels, which is still historically low.

The number of acres of wheat planted in the U.S. has fallen from 88 million in 1981 to 46 million in 2022, as the incentives to plant corn and soybeans for biofuels have grown and more drought-resistant varieties of the crops are developed.

The Haffners opened their custom harvesting business in 2012. Their crew members this year include men from South Africa, the U.K., Australia and an 18-year-old heading to college in Kansas. They live in RVs and eat meals together in the fields, and they banter on the radios in their combines and grain carts, which are tractor-towed trailers that run alongside the combines, receiving freshly cut wheat before ferrying it off the field.

The custom-harvesting industry has become more reliant on international workers coming through the H-2A visa program, as some harvesters struggle to recruit domestically. Hiring through the program is more costly, because wages are set by the government and the employers cover airfare, lodging and other expenses, harvesters said.

Laura Haffner said she appreciated that the couple's elementary-school-aged kids are exposed to other countries and cultures as they travel with their parents for parts of the harvest. They played by the fields as she operated the combine near Sharon Springs.

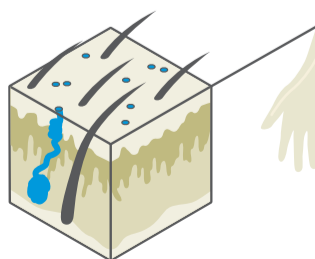
Her head swiveled left to right as she drove.

"I'm making sure that I'm getting all the grain," she said. "I don't want to leave even a tiny little strip."

# Hospitals Treat Overheated With Ice Bags, Wet Gowns

## How heat affects the body

- When body temperatures rise, the brain sends signals to different parts of the body for cooling.
- The heart increases the rate of pumping blood.
- Blood vessels push blood near the skin's surface, where heat can dissipate into the air.
- Sweat releases heat from the body when it evaporates. When humidity is high, sweat will not evaporate as quickly.



- Extreme heat causes the heart to beat faster and the blood vessels to dilate, increasing the risk of strokes and heart attacks. Excessive sweating without enough rehydration could lead to dehydration and electrolyte imbalance.

Sources: Dr. Christopher Uejio, Florida State University; National Institutes of Health; Adrienne Tong and Peter Champelli/THE WALL STREET JOURNAL

By Melanie Evans

This summer's extreme heat is sending waves of nauseated, dizzy and sometimes comatose patients to hospitals.

Among the treatments: placing the heat sick in body bags packed with ice to rapidly lower their temperatures.

At Memorial Hermann's flagship hospital in Houston, doctors using the body-bag treatment called in cafeteria workers to deliver 5-gallon buckets of ice, said emergency physician Dr. Samuel Prater.

"I wish this would stop," said Dr. Frank LoVecchio, a physician at Valleywise Health Medical Center in Phoenix, which deploys the ice-packed body bags as an emergency treatment for patients who overheat so much they arrive comatose.

Temperatures around Valleywise have hit at least 110 degrees Fahrenheit daily for more than two weeks.

People suffering from the extreme heat can arrive at hospitals with symptoms such as cramps, nausea and fatigue. Body temperatures of about 104 degrees or higher can also lead to a potentially fatal condition known as heat stroke, which can cause hallucinations and organ damage or failure.

Heat-related deaths have climbed each of the past three years, reaching 1,708 in 2022, the most recent provisional figures from the Centers for Disease Control and Prevention show.

For patients with life-threatening body temperatures, LoVecchio said Valleywise doctors employ the ice baths as well as fans. The hospital also gives medicines to the comatose to keep them in a coma, which protects their brains.

Patients who are dehydrated because of the heat are at risk of seizures if they don't have the right balance of electrolytes, such as sodium, potassium and calcium, which help the muscles, brain and other parts function.

At Baylor University Medical Center in Dallas, some severely dehydrated patients lost 8 to 10 pounds in water weight by the time they arrived at the hospital, said Dr. John Garrett, its chief of emergency medicine.

Doctors hook dehydrated patients up to intravenous lines to restore water and electrolytes, Garrett said.

In Albuquerque, N.M., doctors at Presbyterian Hospital place patients before fans in wet clothes or gowns to help

reduce high body temperatures, said John Lissoway, assistant medical director for the hospital's emergency department.

Air moving over the damp material helps cool patients as moisture evaporates, he said.

Kayla Stack, a paramedic for the Emergency Medical Services Authority in Tulsa, Okla., said crews keep ambulances running to keep the air conditioning on, and try to move quickly to put people in the cool vehicles to reduce body temperatures.

Stack, who works nights, said temperatures are so high that people are getting overheated even during the night. "The Oklahoma heat is undefeated against those who are unprepared and who don't take it seriously," said Adam Paluka, the authority's spokesman.

To prepare for extreme heat, Providence Swedish in Seattle created a heat-alert system after the fatal 2021 heat wave across the Pacific Northwest. The system tied alerts to heat-related warnings from the National Weather Service and detailed steps staff should take such as stocking up on ice and other supplies needed to take care of heat patients.

## U.S. NEWS

## Sixteen Charged in False-Elector Case

By BYRON TAU

Michigan's attorney general Tuesday brought conspiracy and forgery charges against 16 people she said were part of a multistate effort to cast doubt on the outcome of the 2020 presidential election and keep former President Donald Trump in power.

The Michigan residents allegedly signed documents in December 2020 falsely claiming to be the rightful state electors pledged to vote for Trump. They tried to present copies of the documents to the Michigan legislature, the U.S. Congress and the National Archives, seeking to put themselves forward as an alternative pro-Trump slate of electors at a meeting of the Electoral College later that month, according to the attorney general's office.

"This plan—to reject the will of the voters and undermine democracy—was fraudulent and legally baseless," said state Attorney General Dana Nessel, a

Democrat. "The False Electors' actions undermined the public's faith in the integrity of our elections, and not only violated the spirit of the laws enshrining and defending our democracy but, we believe, also plainly violated the laws by which we administer our elections in Michigan and peaceably transfer power in America."

Each of the 16 defendants has been charged with three felony conspiracy counts and five felony counts related to forgery. The most serious charges carry a maximum sentence of 14 years in prison, but most defendants don't receive the maximum sentence allowable in criminal cases.

Nessel's decision to bring a case in Michigan represents the first criminal charges stemming from the alternative slates of Trump electors, which also were organized in six other states: Arizona, Georgia, Nevada, New Mexico, Pennsylvania, and Wisconsin. Several other state and federal crimi-



Michigan Attorney General Dana Nessel on Tuesday.

nal inquiries are examining the matter, including those headed by Fulton County, Ga., District Attorney Fani Willis and Jack Smith, a special counsel named by U.S. Attorney General Merrick Garland.

Several alternative electors

in other states have been offered immunity, a sign that their testimony is being sought against higher-level officials.

The fake electoral slates were part of a broader plan by Trump and his Republican allies across the country to put forward alternative electors in more than a half-dozen battleground states in the hope that Congress would decline to certify the 2020 election. The aim was to cause confusion and dispute the congressional certification of the election, which was scheduled for Jan. 6, 2021.

A refusal by Congress to accept the Electoral College vote would have thrown the decision on who would be the next president to the U.S. House of Representatives, where Republicans had an advantage under the voting procedures used in Congress to settle such disputes.

Joe Biden beat Trump by more than 150,000 votes in Michigan in the November vote, but a presidential election isn't complete until a vote of the Elec-

torial College and certification of those results by Congress.

In a speech in Washington on the day Congress was set to certify the electoral votes, Trump encouraged his supporters to "make your voices heard."

"We have come to demand that Congress do the right thing and only count the electors who have been lawfully slated, lawfully slated," Trump said to supporters in a speech on the Ellipse, near the White House.

Shortly afterward, the certification of the election on Jan. 6 was interrupted by an assault on the Capitol by supporters of Trump, many of whom had attended Trump's speech and then marched toward the Capitol. Trump's actions in the weeks leading up to Jan. 6 are under investigation by Smith and Willis. On Tuesday, Trump said he was informed he was the target of Smith's investigation into efforts to reverse the 2020 election.

## House Approves Measure Backing Israel

By SIOBHAN HUGHES

WASHINGTON—The House voted overwhelmingly to pass a resolution affirming America's strong support for Israel and condemning antisemitism, a move that sought to put Democrats on the spot after a progressive leader called the country racist.

The measure passed 412-9. One member voted present.

The vote came hours after Israel's president, Isaac Herzog, met with President Biden, with a speech planned before Congress on Wednesday. Biden also said this week he would meet with Prime Minister Benjamin Netanyahu later this year, working to ease tensions after the White House criticized Netanyahu's push to overhaul Israel's judicial system and the efforts of his government to expand settlements in Palestinian territories.

In remarks to reporters, Biden said that the U.S. commitment to Israel is "ironclad." In their meeting, Biden and Herzog discussed efforts to prevent Iran from acquiring a nuclear weapon and Tehran's growing defense ties with Russia, the White House said.

The resolution the House passed Tuesday says that Israel "is not a racist or apartheid state; Congress rejects all forms of antisemitism and xenophobia; and the United States will always be a staunch partner and supporter of Israel."

The measure was drafted in response to comments from a top House Democrat. Over the weekend, Rep. Pramila Jayapal (D., Wash.), head of the progressive caucus, referred to Israel as a "racist state" at a Netroots Nation panel discussion. The comments drew fire from not only Republicans, but also fellow Democrats.

Jayapal issued a statement walking back her comments, saying she intended to say that Israel's government was pursuing racist policies toward Palestinians but wasn't a racist state. She also offered her "apologies to those who I have hurt with my words."

On Tuesday, Jayapal voted to affirm the pro-Israel resolution, joining Republicans and most Democrats in supporting the measure.

## Trump Is Target in Jan. 6 Case

Continued from Page One

Garland has repeatedly said he appointed Smith, whom he called a "veteran career prosecutor," as special counsel to insulate the probe and give it a degree of independence from the agency's political appointees.

Smith's investigation into attempts by Trump and his allies to retain power despite losing the 2020 election has been escalating, as his office prosecutes Trump on a separate, 37-count indictment alleging he retained classified government documents at his Florida resort and obstructed the government's efforts to retrieve them.

At the first pretrial hearing in that case, held on Tuesday in a Florida courtroom, U.S. District Judge Aileen Cannon didn't set a trial schedule but said she would promptly issue a written decision.

Cannon, a Trump appointee, at times seemed skeptical of the Justice Department's request to start a trial in December. Trump has sought to have it delayed beyond the 2024 election.

"These matters often require more time given the amount of confidential information at issue," Cannon said.

In the election probe, the special counsel's target letter cites three statutes: deprivation of



Donald Trump speaks during an appearance in Iowa on Tuesday.

rights; conspiracy to commit an offense against or defraud the United States; and tampering with a witness, according to a person familiar with the matter.

It couldn't be determined whether anyone else in Trump's orbit received similar letters from the Justice Department letting them know they are under an investigation that is nearing its end. Several high-profile lawyers associated with Trump, including Rudy Giuliani, said they haven't received such correspondence.

Grand jurors are hearing testimony from other witnesses in the election probe, with additional appearances scheduled this week. Smith's team has taken a growing interest in the role of lawyers and other figures involved in legal efforts aimed at reversing Trump's defeat, The Wall Street Journal reported, recently questioning Giuliani for at least eight hours. Among other things, prosecu-

tors have been seeking to learn whether the lawyers, including Jenna Ellis, Kenneth Chesebro and others, were acting on Trump's orders when they took various steps to try to change the election outcome.

A particular focus of Smith's probe has been whether anyone in Trump's orbit committed crimes by sending fake slates of electors to Congress. The grand jury has issued subpoenas to local officials in several battleground states seeking communication between election officials and Trump, his campaign and his allies.

On Jan. 6, 2021, the House and Senate gathered to certify Joe Biden's 2020 victory, which they ultimately finalized hours after being rushed out of the Capitol by the mob of Trump supporters, fueled by Trump's false election-fraud claims. Some GOP lawmakers tried to keep the then-president in power by voiding the electors

from some crucial states.

Michigan's Democratic attorney general on Tuesday brought conspiracy and forgery charges against 16 people she said were part of a multistate effort to cast doubt about the outcome of the 2020 election and keep Trump in power. They have yet to be arraigned or enter pleas.

Prosecutors on Smith's team have also scrutinized efforts to raise funds off false claims of election fraud. Like the inquiry in the fake-electoral scheme, the focus on fundraising has raised questions about where political activity might be so detached from the truth that it crosses the line from First Amendment-protected speech to potentially criminal conduct.

Trump also faces criminal charges in New York over his role in a hush-money payment made during the final stretch of the 2016 election to a porn star who alleged she had an affair with him.

A prosecutor in Georgia, meanwhile, said she plans to present criminal charges in August related to efforts by Trump and his allies to overturn the results of the 2020 election there. Trump has denied wrongdoing in the New York and Georgia matters and accused prosecutors of pursuing him for political reasons.

Despite his legal problems, Trump has remained the clear front-runner for the GOP nomination, as he has portrayed himself as a victim of a broad effort to keep him out of office. He has seen fundraising surges surrounding his two indictments and his Republican rivals

have generally joined in criticizing the prosecution.

Trump and other Republicans have also played down the actions of his supporters on Jan. 6, and the ex-president created a song with a choir of jailed defendants. Trump has said he would issue pardons for a large number of the more than 1,000 people charged, more than 330 of whom have been sentenced to incarceration.

Other presidential candidates have faced questions about their stance on the issue, creating uncomfortable moments. Florida Gov. Ron DeSantis was asked during an event Tuesday in South Carolina about the news and said Trump "should have come out more forcefully" to stop the attack on the Capitol, "but to try to criminalize that, that's a different issue entirely."

Rep. Pete Aguilar (D., Calif.), a member of House Democratic leadership who served on the Jan. 6 Select Committee, said Republicans' objections to the target letter are ridiculous. "I would argue this is why Donald Trump's running for president, because he knew this was coming. And you know, he doesn't want to be held accountable," Aguilar said.

The Jan. 6 Capitol attack led to Trump's second impeachment, with the Democratic House alleging that Trump incited an insurrection. Trump was acquitted in the Senate.

—Jan Wolfe, Byron Tau, Siobhan Hughes and Lindsay Wise contributed to this article.

## AT&amp;T Halts Plan to Remove Lead Cables in Lake Tahoe

By SHALINI RAMACHANDRAN

AT&T said Tuesday that it will halt plans to remove two lead-clad cables in Lake Tahoe that it had previously agreed to remove as part of a 2021 settlement and that it will test lead levels at other locations where it has lead-clad cables around the country.

The telecom giant said in a court filing that it wanted to allow for additional testing for lead and "maintain the Lake Tahoe cables in place while working cooperatively with regulators and other stakeholders on an appropriate risk assessment."

A Wall Street Journal investigation recently revealed that AT&T, Verizon and other telecom companies have left behind more than 2,000 toxic lead cables on poles, under waterways and in the soil across the U.S. Journal testing near such cables showed that dozens of spots registered lead levels exceeding Environmental Protection Agency safety guidelines.

In a memo sent Tuesday to employees, AT&T Chief Executive John Stankey said the company expects an extended public discussion about how to manage lead-clad cables and estimated that "these cables represent less than 10% of our copper footprint of roughly 2 million sheathed miles."

"We feel strongly that The Journal's reporting conflicts with what independent experts have long stated about the safety of lead-clad telecom cables and our own environmental testing," Stankey



AT&amp;T says it wants to allow for additional testing and develop a further record rather than remove the cables in Lake Tahoe.

wrote. "If there's any new scientific data, we'll work cooperatively with all stakeholders to address new safety concerns."

Verizon has said that it is "taking these concerns regarding lead-sheathed cables very seriously" and that only a small percentage of its existing network includes lead-sheathed cable.

Since the articles were pub-

lished earlier this month, lawmakers and environmental organizations have called on the EPA and the companies to ensure Americans are safe from any lead released by the cables. Telecom stocks have slumped as investors and analysts have raised worries about prolonged litigation and potential removal and remediation costs.

In 2021, the California

Sportfishing Protection Alliance, an environmental group, sued AT&T to remove two lead-clad cables in Lake Tahoe. In a 2021 settlement, in which AT&T didn't admit wrongdoing, the company agreed to remove the cables at a cost of up to \$1.5 million.

AT&T said in Tuesday's court filing that it is taking new actions in light of the Journal's reporting, including

"working with union partners to add a voluntary testing program for any employee who works with or has worked with lead-clad cables," at the company's expense and on company time. AT&T said this expands on the company's previous practice of providing blood-lead testing to those involved in lead-clad cable removal.

The company also said that

it is conducting additional testing beyond Lake Tahoe, including in locations identified in the Journal's articles. Verizon also said it is conducting testing at various sites where the Journal found elevated lead levels.

AT&T said it is "performing in-person site visits where lead-clad cables are present to inspect their condition and determine if any action is necessary."

AT&T said in the court filing that it had previously agreed to remove the Lake Tahoe cables as part of a voluntary resolution to avoid the expense of litigation. It said that now it believes it should leave the cables in place "so the safety of the cables may be fully adjudicated."

The company also raised questions in Tuesday's court filing about the Journal's reporting methods and findings, which found higher concentrations of lead than the company's own testing in Lake Tahoe. AT&T erroneously said in its filing that the Journal's testing was funded by the Environmental Defense Fund, a nonprofit advocacy group.

EDF didn't pay for testing used in the Journal's analysis and the Journal selected locations to test based on government permit records and additional reporting. The Journal worked with Marine Taxonomic Services and other experts on sampling and selected independent laboratories for analysis of the samples. MTS has received guidance and funding from EDF.

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Our friend and colleague, **Evan Gershkovich**, was detained by Russia on March 29 during a reporting trip and accused of espionage. The Wall Street Journal and the U.S. government vehemently deny the allegation and have called for his immediate release.

Evan's Journal colleagues will be sharing stories of their work with him each week.

To show support for Evan, please follow the latest updates at [WSJ.com/Evan](https://www.wsj.com/Evan) and add the hashtag **#IStandWithEvan** across social media.



For foreign correspondents, a sense of curiosity and a desire to understand what is really going on, beneath the surface and behind the headlines, is the indispensable engine. Evan possesses that in abundance, always eager to learn more—and to meet people who would help him understand a story's nuances.

During the Ukrainian offensive in Kharkiv last year, we traded notes on books about battles that unfolded in the same geography during World War II. He told me he was reading "Operation Bagration," a dense, academic volume of notes by the Soviet General Staff. It was hard work.

At the time, Evan interviewed collaborators with Russia who had fled across the border to Belgorod, fearing punishment by Ukrainian authorities. I happened to be walking through these people's hastily abandoned offices, with coffee cups and snacks still on the desks, in the just retaken city of Kupyansk.

When Evan stopped in Dubai on his way to Moscow last fall, we met up for dinner to discuss what was happening in Russia. He was excited about being able to see for himself, talk to real people and experience Russia at a time when it was being transformed by historic events. He wasn't afraid.

That ability to connect with people across all walks of life, and to understand the tensions and changes within Russian society, distinguishes Evan's journalism, providing precious clarity. He will do much more of that, I'm sure. Please help us bring him home.



**Yaroslav Trofimov**  
Chief Foreign-Affairs Correspondent

# #IStandWithEvan

THE WALL STREET JOURNAL.

## WORLD NEWS

## Pyongyang Detains U.S. Soldier

Officials say man on tour of DMZ crossed demarcation line without permission

North Korean authorities took a U.S. soldier into custody after he crossed the border during a tour on the South Korean side, U.S. officials said.

By Dasl Yoon and Timothy W. Martin in Seoul and Gordon Lubold in Washington

The U.S. service member, who was on a tour of the Joint Security Area between the two Korean states, crossed the military demarcation line into North Korea willfully and without permission, said Col. Isaac Taylor, a spokesman for U.S. Forces Korea, which oversees the roughly 28,500 American military personnel stationed in South Korea.

The soldier, identified as Army Private First Class Travis King, recently served time in detention in South Korea for unknown reasons, U.S. officials said. He was then released from his unit in South Korea and was expected to return home to the U.S. to serve in his home unit in the U.S.

King is a cavalry scout and has been in the Army since January 2021, without deploying, according to his service records.

The U.S. believes he is in North Korean custody, Col. Taylor said. The U.S.-led United Nations Command is in contact with its counterpart in North Korea to “resolve this incident,” he added.

The White House, Defense Department, State Department and United Nations are working to get more information and resolve the situation, White House press secretary Karine Jean-Pierre said. Jean-Pierre said President Biden had been briefed on the incident, and U.S. officials have reached out to counterparts in North Korea, South Korea and Sweden.



A U.S. soldier, right, and South Korean soldiers stand guard at the truce village of Panmunjom in the Joint Security Area.

Defense Secretary Lloyd Austin said efforts were being made to notify the soldier's next of kin.

“There’s a lot that we still need to learn,” he said at a Pentagon briefing. “This will develop in the next several days.”

The JSA, located within the demilitarized zone between the two Koreas, is a popular tourist attraction for visitors to South Korea. It is the only place where North and South Korean troops stand face-to-face along the DMZ, which stretches about 150 miles long and more than 2 miles wide. At the JSA, the two Koreas are split down the middle by the military demarcation line.

The JSA is also a historic site where high-profile meetings involving North Korea often take place. In 2019, then-President Donald Trump met North Korean leader Kim Jong Un at the site, becoming the

first sitting U.S. president to step into North Korea. Two recent inter-Korean summits also unfolded there.

North Korea didn’t immediately comment on the American. Any negotiation over the man’s release would come at a strained moment in U.S.-North Korea relations, as the two countries increasingly display their military might.

At around 3:30 a.m. local time Wednesday, North Korea fired two short-range missiles off its east coast, officials in Tokyo and Seoul said, which traveled roughly 350 miles at an altitude of about 30 miles before splashing into the waters between the Korean Peninsula and Japan. Pyongyang has conducted more than a dozen weapon tests this year.

The U.S. and North Korea haven’t held formal disarmament talks in nearly four years. The Biden administra-

tion has made repeated efforts to engage Pyongyang, offering to meet anywhere and without preconditions. On Tuesday, North Korea again dismissed engagement with the U.S. as futile, saying any commitments could easily be reversed by future administrations.

If the soldier desires to defect, Kim could attempt to wield that domestically as propaganda against the U.S. That morale boost could help at a time when North Koreans are struggling with food shortages and an economy battered by sanctions and Covid-19. Should the American want to leave, Pyongyang could potentially be handed leverage or goodwill with a negotiated handover that cost the regime nothing to achieve.

To secure the release of three U.S. citizens detained by North Korea in 2018, the effort involved a visit to Pyongyang

by then-Secretary of State Mike Pompeo. Trump said Kim’s decision to release the trio represented “a positive gesture of goodwill.” Within weeks, Trump and Kim met for the first time in Singapore.

Americans have been banned from traveling to North Korea since 2017, following the death of Otto Warmbier, a U.S. student who was detained in Pyongyang and died upon returning to the U.S.

Border crossings at the JSA are exceedingly rare.

Soldiers from the United Nations Command, South Korea or North Korea are all prohibited from crossing the military demarcation line to retrieve someone, per the nearly seven-decade-old armistice that brought an end to armed conflict in the 1950-1953 Korean War.

—Chieko Tsuneoka contributed to this article.

## Submarine’s South Korea Visit Boosts Deterrence

By TIMOTHY W. MARTIN

SEOUL—A U.S. nuclear-capable submarine made its first port visit to South Korea in more than four decades, a boost to deterrence as North Korea steps up its threats and promises unrelenting military advances.

The USS Kentucky—a class of the U.S. military’s biggest submarines, called “boomers”—arrived Tuesday in the port city of Busan, South Korea. The warship can stay submerged indefinitely and can fire nuclear warheads at targets thousands of miles away. The last such visit of an Ohio-class, nuclear-capable submarine occurred in 1981.

The port visit coincided with the inaugural meeting of a new Nuclear Consultative Group between the U.S. and South Korea. Both events were key facets of an accord, called the Washington Declaration, struck in late April between President Biden and South Korean President Yoon Suk Yeol.

As part of that pact, South Korea reaffirmed its commitment to not developing its own nuclear weapons. In return, the U.S. promised to dispatch to the region strategic assets, such as the Ohio-class USS Kentucky and B-52 bombers. The creation of the nuclear-consultation group aims to give Seoul a larger say in deliberations about potential U.S. nuclear use in response to a North Korean attack.

Last week, North Korea conducted a second launch of its new Hwasong-18 intercontinental ballistic missile, which is suspected to have enough range to reach the U.S. mainland.

Yoon, a conservative who took office last year, had raised concern among U.S. officials after suggesting in January that South Korea could pursue its own nuclear weapons.

## Xi Elevates Central Bank Deputy To Steer Yuan Through Turmoil

A veteran economist and banker had been getting ready to retire in the weeks before Chinese leader Xi Jinping picked him to lead China’s central bank, officials familiar with the matter said.

Now, Pan Gongsheng is set

By Lingling Wei, Stella Yifan Xie and Jason Douglas

to take the reins at the People’s Bank of China as it confronts an urgent challenge: whether and how to defend the Chinese yuan.

The Chinese currency’s value has been sliding this year, as the world’s second-largest economy stagnates. Economists and some Beijing officials worry the decline could turn into a rout, destabilizing China’s financial system.

But propping up the currency brings its own risks, including slower growth for China and, potentially, the rest of the world, economists say. Xi elevated Pan, the 60-year-old, Western-trained deputy PBOC governor of the past decade, because of his reputation as an experienced technocrat who could work well with foreign officials, The Wall Street Journal has reported.

For now, Xi and his new leadership team have given little indication of Beijing’s preferences, giving the new PBOC chief some room to help shape the yuan policy.

In Pan, Xi picked a man with a history of handling high-stakes tasks with global implications. But Pan has zigzagged over the years as a policy maker, depending on the top leadership’s priorities.

During the early years of Xi’s rule, which started in 2012, Pan promoted financial liberalization as part of the leader’s agenda to give market forces bigger sway over the economy. That sometimes led to a freer—but weaker—yuan.

Other times, when there were sharp declines in the yuan’s value, Pan advocated harsh capital controls to suit the leadership’s demand to keep



Pan Gongsheng has had a long career in China’s financial sector.

the currency stable, even as that contributed to weaker growth.

“Pan will be tested right out of the gate in establishing his credentials as a reformer committed to a more market-determined exchange rate,” said Eswar Prasad, a senior fellow at the Brookings Institution and former China head for the International Monetary Fund.

Over the past six months, the yuan has fallen more than 6% against the dollar. At one point in late June, one dollar was valued at around 7.2 yuan, a level close to the weakest point since the 2008 global financial crisis.

In recent days, the PBOC has signaled—mainly through the official rate it sets to guide the yuan’s daily trading—that its tolerance for fast depreciation might be wearing thin. The yuan has rebounded to 7.17 against the dollar.

Downward pressure on the yuan is expected to persist, however. One big reason is that the PBOC is expected to keep cutting interest rates to support growth, while its counterparts in the West will likely raise rates further to fight inflation. That East-West rate gap encourages investors to move money out of China, depressing the yuan.

Any potential dollar weakness in coming months, some analysts said, is unlikely to change the yuan’s downward trajectory without government intervention and a robust recovery in China’s growth.

“If the PBOC doesn’t put up any visible resistance, the most likely future direction of the yuan is down,” said Brad Setser, a China currency and debt expert at the U.S. Council on Foreign Relations. China has built a sizable war chest to defend the yuan if it chooses to, including about \$3 trillion in foreign-exchange reserves.

Xi, the third-term Chinese leader whose power rivals that of Mao Zedong, has made it clear that he has the final say on all major decisions including those involving the economy.

But he still seeks policy recommendations, especially for wonky issues such as currency management. He is expected to do so with Pan, who is set to be named PBOC governor in addition to his new role as the top Communist Party official at the bank.

U.S. Treasury Secretary Janet Yellen met with Pan during her trip to Beijing this month and discussed China’s currency management with him, people with knowledge of the matter said. Treasury officials have been seeking more information about how Beijing manages its currency, and the department has long criticized China for not being more transparent about its currency practices.

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## WORLD NEWS

# Russia Hits Grain-Exporting Odesa Port

Barrage follows collapse of pact that guaranteed safe passage for exports

By MATTHEW LUXMOORE  
AND JARED MALINS

PORT OF ODESA, Ukraine—Russia launched one of its largest missile attacks on Ukraine's grain-exporting port of Odesa just hours after pulling out of an international agreement ensuring safe passage for Ukraine's exports through the Black Sea, a critical component in the global food supply chain.

The wave of missile attacks early Tuesday targeted the port, said Natalia Humenyuk, a spokeswoman for the Ukrainian armed forces' southern command, adding that authorities were expecting such a strike.

Air defenses shot down 31 of 36 suicide drones and all six cruise missiles launched by Russia at Odesa and other parts of the country's south including the city of Mykolaiv, the nation's air force said.

The attacks came during a visit to Odesa of a delegation from the U.S. Agency for International Development, which on Tuesday announced a \$250 million aid package to expand capacity at ports along the Danube River, modernize and rebuild infrastructure used in grain exports. Some of it also



Workers remove part of a rocket through a hole in a building roof after an attack on Odesa.

will be used to help farmers hit by Russia's decision to plant new crops even if previous harvests haven't sold.

The Black Sea grain pact between Russia, Ukraine and Turkey, facilitated by the United Nations, was signed in Istanbul in July 2022 and permitted Ukrainian exporters to resume shipping corn, wheat, sunflower oil and other goods from three ports around Odesa.

Ukraine's ports are among the world's most important routes for the export of wheat,

corn and other products. Before the war, more than 95% of the nation's agricultural products were exported through the ports, quickly falling to zero after Russia's invasion in February 2022. Global wheat prices jumped by 46% and corn by 11% in the immediate aftermath. Under the grain deal, Ukraine has since exported more than 32 million tons of food, easing growing concern over potential food shortages in parts of the Middle East and Africa, and providing Kyiv

with badly needed revenue.

The Kremlin said Monday it would rejoin the deal if its demands are met, including Western help to facilitate its own food and fertilizer exports, which its says have been hampered by sanctions.

Samantha Power, the head of USAID, said during a visit to Odesa that the U.S. financial-assistance package would help expand alternative export routes for Ukrainian farmers such as sending grain on smaller ships via the Danube

River into the Black Sea.

"These measures are critical but they will take time to pay full dividends," she said during a news conference at the sprawling port, which has stood largely idle since the invasion, and where Moscow has tried to impede the few ships departing. "They will help farmers and the agricultural sector deal with the urgent implications of [Russian President Vladimir] Putin's aggression. But these investments are investments as well in Ukraine's long-term future."

Power didn't elaborate on the timeline for the funds to reach Ukraine. She said the U.S. recognizes their urgency as the Russian invasion has forced a halt to all exports from Ukraine's main Black Sea ports, contributing to a surge in global food prices and fueling fears that the war could push millions of people worldwide closer to starvation. She called for private companies to match the U.S. government investment.

Ukraine has focused its efforts since Monday on diplomacy to break the deadlock with Russia or resuming grain exports on other terms. Ukraine's President Volodymyr Zelensky said on Monday night that he wrote letters to Turkey's president and the U.N. secretary-general proposing a continuation of the grain initiative without Russian involvement. "No one has the right to destroy the food se-

curity of any nation," he said.

The Ukrainian foreign minister, Dmytro Kuleba, said he was "holding urgent consultations with partners at the U.N. in New York on next steps."

"We're ready for Plan B," said Oleksandr Kubrakov, Ukraine's minister for infrastructure, referring to the possible continuation of shipments without Russian cooperation with support from Turkey and the United Nations. Such an option would potentially leave Ukrainian ships vulnerable to Russian attacks.

Kremlin spokesman Dmitry Peskov said that attempts to continue grain exports put the security of food shipments at risk, noting the main grain corridor through Ukraine is near the front lines. "Without appropriate security guarantees, certain risks arise there," he said, without elaborating.

Russia's decision to suspend participation in the deal could lead to an intensification of attacks on the ports, analysts said.

Yevgeniya Gaber, an Odesa-based former Ukrainian diplomat and senior fellow with the Atlantic Council in Turkey said Russia's main motivation for suspending the deal was to blackmail the West into easing sanctions on Russia. Moscow has demanded that the U.N. and the West remove obstacles to its own food and fertilizer exports for it to remain in the pact.



U.K. Foreign Secretary James Cleverly, right, spoke at a United Nations Security Council meeting on Tuesday in New York.

## U.K. Foreign Secretary Warns the West Not to 'Drop the Ball' in Ukraine War

By PAUL BECKETT

Russia's withdrawal from a United Nations-backed deal to allow Ukrainian grain exports shows why Moscow must be defeated in the war—otherwise, the world will face even greater economic disruption that will fall disproportionately on the poorest, the U.K.'s foreign secretary said.

"We've got to recognize that if we drop the ball on this, if we allow [Russian President Vladimir] Putin to win, the pain that we're experiencing at the moment economically will pale into insignificance," James Cleverly told The Wall Street Journal during a visit to New York, where the U.K. holds the monthlong presidency of the United Nations Security Council.

Cleverly said the initial rise in global grain prices on Moscow's withdrawal from the

pact "hits the poorest people hardest—and that is an indication of the kind of behavior we will see from Russia if we don't follow through on the commitments we made to the Ukrainian people."

Russia said on Monday that it was pulling out of the international agreement that allowed Ukraine to resume much of its Black Sea grain exports, saying it would rejoin if its demands are met. Those include facilitating its own food and fertilizer exports, which have been hampered by international sanctions.

Cleverly also said that the recent meeting of North Atlantic Treaty Organization members in Vilnius, Lithuania—which frustrated Ukraine by not spelling out a timetable for Kyiv's membership in the alliance—achieved a significant but little-noticed milestone by removing one of the usual

steps in advance of accession.

NATO members withdrew the requirement for Ukraine to complete a Membership Action Plan of advice and assistance that is usually a precursor to a decision on whether to admit a new member.

He said Ukraine's record of adaptability and success on the battlefield during the 17-month war, including adopting NATO equipment and doctrine, show it can address reforms, such as rooting out corruption, that it will need to join NATO.

He acknowledged, however, that NATO accession while the war continues wouldn't be feasible given the alliance's Article 5 mutual-defense treaty. It requires NATO members to treat an incursion on one member's territory as an attack on all, which could in theory put Western troops on Ukraine's front lines, a scenario the U.S. and its allies have avoided

while sending Ukraine billions of dollars in weapons and economic assistance.

The U.K. has been one of Kyiv's most stalwart supporters. It has at times pushed for new weapons such as main battle tanks and long-range missiles that the U.S. has been reluctant to be the first to provide, for fear of provoking an escalation from Moscow and to maintain unity among more reticent European allies.

"We've got to get our heads around the fact that Ukrainians are making progress—they are making progress every day," Cleverly said, even though they are advancing slowly. "That's why they deserve our ongoing support because they are making the most of the help we are giving them," he said. "We better show the world that we've got what it takes."

—Max Colchester  
contributed to this article.

## Britain Planning To Shrink Army

By MAX COLCHESTER

LONDON—The U.K. will slim down its army and seek to create a better-equipped force that it says can be more quickly mobilized, as Russian aggression drives a review of strategy by Europe's biggest military spender and a key Ukrainian ally.

The Ministry of Defense's new strategic plan, published Tuesday, aims to tackle criticisms of the British military, which analysts say lacks functioning equipment and ammunition as Russia and Ukraine are fighting a land war in Europe.

Since the end of the Cold War, Britain's military has shifted from being a primarily Europe-based conventional army to an expeditionary force, fighting in Afghanistan and Iraq. Now, facing a bellicose Russia, it is trying to be both but on a tight budget.

Rather than invest in bulking up its military, the U.K. said it would focus on procuring technology "to ensure we have a force greater than the sum of our parts." The plan includes the creation of a rapid-deployment force that could rush to troubled hot spots and a program to ensure a more efficient system for procuring weapons. The government also said it would reallocate 2.5 billion pounds of its defense budget, about \$3.2 billion, to replenish munitions stocks after donating large chunks of its arsenal to Ukraine.

The Kremlin's invasion of Ukraine hasn't deterred the U.K.—which has been one of Kyiv's biggest political and mil-

itary supporters—from its plan to cut the number of troops in its army from 82,000 to 72,500, leaving Britain with its smallest land force since 1714. It also is forging ahead with a move to replace its 227-strong fleet of old Challenger tanks with 148 modern versions of the vehicle. Defense officials say Ukraine's fight against Russia has shown that a smaller, better-equipped force can inflict heavy losses on a larger opponent.

Still, the decision to focus on quality rather than quantity underscores the difficult choices that cash-strapped European nations face as they try to beef up their militaries to dissuade Russia from further aggression. The U.K. is among the leading North Atlantic Treaty Organization allies in Europe, but its military has been hollowed out following years of budget cuts, analysts say.

The heavy toll of fighting in Ukraine—which has depleted huge stocks of shells and ar-

mor—also has raised questions among analysts and military experts about Britain's decision to focus on technology over scale. "The U.K. now maintains an extremely limited reserve of fighting equipment, including warships, modern armored vehicles or combat aircraft," the U.K. Parliament's Defense Committee concluded in a report this month.

Military spending as a share of the U.K.'s gross domestic product has halved since the mid-1980s to about 2.2%. British Prime Minister Rishi Sunak recently said that an extra £5 billion would go to military spending over the next two years.

**New strategy focuses on a better-equipped force and more munitions.**

## Washington Pushes Military Cooperation Among Allies in Space

By ALISTAIR MACDONALD

U.S. attempts to foster closer military integration among allies are extending into space.

The U.S. military wants allies to train and plan together for space operations, in the same way that they do in ground, air and naval combat, said Gen. Chance Saltzman, chief of space operations.

The move comes amid concerns about China and Russia's ability to disrupt the West's satellites, and new technology the two countries have developed, including satellites that can grab others. Russia, for instance, has conducted opera-

tions to disrupt Ukraine's space-enabled communications.

"The conflict in Ukraine has made it clear: access to, and use of, space is fundamental to modern war," said Saltzman, who recently held meetings with European counterparts to press for greater cooperation.

Saltzman said the aim was to have shared interoperability among allies, and to jointly train and develop tactics, techniques and procedures that exist for ground, air and sea combat forces. "When you get to integration [among allies], you are at a whole different place, rather than merely coordinating," he said.

There is some military coordination in space, including shared satellite launches and North Atlantic Treaty Organization space centers in Germany and France. But Saltzman said cooperation so far has been nascent and must go further.

"Quantity is a quality in itself," he said, using an expression often employed in the military. For example, the satellites of a large coalition would be harder to target than those of one nation, he said.

Saltzman, who was speaking during a recent visit to the Royal International Air Tattoo, an air show outside of London, said he is impressed by space

expertise in the U.K., Australia, Canada, France and other allies. While these countries' budgets aren't as big as the U.S.'s, their "strategic thinking" on space has been valuable, he said.

Russia and China have developed significant capabilities in space.

Saltzman said Russia has been sending satellites "irresponsibly close" to those of other nations to shadow them. Moscow has "nesting doll" satellites, which can release an object that can be used to attack other objects in space, while China has tested robotic arms that can be used to grab other satellites. Both countries have

demonstrated missiles that can destroy orbiting satellites.

At the start of the Ukraine war, Russia jammed satellite communications and the Global Positioning System, a U.S. satellite-based navigation system.

Among the lessons that the U.S. has learned from this, Saltzman said, is that ground assets that enable satellite communication need to be protected, as well as those in space. Another takeaway is the need to have myriad commercial operators to augment the capability of state providers, he said.

"When those satellites were affected, the most rapid way for Ukraine to regain commu-

nication was through commercial augmentation," he said.

When cellphone towers providing telephone and internet services were knocked out early in the war, Ukraine turned to Elon Musk's Starlink service, which provides internet connectivity using a swarm of satellites. Musk's SpaceX also has cornered much of the rocket-launch market in the U.S.

Some parts of the satellite universe, though, will have to stay in state hands.

"There are inherently military functions that need to be performed...you can't outsource those," Saltzman said.



WORLD NEWS

# Ukraine Takes Slow Approach To Offensive

By JAMES MARSON

ORIKHIV, Ukraine—Six weeks into Ukraine’s counteroffensive, Capt. Anatoliy Kharchenko and his reconnaissance company were supposed to be wreaking havoc miles behind Russian defensive lines pierced by Western-supplied armored vehicles.

Instead, after many of the vehicles got bogged down in minefields, Kharchenko and his men are training how to advance methodically on foot, moving from one line of trees to another, faced with the prospect of taking back their country one field at a time.

“We’ve got nothing to lose,” Kharchenko said. “Victory isn’t just important, but it’s the only option, otherwise we’ll all be dead.”

Ukraine’s counteroffensive, launched at the start of June, is aimed at retaking some of the nearly 20% of Ukrainian territory occupied by Moscow. The West provided dozens of tanks and infantry fighting vehicles and trained thousands of Ukrainian troops for the campaign.

The swift loss of several tanks and infantry fighting vehicles, many of them immobilized by mines or missiles launched from attack helicopters, jolted Ukraine and its Western backers. Ukraine hasn’t achieved a decisive breakthrough, although it has seized several villages.

Kyiv’s political and military leadership has complained that slow and insufficient deliveries of Western weaponry left it no choice but to assault Russian lines without adequate air defenses, leaving troops and vehicles vulnerable.

The Ukrainians are adapting and seeking to press forward in the south as well as around the eastern city of Bakhmut, Russia’s only significant gain in its winter-and-spring offensive. Advancing slowly and meticulously to preserve Western armor, the central aim remains reaching the Sea of Azov, cutting off Crimea and squeezing Russian forces out of the southern Kherson region.

Most of the Ukrainian brigades trained and equipped by the West remain in reserve, waiting to strike. Officers are seeking to preserve precious Western equipment, from tanks to shoulder-fired Stingers, while still pushing forward.

“We are probing with our fingers and working out where to direct our fist,” said Kharchenko.

The stocky former paratrooper and his company of some 100 men had been prepared to push through any gap created in Russian lines and dash south.

But the gap never appeared. On the third day of the counteroffensive, he drove to Mala Tokmachka to the southeast of Orikhiv to check out the route they were supposed to take. As artillery shells crashed around him, he began to withdraw when he saw a Ukrainian vehicle blown up and body parts of Ukrainian soldiers strewn over the road. He and his teammates dismounted to recover what they could.

Now, the task is even more daunting. After the destruction of the Kakhovka dam flooded the Dnipro River at the start of June, Russia moved some units that had been guarding the river’s eastern bank to bolster forces to the south of Orikhiv. They quickly dug in, expanding the lines of defense and reinforcing the edges of towns and roads.

Kharchenko and his men are training for a more gradual advance over the flat land of the south. They are using U.S.-made Bangalore torpedoes, metal poles with explosive charges, which they hope will help them clear mines and booby traps from lines of trees along the edges of fields so that they can advance and dig in.

One of his men questioned why they would seek to advance on foot given that the West provided armor for protection.

Kharchenko said they don’t want to repeat the mistakes of the Russians in the early days of the invasion, when Ukraine chewed up column after column of Russian armored vehicles.

Ukraine has been advancing fastest around the small eastern city of Bakhmut, which



Yuriy Ulshyn, right, a 49-year-old commander better known as ‘Grek,’ or ‘Greek,’ walks with members of his unit near Bakhmut.

Russia seized in late May after months of brutal fighting that cost it several thousand fighters.

The Russians barely had time to lay mines after capturing Bakhmut after months of house-to-house fighting.

Ukraine counterattacked and is now pushing Russian forces back on the northern and southern edges of the city. In the south, Ukrainian forces have crossed a canal and are pushing past the town of Klishchiivka, while in the north they are fighting toward a major highway.

As in the south, Russian air superiority is a major obstacle. Russian Ka-52 helicopters hover at a distance of around 5 miles, outside the range of Stinger missiles, and fire laser-guided missiles at Ukrainian targets.

The West blundered by giving tanks and armored vehicles but insufficient means, such as jet fighters or air-defense systems, to protect them from attack, said Yuriy Ulshyn, a 49-year-old commander near Bakhmut, better known as “Grek,” or “Greek.”

“It’s like giving a bike without pedals,” said Grek. “Thanks a lot for the bike, but...”

Grek, a former geologist, commands a unit of some 40 volunteers whom he stations in gaps between larger formations, gluing them together at potential weak points.

His men on a hillside 3 miles from the edge of Bakhmut are armed with a Stinger and a Soviet-era PKM machine gun, looking out for Russian jets, helicopters and aerial drones.

Russian Orlan surveillance drones are a constant menace, spotting targets and calling in artillery fire.

On cloudy days, if the craft swoops low enough, they fire bursts from the PKM, hoping to down it. If the sky is clear, the Russians can watch idly from above the PKM’s range, because Grek’s team is preserving precious Stinger missiles for a more dangerous target like a helicopter or war plane.

The lack of equipment weighs on Grek. A tow rope snapped as he was trying to drag a damaged car away from the front line. Immobilized vehicles, even those in Russian range, are quickly stripped for useful parts. He worries about dying not in the heat of battle, but from his lack of an ar-

## FORCES MAKE DO WITH AVAILABLE WEAPONS

Ukraine has been targeting ammunition stores and command posts with Himars rocket artillery and long-range Storm Shadow cruise missiles.

The Storm Shadows can strike farther but are expensive and in shorter supply, while the U.S. has so far declined to provide longer-range ATACMS missiles that can be launched from Himars.

So Ukraine has resorted

to using Himars in a more daring fashion in recent weeks, moving them as close as a few miles from the front line to strike deeper into occupied territory and push Russia’s ammunition dumps and command posts farther back.

Cluster munitions provided by the U.S. could help blast holes in minefields and Russian defensive networks including trenches

and antitank obstacles called dragon’s teeth.

Russia remains vulnerable because its troops are generally less well prepared and supplied by a weak logistics chain that depends heavily on railways.

With Ukraine pushing in several places, Russia doesn’t know where to deploy its reserves and may struggle to react quickly if Ukrainian forces do break through.

mored car. “I don’t want to die behind the wheel.”

He and his men are finding creative solutions.

They scrambled to the top of a slag heap one recent night to mount a camera connected to a Starlink internet terminal powered by a generator. The camera provides a feed that can help them spot Russian aircraft at a distance.

They make their own attack drones in a garage in a nearby

town, equipped with enough explosives to take out an armored vehicle when they slam into them. Their latest innovation, as yet untested in battle, is a remote-controlled machine gun attached to the base of an electric wheelchair.

In the south, meanwhile, the flooded Dnipro River has created opportunities by washing away some Russian defenses.

Ukrainian special forces have crossed the river and are

trying to expand a bridgehead opposite the southern capital of Kherson. Other troops have been training in river crossings, including Kharchenko’s men, who used sports inflatables provided by a charity fund.

Ukraine still holds a morale advantage from fighting for its own territory, Kharchenko said. It may take longer and cost more lives, but “there is no other plan,” he said. “It’s our land. We have to do it.”

Ukraine is retaking territory to the north and south of the Russian-occupied city of Bakhmut, but is taking losses.



Note: Areas of control as of July 18  
Sources: Institute for the Study of War and AEI’s Critical Threats Project; staff reports Camille Bressange/THE WALL STREET JOURNAL

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FROM PAGE ONE

# Landlord Letters for Hot Rentals

*Continued from Page One*  
pulling the plug out of the line,” real-estate agent James Dainton said of one particularly hectic period last summer. “I said to the team, ‘How do we actually deal with 70 to 80 applicants?’ We try to be as fair as we can, but at the same time when you’ve got that many inquiries, you’ve got to be a little bit cut-throat.”

That means raising tenant requirements—including paying multiple months of rent in advance, having family members or friends cosign the lease and even requiring that tenants tell the landlord a bit about themselves.

Personal statements, long used by real estate buyers to pull on sellers’ heartstrings to win a coveted property, are now part of London’s rental world, used by landlords to discern whether tenants are a good fit, agents said.

Potential tenants discuss their hobbies, weekend activities, alma maters and other interests, Dainton said. One recent client, an American expat, boasted about his athletic prowess. “He told me he can run a 5K in 15 minutes,” Dainton said. “I was gobsmacked—I can’t get lower than 24 minutes.” The runner didn’t get the flat.

Carman Leung, a 26-year-old recruiter from Sydney, distributed a PDF file to agents that included career highlights, hobbies such as aerial hoop—in which she strikes acrobatic movements from a metal ring suspended in the air—and her ability to speak Spanish and Cantonese. After multiple at-

tempts she found a place, for a rent that was 25% over her budget. She said she wasn’t sure if it was her willingness to pay the price or her note that finally persuaded the landlord.

Bidding wars are still common, with the person willing to pay the most or take a long-term lease often winning the flat. But some landlords are willing to accept lower rent in exchange for intangible qualities, agents said.

“It’s like an audition,” said Oliver Cruikshank, director at Keatons, a lettings agency based in East London. “Personality can come into it. If the landlord feels they connect with the tenant they may decide on that, as these two parties are potentially stuck with each other for a long time.”

He said sometimes “people who usually don’t get no for an answer” are rejected. “People come to us who are earning a quarter of a million a year, and we’re saying we cannot accept

their offer,” he said.

Greg Tsuman, director of the real estate agency Martyn Gerard, said one client recently showed up to an open house with chocolates and flowers for the landlord. “So, a bribe,” he said half-jokingly.

Tsuman said landlords themselves are being squeezed. A tax-law change and rising interest rates on mortgages have pushed up landlords’ bills in recent years. Many are raising prices out of necessity, he said.

Tenants and advocacy groups said requiring personal details violates their privacy and increases the risk of discrimination.

“It was when my friends and I began composing a simmering personal statement just to rent a flat that it finally clicked for me: Britain’s rental market is broken,” a Sunday Times columnist wrote this spring.

Tom Darling, campaign manager of the advocacy group Renters’ Reform Coalition, said

the housing crunch has turned London’s property market into the “Wild West.”

Darling recently toured a dozen rental flats. Landlord agents asked for everything from a biographical essay to a photo. “The estate agent said it was to form a connection with prospective tenants—which is just a recipe for discrimination,” Darling said.

He liked a place, and he debated whether to include in his essay that he had attended Oxford, worrying he might come off as elitist. He included the detail, and mentioned he was in a stable relationship, clean, tidy and career-oriented.

“It’s slightly degrading, that process of having to sell yourself to find somewhere to live, and you’re trying to think about the ways in which to write your own history,” he said. “The more you put into each application the more liable you are to feel personally about it.”

In the end, he was outbid on

the place.

Letting agents are also being schmoozed. Freelance writer and Miami native Grazie Sophia Christie moved to London from Boston five years ago and recently searched for a new apartment. She sought old-world charm, but one flat she saw looked more like a frat house.

“The bedrooms were old and musty,” she said. “Things needed to be repainted. There were stains and broken tiles in the kitchen.”

When she asked the landlord if he would make the repairs, he scoffed. “He said that he already had an offer,” she said.

For subsequent flats, she tried a different tactic: implying she was wealthy and flirting with agents.

“You have to incentivize them to send you a flat before it comes online,” and get the letting agent to tell the landlord you are a great future tenant, she said. “You just have to be really friendly and chatter.”

# The Saudi, U.A.E. Frenemies

*Continued from Page One*  
den administration official said. “On some level they still collaborate. Now, neither seems comfortable with the other being on the same pedestal. On balance, it’s not helpful to us for them to be at each other’s throats.”

Once close, the two men—the Saudi is known as MBS and the 62-year-old U.A.E. president as MBZ—haven’t spoken in more than six months, people close to them said, and their private disputes have spilled into the open.

The U.A.E. and Saudi Arabia have divergent interests in Yemen that have undermined efforts to end that country’s conflict, and Emirati frustrations over Saudi pressure to raise the global price of oil are creating new fissures in the Organization of the Petroleum Exporting Countries.

The two countries are also increasingly economic competitors. As part of MBS’s plans to end Saudi Arabia’s economic reliance on oil, he is pushing companies to move their regional headquarters to Riyadh, the Saudi capital, from U.A.E.’s Dubai, a more cosmopolitan city favored by Westerners. He’s also launching plans to set up tech centers, draw more tourists and develop logistical hubs that would rival the U.A.E.’s position as the Middle East’s center of commerce. In March, he announced a second national airline that would compete with Dubai’s highly ranked Emirates.

In the realm of soft power, the Saudi purchase in 2021 of Newcastle, England’s soccer club and investment in global superstar players took place just as Manchester City—owned by a prominent member of Abu Dhabi’s ruling family—won the English and European soccer titles.

The Emirati president, MBZ, has chafed at being eclipsed by a Saudi royal who U.A.E. officials believe has made some serious missteps, according to Gulf officials.

## Deal with Iran

In separate statements responding to The Wall Street Journal, a U.A.E. official speaking for the government said claims of strained relations were “categorically false and lack foundation,” and a Saudi official called the idea “simply not accurate.”

“The U.A.E. is a close regional partner of Saudi Arabia, and our policies converge on a wide range of issues of mutual interest,” the Saudi official said. The two countries work together with other Gulf neighbors on political, security and economic coordination, the official said.

The U.A.E. official said their “strategic partnership is based on the same objectives and vision for regional prosperity, security, and stability.”

In December, after intensifying divisions over Yemen policy and OPEC limits, MBS called the meeting with the journalists. The Saudi leader said he had sent the U.A.E. a list of demands, the people there said. If the smaller Gulf nation didn’t fall in line, MBS warned, Saudi Arabia was prepared to take punitive steps, much like it did against Qatar in 2017, when Riyadh severed diplomatic relations for more than three years and engineered an economic

boycott, with help from Abu Dhabi. “It will be worse than what I did with Qatar,” he told the journalists, according to people there.

Since the December meeting, MBS has undertaken a series of diplomatic moves and ended his political isolation triggered by a Saudi hit team’s 2018 killing of journalist Jamal Khashoggi.

He turned to China for help restoring Saudi Arabia’s relations with Iran and then orchestrated Syria’s return to the Arab League, a process that the U.A.E. had initiated several years earlier. The country had been expelled in 2011 after President Bashar al-Assad’s brutal crackdown on Syrian civilians demonstrating for change.

MBS is in talks with the U.S. about formally recognizing Israel, which the U.A.E. did in 2020. MBS is leading diplomatic efforts to quash violence in Sudan, where the U.A.E. backs an opposing side.

In an effort to smooth over tensions, Saudi Arabia and the U.A.E. have traded communiqués outlining their complaints and demands for change, according to officials from both nations.

In a pointed response to Saudi complaints, MBZ privately warned the Saudi ruler late last year that his actions were undermining ties between their two nations. He accused the Saudi crown prince of getting too close to Russia with its oil policies and pursuing risky moves, such as the diplomatic deal with Iran, without conferring with the U.A.E., Gulf officials said.

MBZ skipped an Arab summit MBS called for Chinese leader Xi Jinping’s visit to Riyadh, and didn’t show for the Arab League’s vote in May to allow Syria back into the group. MBS himself was absent when MBZ met with Arab leaders at a hastily arranged regional summit in the U.A.E. in January.

“Tensions are rising between them, in part because MBS wants to step out from under MBZ’s shadow,” said Dina Esfandiary, a senior adviser at the International Crisis Group’s Middle East and North Africa Program. “Things are going to get worse, because both countries are getting more confident and assertive in their foreign policy.”

The Saudis and Emiratis have called themselves the closest of allies, but they have had a sometimes tense relationship since even before the U.A.E. gained independence from Brit-



MBS, left, once saw MBZ, right, as a mentor. Above, the pair in 2018 in Abu Dhabi.

ain in 1971. The U.A.E.’s founding father, Sheikh Zayed al Nahyan, bristled at Saudi domination of the Arabian peninsula, and then-Saudi King Faisal refused to recognize his Persian Gulf neighbor for years, seeking leverage in various territorial disputes.

The two countries became closer with the rise of MBZ and MBS. The Emirati royal became de facto ruler of his country at the age of 54 in 2014 when his half-brother, President Sheikh Khalifa bin Zayed, had a debilitating stroke. When MBS began accruing power after his father King Salman’s accession in 2015, MBZ began grooming the young Saudi prince, then just 29 years old.

MBZ and other Emirati officials played a key role in lobbying the Trump administration in favor of MBS, who was then still deputy crown prince. MBZ helped orchestrate then-President Donald Trump’s trip to Saudi Arabia in 2017, which bolstered MBS. The Saudi prince launched a palace coup the next month to become heir apparent and then began eliminating critics and potential rivals.

In formulating a plan to transform and open up his conservative kingdom, MBS looked to MBZ for guidance and tapped some of the same banks and

consultants that the Emiratis used for a similar plan a decade earlier.

MBS and MBZ forged a foreign-policy alliance that intervened in Yemen, bolstered Abdel Fattah Al Sisi’s grip on power in Egypt, armed Libyan fighters in that divided country’s east and boycotted Qatar over ties to Iran and Islamists. Both men have since tried to extricate their countries from those interventions. Today, MBS feels that the Emirati president led him into disastrous conflicts that served the interests of the U.A.E. and not Saudi Arabia, Gulf officials said.

MBS “does not like him and he wants to show him up,” said Douglas London, a retired Central Intelligence Agency officer

who now works as a nonresident scholar at the Middle East Institute, a Washington-based think tank. He said that as threats from Iran and terrorist groups recede, tensions between them are likely to escalate. Still, London said the Saudi leader had developed a more practical approach to leading his country that makes it unlikely that he would take rash actions against the U.A.E.

The rift bubbled to the surface in October last year when OPEC, the 13-nation oil-produc-

tion group that has allied with Russia, decided to slash output in a move that blindsided the Biden administration. The U.A.E. went along with the cut, but in private told U.S. officials and the media that Saudi Arabia had forced it to join the decision.

## OPEC dispute

The dynamic reflected a longer-running feud between the Saudis and Emiratis over policy in OPEC, a body that Riyadh has long dominated as the world’s top crude exporter. The Emiratis have raised their oil-production capacity to more than four million barrels a day and have plans to go above five million, but are allowed under OPEC policy to pump no more than about three million, costing it hundreds of billions of dollars in lost revenues.

The Emirati increase in oil-production capacity also gives it the potential ability to move output up and down, and with it oil prices. Until recently, only Saudi Arabia wielded that sort of market power.

Emirati frustrations reached the point where they told U.S. officials they were ready to pull out of OPEC, according to Gulf and U.S. officials. U.S. officials said they took it as a sign of Emirati anger, not a real threat. At OPEC’s last meeting, in June, the Emiratis were allowed a modest increase in their production baseline.

Divisions between the two

## The MBS, MBZ rift reflects a competition for geopolitical and economic power.



A crowd reacting after a prisoner swap in San’a, Yemen, in April. Saudi Arabia and the U.A.E. have divergent interests there.

leaders are threatening to undermine ongoing efforts to end the war in Yemen, which pits the Saudis, Emiratis and a host of Yemeni factions against Iran-backed Houthi rebels who took over large parts of the country in 2014, including the capital, San’a.

The U.A.E. continues to back a Yemeni separatist movement seeking to restore a Yemeni state in the south. Saudi- and Emirati-backed fighters working together to defeat Houthi forces have at times turned their weapons on each other.

In December, the U.A.E. signed a security deal with the Saudi-backed Yemeni presidential leadership council that gives Abu Dhabi the right to intervene in Yemen and the waters off its coast. Saudi officials viewed it as a challenge to their Yemen strategy.

Saudi Arabia has plans to build a pipeline from the kingdom to the Arabian Sea via the Yemeni province of Hadramout, with a seaport in its regional capital, Mukalla. Emirati-backed forces in Hadramout threaten those plans.

An analyst at the Middle East and North Africa program at Chatham House, an independent think tank in London, has warned that the rival Yemeni forces are preparing for new clashes that threaten ongoing peace talks. “The two Gulf monarchies are increasingly aggressive towards each other in the region. Yemen is just the first front line,” Chatham House research fellow Farea Al-Muslimi wrote on Twitter.

If the Saudis withdrew from Yemen now, the Houthi-controlled north would align with Iran and the south would align with the U.A.E., leaving Riyadh with little to show for the war, said Yemeni officials, reflecting Saudi concerns.

## Biden goal

The Saudi-Emirati rivalry has vexed the Biden administration, which wants friendly Gulf capitals like Riyadh and Abu Dhabi to help form a united front against Iran. Ending the war in Yemen, which triggered a humanitarian disaster, is also a key foreign policy goal of the administration, which wants stability in the region and in oil markets.

Neither MBS nor MBZ is perfectly aligned with Washington on matters such as Ukraine and China. U.S. officials are increasingly worried about the outreach to Beijing and Moscow by MBZ, who like MBS has built stronger ties with them.

Biden came into office pledging to treat the kingdom as a pariah state over the Khashoggi killing, which MBS has said he didn’t order. Instead, Biden visited Saudi Arabia in July 2022, helping end his isolation. U.S. companies that had been hesitant to engage with the kingdom are taking a second look.

The Biden administration brokered a May 7 meeting between MBS and the Emirati president’s younger brother, Sheikh Tahnoun bin Zayed, once seen as a confidant of the Saudi crown prince, said people familiar with the matter. Tahnoun had been frozen out, making at least six trips to the kingdom without securing a meeting with MBS until he got help from the U.S., the people said.

MBS told Tahnoun that the U.A.E. shouldn’t disrupt ceasefire talks in Yemen that the Saudis are leading and promised concessions to the U.A.E., the people said. But later he told his advisers that they shouldn’t change any policies toward the U.A.E. “I don’t trust them anymore,” he told advisers, the people said.



## The Battle Among Luxury Airport Lounges Takes Off

Chase is the latest credit card company carving out comfy spaces for big-spending travelers



**CARRY ON**  
DAWN GILBERTSON

**T**he never-ending fight for the hearts and wallets of big-spending travelers has a new battleground overlooking Boston Harbor.

The 12,000-square-foot lounge that opened in May is an exclusive escape for travelers paying \$550 a year for the Chase Sapphire Reserve credit card. There's a taproom with local beer, Osaki massage chairs, a playspace for kids, showers, a coffee bar with cold brew on tap and made-to-order meatball sandwiches from Boston chef Douglass Williams.

JPMorgan Chase is playing catch-up in an arena where the stakes are high. Frequent fliers who choose one high-fee card over another tend to spend big. Getting them to love a lounge could be what clinches them as longtime customers. The Boston lounge is the first full-service U.S. outpost for the bank, with plans for several more.

The field is crowded—sometimes literally. Chase enters a world dominated by lounge pioneer American Express, plus fel-

low newcomer Capital One and airlines with extensive lounge networks. Veteran fliers have grumbled in recent years about waiting in line just to enter these havens of free food, drinks and comfortable workspace.

"Lounge access has become table stakes," says Dana Pouwels, Sapphire Lounge general manager and head of Chase Sapphire Partnerships.

A bigger Sapphire Lounge is due to open later this year at the renovated Terminal B at New York's LaGuardia Airport. Several others are on tap, including locations in Philadelphia, Las Vegas and Phoenix, whose lounge will feature an Airstream trailer. The first Sapphire Lounge opened in Hong Kong in 2022.

Travel perks are reasons travelers get and keep the premium credit card, Pouwels says, with lounge access ranking in the top three. Chase executives say 70% of demand for cards with fees is driven by millennials and Gen Z. The bank says it's too early to disclose any increase in card member sign-ups or renewals with its foray into lounges.



Chase opened its first full-service U.S. lounge at Boston Logan International Airport in May, complete with buffet-style food, right, and drinks delivered by servers.



### Upping the ante

Chase cardholders haven't gone lounge-less since the card was introduced in 2016. They've had access to the broad Priority Pass network of airport lounges. (Priority Pass is also a perk for other cards, including American Express' top-of-the-line Platinum card. Priority Pass members get one free visit to Chase Sapphire

Lounges each year.)

But most Priority Pass lounges aren't of the same caliber as the American Express Centurion lounges or the new Capital One Lounges.

Brandon Hughes and his husband, Henry Lopez, 28-year-old Washington, D.C. residents, signed up for Chase's priciest card for the travel rewards. They've visited a

handful of Priority Pass lounges but were unaware Chase was developing branded lounges until they happened upon the Logan outpost traveling home from Provincetown, Mass., last week.

They were quickly spoiled. Hughes, who works in non-profit management, plugged in his electronics at a long workstation overlooking the airfield and made himself a decaf oat milk latte at the coffee bar. Lopez tried the Korean BBQ croquettes and whipped lemon mascarpone parfait.

"I was like, 'Wow, we're in the future,'" Hughes says. Lopez tried to snag an appointment for the massage chair, but the earliest opening was after their flight departed.

The Osaki massage chairs have become one of the most popular features at the new lounge—Chase is considering them for other lounges, Pouwels says. Lounge guests can reserve them for 30-minute increments, but reservations are only available once you're there. Same with the showers.

I reserved a spot during my visit and briefly felt like I was in a spa, even though a busy terminal roadway sat outside the window.

Wellness features are among the best perks at airport lounges. I had a chair massage at an American Express Centurion lounge in Las Vegas last year—with an attendant.

Unlike with Centurion lounges, all Chase Sapphire cardmembers can bring in two free guests. Beyond that, the biggest difference I noticed was the option for restaurant-style service in addition to a buffet and bars. Food and drink are just a QR code away.

### Personal space

I pounced on a large, cozy booth and ordered a burger and fries. Lunch arrived in under 10 minutes. Later that day, I ordered a signature cocktail with mezcal.

Other travelers poned up to the showpiece bar with purple cushioned stools. Still others grabbed a soda, Spindrift seltzer or kid-size Mott's apple juice box from a minifridge and retreated to a different area. The nooks and crannies are by design.

"Oasis can mean different things for different people, and we want to make sure we are checking the box on what oasis means," Pouwels says.

Andrew Bick, who lives in Quincy, Mass., and works in hedge-fund accounting, visited the Chase lounge in June before a trip to London.

Bick usually flies Delta Air Lines, whose flights depart from a different terminal at Logan. But he says the new Chase lounge might tempt him to consider another airline on future trips. American Express platinum cardholders get access to Delta's Sky Club lounges, but Chase cardmembers don't.

"Two drinks anywhere in the airport will run you 50 bucks," he says.

## Financial Aid Discount for Siblings Ends

Continued from Page One  
Association of Student Financial Aid Administrators.

About one-third of dependent college students have a sibling in college, according to Phillip Levine, who studies the cost of higher education at the Brookings Institution, a nonprofit public-policy organization. Financial-aid experts said many families could now receive less government aid, or have to take out loans.

"The college-pricing system is going to change dramatically," Levine said. "The majority of students are going to be eligible for a different amount of financial aid next year than they were last year," he said, referring to the school year beginning fall of 2024.

### New formula

The new Fafsa replaces the expected Fafsa contribution with a new calculation called the "Student Aid Index," or SAI, to estimate how much a family can afford to pay. The new formula will no longer consider the number of siblings attending college when measuring a family's



ability to pay, a spokesperson for the Education Department said.

As an example, the current formula might determine that a family with one child in college could afford to pay \$10,000 a year. If that same family had two children in college, the expected contribution would be cut in half to \$5,000, increasing each student's financial-aid eligibility.

Under the new Fafsa system, a family's ability to pay isn't divided per child, meaning that each student might be on the hook for more tuition, depending on the family's income.

"They have adjusted things on the back end such that it is very student-specific," said Kelly at the National Association of Student Financial Aid Administrators. "Rather

than looking at the family as a whole, they are looking at each student individually."

Indie Pereira's oldest child, Madeira Davis, is a 20-year-old junior at the University of Tennessee at Chattanooga. Because she and her wife, Pari Bhatt, make a combined household income above \$100,000, Madeira doesn't qualify for federal financial aid. The couple was able to get a discount for Davis's college education, since Bhatt works in the state school system. But Pereira was banking on the sibling discount when her other two children attend college.

Pereira's other daughter, Eliza, has already told her that she would like to attend a community college, which is free for all adults in Tennessee. But she said her son, Xandre, wants to go to college out of state and she is bracing for the cost.

"If the expected family contribution is doubling, I'm not sure how we could afford to pay that without loans," Pereira said.

### Eligibility boost

Many students will have more access to federal financial-aid grants in the new system. The overhauled Fafsa will raise the family income threshold to qualify for the maxi-

mum Pell grant, making more students eligible, according to a report from the Brookings Institution.

For example, a family earning \$70,000 a year with one child in college could get Pell money and qualify for additional college-specific aid under the new rules, the report said.

Financial-aid officers said they are expecting calls from confused parents and students once the new Fafsa rolls out in December. They have started to make calculations of their own to anticipate how financial-aid eligibility might change for current students.

Brad Barnett, associate vice president for access and enrollment management and financial aid director at James Madison University in Virginia, said the new Fafsa will make college aid more predictable in the long run.

"As long as a family's income stays relatively the same, then any need-based financial aid that a student is offered in the new world will likely remain pretty stable during the student's school career," he said.

**'The college-pricing system is going to change dramatically.'**

### Watch a Video

Scan this code for a video about financial mistakes to avoid when sending children off to college.



PERSONAL JOURNAL.

By ANN-MARIE ALCÁNTARA

You get lost driving to a party and there is a chance someone will ask, “Why, did you use Apple Maps?”

After its 2012 launch, Apple’s road-atlas app quickly routed itself into hot-mess territory. Grand Cayman lacked roads. New York’s Manhattan Bridge looked like a roller coaster. Officials in Australia warned that some of its navigation flaws were “potentially life threatening.”

Apple CEO Tim Cook issued a rare apology to customers and fired his head of software. The company then spent years trying to fix the service.

Now, according to customers and user-experience analysts, it has. Some users are finding reasons to switch to Apple Maps, including its clear public transit directions and its visually appealing design.

While Apple might not need the app to sell any more iPhones, the company’s lofty ambitions with cars and augmented-reality headsets depend on maps people actually like using.

“Maps has come a long way, and people have noticed,” Craig Federighi, Apple’s head of software, said during the company’s 2020 Worldwide Developers Conference.

Jason Rabinowitz was so incensed after the introduction of Apple Maps he switched to Android, to more easily use Google Maps.

That didn’t last. The 37-year-old airline-industry analyst moved back to an iPhone in 2015. As a New Yorker, he relies more on transit directions than driving directions. A few years ago, after Apple promoted some new transit features, he gave Apple Maps a try and the results surprised him.

He now thinks Apple Maps suggests creative, faster routes and manages the unpredictability of subway outages better than Google does. He recommends it to friends and family who visit.

Rabinowitz also likes Apple Maps’ cleaner transit view versus the more cluttered design of Google Maps.

He calls Google’s transit layer “sinfully ugly to look at.” But he does still use Google Maps for driving.



# Apple Maps Has Found Its Way Into Some Hearts

Users cite its clear public transit directions, visually appealing design

## Playing catch-up

While Apple Maps comes preinstalled on all iPhones, the overwhelming majority of iPhones in the U.S. have Google Maps downloaded as an alternative, according to Canalis. To get people to open Apple Maps, Apple had to adopt what was already popular in Google Maps, such as a street-view feature. Apple said at its developer conference in June that users would be able to use maps offline, another feature Google has offered for years.

But some visual effects, such as 3-D flyover views of cities, first appeared in Apple Maps.

Google Maps has also evolved, with features such as an immersive 3-D view that lets you check

what places look like at different times of day, and an AR tool for finding nearby shops, restaurants and other points of interest.

The biggest competitive advantage Apple Maps has over Google is its deeper integration in the iPhone. Any iOS service that requires directions—from finding restaurants in Yelp to locating AirTags in Find My—uses Apple Maps. Users can’t change that.

“People are inherently lazy and form habits around default options,” says Peter Ramsey, a user-experience consultant who has written about design differences between Apple and Google Maps. “For a long time Apple Maps was so bad that people proactively switched to Google Maps, but as

the experience of Apple Maps improved, there was less incentive to make that default-breaking action.”

## Style points

Jane Natoli, normally a Google Maps power user, finds herself using Apple Maps more in her everyday life after her iPhone prompted her to use it in the Minneapolis-St. Paul International Airport. The app knew she was at the airport and offered recommendations for shops and restaurants in her terminal. It had clearer information that was easier to interact with than Google Maps, says the 42-year-old San Francisco-based political organizer.

“It made me kind of revisit and rethink some of my prior assump-

tions about it,” Natoli says. “Whatever initial reputational hurdles that Apple Maps faced, I think they’ve jumped over those.”

Outside the airport, Natoli likes Apple’s design and finds directions easier to read, especially street names. On Google Maps sometimes it’s difficult to figure out the street name, no matter how closely you zoom in, she says.

“Google is showing me restaurants, bars and other things, but I’m not necessarily looking for that,” she says.

Angelica Nguyen, a 22-year-old who recently graduated from Georgia Tech, shares a similar sentiment. At night while driving, she finds that the roads are easier to look at on Apple Maps, and there are fewer points of interest cluttering her view.

“Apple’s really good at making things look pretty,” Nguyen says.

## Far from perfect

Some iPhone users will still grumble about Apple Maps for the foreseeable future—especially when they feel like it is being pushed on them.

Laura Pladziewicz, a 23-year-old costume-design student, says she has been led astray by Apple Maps as she walks around Boston. She grew up in the metro area but doesn’t know the city itself that well. She defers to Apple Maps because it is the default, and she admits she isn’t motivated enough to download the Google Maps app.

“Even though it keeps wronging me, I’m used to reaching for that,” she says of Apple Maps. She does, on occasion, look up stuff on Google Maps in her phone’s web browser.

Noah Abdelaziz, a 25-year-old law student, rented a car in Los Angeles this summer to get to and from his internship. It has CarPlay, Apple’s in-vehicle platform that lets drivers use iPhone apps and services through the car’s display. When Abdelaziz connected his iPhone, it automatically displayed Apple Maps on the home screen.

To avoid gridlock, he says Apple Maps would take him through residential neighborhoods with stop signs, which he believes added time to his commute.

His internship ends soon. After almost a month and a half on CarPlay, he has discovered how to use Google Maps on it.

PHOTO ILLUSTRATION BY RACHEL MENDELSON/THE WALL STREET JOURNAL, APPLE

# Tips to Help Lessen Exposure To ‘Forever Chemicals’ at Home



**YOUR HEALTH**  
**SUMATHI REDDY**

Toxic “forever chemicals” are all over your home. But filtering your water can reduce your exposure.

These synthetic chemicals, also called PFAS, have long been used in consumer products, showing up in everything from makeup and dental floss to carpets, raincoats and nonstick pans.

The main way these chemicals damage your health is if you eat, drink or inhale them. Your drinking water is probably your biggest risk inside your home: Nearly half of U.S. tap water is contaminated with PFAS, according to a recent U.S. Geological Survey study. In addition, PFAS chemicals in carpets and upholstery can shed off and be inhaled.

“You really can’t avoid all exposure but you can try to avoid some of the common sources,” says Tasha Stoiber, a senior scientist at Environmental Working Group.

**Harmful chemicals** PFAS, shorthand for per- and polyfluoroalkyl substances, are chemicals that include a very strong carbon-fluorine bond. These chemicals have special properties that make them a popular component in products that repel water and resist stains and grease. But this bond is also what makes PFAS hard to break down in the environment and in our bodies, where they can remain for years.

Just about everyone has some level of PFAS in their blood, according to the Centers for Disease Control and Prevention. You can ask your

doctor about testing your blood for PFAS levels.

The chemicals have been linked to myriad health problems, including high cholesterol, certain types of cancer and a decreased immune response, says Jackie Goodrich, a research associate professor of environmental health sciences at the University of Michigan.

## Tap water risk

Drinking water is one of the most ubiquitous and harmful sources of PFAS exposure, scientists say. Showering or

cluded Clearly Filtered, Epic Water Filter, ZeroWater, and Travel Berkey.

Stoiber says the most effective way to remove PFAS from drinking water is to install a reverse osmosis system in your home.

If you get your water from a private well, you may want to get it tested for PFAS and other contaminants, she says.

## What about carpets?

It’s hard to know for sure whether your rugs or couches contain PFAS. One likely indicator is when a product is marketed as stain-resistant or stain-proof. Be wary of marketing that says a product is free of one particular PFAS chemical, such as PFOA. “That means they probably have a different one in there,” says Goodrich.

Carpets that contain PFAS are likely continually shedding the chemicals, says Phil Brown, director of the social science environmental health research institute at Northeastern University.

## Other household items

Fish caught from water contaminated by PFAS, floss made with PFAS, and food packaged in material containing PFAS, which is commonly used in fast-food containers due to its grease-resistant properties, are potentially risky, says Ned Calonge, associate dean of public health practice at Colorado School of Public Health at the Anschutz Medical Campus.

Many nonstick pans were made with PFAS. Even if a nonstick pan says it’s made without PFAS, it’s still safer to cook with something made of cast iron, glass, stainless steel or carbon steel, says the Environmental Working Group.



**Nearly half of U.S. tap water is contaminated with harmful PFAS.**

washing dishes in water with PFAS isn’t considered a risk, the CDC says.

Earlier this year the EPA proposed federal limits on certain PFAS compounds in public drinking water, which could be finalized by the year’s end. Contact your local water utility to see if they are measuring PFAS and what the levels are, says Aleksandra Szczuka, assistant professor of civil and environmental engineering at the University of Michigan.

Use commonly sold filters to filter your tap water. A recent study from EWG evaluated 10 different filters and found four that reduced the PFAS in the water by 100% or nearly 100%. They in-

PHOTO ILLUSTRATION BY THE WALL STREET JOURNAL, ISTOCK



## THE SPIRIT OF SAILING

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# ARTS IN REVIEW

By LARRY BLUMENFELD

Corona, N.Y.

In 1943, Louis Armstrong returned to New York from a performance tour. His wife, Lucille, had instructed him to take a taxi to 34-56 107th Street, in Corona, Queens. This modest, two-story brick-*façade* house on a quiet, tree-lined street was now their home; Lucille had purchased it.

The famed trumpeter, who lived there until his death in 1971, at 69 years old, became part of the fabric of this community—“a regular, just like anyone else,” said one neighbor in a documentary, and, as Lucille described in interviews, “a piper” to the block’s children.

The Louis Armstrong House Museum opened its doors in 2003, under the auspices of Queens College, City University of New York, looking much as the Armstrongs left it. The trumpeter’s life here was documented with rare dedication. Ricky Riccardi, the museum’s director of research collections and the author of two Armstrong books, told me: “Armstrong knew that one day they were going to write about him in history books. He wanted to make sure all sides of him—good, bad, ugly—were going to be captured and preserved, by himself.” Armstrong’s reel-to-reel tapes contain not just music but also personal ruminations and casual conversations with his friends, famous and not; excerpts can be triggered by buttons positioned around the house.

That material barely hints at the 60,000 items in the Louis Armstrong Archive, established under the stewardship of Michael Cogswell at Queens College in 1991. Cogswell, who died in 2020, had long envisioned a companion center for the full collection, the world’s largest for any single jazz musician.

Now it is a reality. The \$26 million, 14,000-square-foot Louis Armstrong Center, which opened July 6 across the street from the House Museum and was designed by Caples Jefferson Architects, looks thoroughly modern—its undulations suggest a grand piano’s shape—yet it honors the street’s two-story roofline. It stands out and fits in, just like Armstrong did. At a ribbon-cutting ceremony, a dozen notable trumpeters played the opening cadenzas from Armstrong’s 1928 recording of “West End Blues” (still American music’s most revolutionary 15 seconds).

Regina Bain, the House Museum’s executive director, called the Center a “physical manifestation and interpretation” of Louis and Lucille’s lives and legacies, best honored “by telling their stories, and by living their values.” Speaking from the podium, Angel Toledo and Eddie Garcia, third-grade classmates who now live on the block, extended a legacy of the children who surrounded Armstrong on his stoop in Chris Barham’s classic 1970 photographs. At the podium, Angel, struck by the story of a proud and uncompromising black artist who spoke his mind, compared Armstrong to Martin Luther King Jr.; Armstrong’s example, Eddie said, inspired him to study music.

Inside the Center’s 75-seat venue, a jazz ensemble from Queens’s Frank Sinatra School of



## EXHIBITION REVIEW

# Honoring Jazz’s King in Queens

The Louis Armstrong Center preserves the trumpeter’s legacy in the neighborhood where he lived



The new Louis Armstrong Center in Corona, Queens, top; installation views of ‘Here to Stay,’ above and above right; and a Chris Barham photograph of Louis Armstrong with children on his stoop, right

the Arts High School played standards. Nearby, in the inaugural exhibition, “Here to Stay,” curated by jazz pianist Jason Moran, were Armstrong’s first passport, from 1932, and his last one, circa 1967. Cylindrical display cases and interactive kiosks tell the remarkable story—simultaneously humble and exceptional—in between: the Selmer trumpet and mouthpiece given to Armstrong by King George V of England; the trumpeter’s six-page, handwritten ode to Corona, titled “Our Neighborhood.” Video narrations at kiosks, by Mr. Moran and Ms. Bain, feature passages from the books in Armstrong’s home library, including the 1951 “Homemakers’ Idea Book” and 1973’s “The Black Book,” compiled by Toni Morrison as an investigation of the black experience in America.

“Let’s look at what Louis saved,” Mr. Moran said of his curatorial



process, “to find language for how vast his personality was, and how complex were the situations he navigated while making music.” Mr. Moran, whose own visual art has been exhibited at the Whitney Museum of American Art, was fasci-

nated by Armstrong’s collages—hundreds, mostly adorning reel-to-reel tape boxes, some of which are on view. Reel 58’s cover is dominated by a lovely photo of Lucille, with barely perceptible cutouts of Louis and his trumpet cropped into

her likeness. Others turn press clippings from tours, private photographs, found art and handwritten notes into highly personalized swirls of images and text. The effects are, by turns, touching, funny and mesmerizing.

In a video, Mr. Moran compares Armstrong’s own description of his cut-and-paste art strategy to his music—“Armstrong could also be explaining his process as a trumpeter, finding the right melodic nugget in a song, exaggerating the phrase to make it stand out in relief from the band.” He marvels at Armstrong’s “ability to synthesize an extravagant life into a humble square.”

The Armstrong House reveals precisely where and how Louis Armstrong lived. Across the street, the 54 artifacts and hundreds of digitized images in the Center’s inaugural exhibition—most of which will be permanent, all of which are lovingly arranged and lend thoughtful context—deepen our understanding of who the trumpeter was: a gregarious entertainer yet also an introspective artist; a performer on the road 300 days a year who adored his Queens neighborhood; a well-read seeker whose smile could mean many things.

And it makes a larger point. Jazz often lives and grows in residential spaces far from celebrated venues. Protecting these spots, building upon them, keeps the spirits of singular inspirations alive where they might otherwise be paved over or forgotten. Such acts reinforce jazz as a culture marked by individuals, families and communities, each with their own story.

Mr. Blumenfeld writes about jazz and Afro-Latin music for the *Journal*.

## TELEVISION REVIEW | JOHN ANDERSON

# Perilous Prospects And Nordic Noir

When the term *film noir* was coined in the 1940s, it signified melodramas defined by black-and-white imagery and morality cast in shades of gray: Few villains were all bad; few heroes were all good. And few settings are grayer, visually or otherwise, than the Icelandic shorefront captured in the Nordic noir series “Black Sands,”

**A refreshingly human detective investigates a murder in a remote Icelandic town.**

a frosty take on the oft-warmed-over police procedural. Remote even by Icelandic standards, the small town at the center of director Baldvin Z’s dramatic series is rocked one morning when the body of a young woman is

found on the volcanic beach, having plummeted from a scenic overlook a few hundred feet above. Those left behind will be falling through their own cosmic space over eight episodes, but they shouldn’t be surprised by the dead girl: Their area has had an inordinately high rate of “accidents” in recent years, considering the size of the jurisdiction. No one has put all the pieces together, and won’t for several episodes. But one of the more refreshing things about “Black Sands” is that no one on the police force is an investigative genius. The department is barely professional. They don’t even act their age.

But this gives the storyline credibility and even calls into question the modus operandi of the standard mystery series: Would police officers think about nothing but the case that they—and we—are concerned with at a given time? No, they wouldn’t. If he or she were Aníta (the arresting Aldis Amah Hamilton), her thoughts might be on the married lover she’s just left behind in



Reykjavik, who won’t leave his wife and has sent her home with “her tail between her legs,” as described by her unsympathetic mother, Elin (Steinunn Ólína Þorsteinsdóttir). That lover will be occupying her mind when she gets a call from her colleague Raggi (Þór Tulinius), saying there’s been a body found and can she help him out? When she gets to the beach, and the body half sunk in the sand, she and her fellow officers—and the local doctor-coro-

ner Salómon (Kolbeinn Arnþórsson)—will catch up, talk about everything but the accident victim (if that’s what she is), joke, laugh and go about their police business. It may seem disrespectful of the dead, but it doesn’t feel the least bit false.

Neither does the measured pace of the unfolding mystery. Why would anyone suspect foul play? Well, because a second woman has been attacked, too, but, clinging to the cliff, she’s managed to survive.

**Aldis Amah Hamilton and Þór Tulinius in the Icelandic series ‘Black Sands’**

Or so she says. As becomes clear, the innocence, or naiveté, of the locale makes it a perfect place for murder. The tiresome tourists—whom all the townsfolk complain about—are perfect victims. But when the police make mistakes, as they inevitably will under such circumstances, those errors—born of inexperience, or fatigue, or hangovers, or pre-somptions—will come back to haunt them.

Ms. Hamilton, a co-writer of the series (and of its second season, now in production), has been honored at home for her performance, and the series has been nominated for a number of Edda Awards (the Icelandic Oscar, so to speak). The cast overall is numerous, and involving enough, to make “Black Sands” a bingeable excursion northward, into an atmosphere that seems naturally noirish.

**Black Sands**  
Thursday, Viaplay

Mr. Anderson is the *Journal*’s TV critic.

SPORTS

The U.S. Women Aim for a Three-Peat

The American squad faces tougher competition in the World Cup from European powers

By Rachel Bachman

Auckland, New Zealand Since July 17, 2011, the United Kingdom has seen five prime ministers. The U.S. has had three presidents. The world has gone through a global pandemic. And the U.S. women's soccer team hasn't lost a single knockout game in a World Cup.

On that day in 2011, Japan needed a penalty shootout to topple the U.S. in the Women's World Cup final in Frankfurt, Germany. Since then, the U.S. has gone 8-0 in World Cup elimination games, winning it all in 2015 and 2019.

The U.S. women will begin seeking something even more audacious on Saturday in New Zealand (9 p.m. ET on Friday) against Vietnam in its kickoff of the 2023 World Cup, here. They will aim to become the first team to win a third consecutive World Cup. They're also going to find that, like everything else in the world, a lot has changed in the past four years.

The U.S. dynasty's mentality still only allows for the idea of going home with the trophy. "Would I be happy with anything short of a third straight win?" U.S. coach Vlatko Andonovski said. "No. Absolutely not."

The rest of the world has a different idea. The U.S. is now up against a swarm of national teams buoyed by surging investment in the women's game. That's especially true in Europe, where the powerhouse club teams have put new muscle behind their women's teams, with the knock-on effect of boosting the national squads in England, France and elsewhere.

"There's not just going to be one hard game or two hard games," said Aly Wagner, a soccer analyst for Fox Sports and former U.S. player. "You could face five really big opponents over the course of seven games, if they go the distance."

The U.S., meanwhile, was already facing a generational transition on its roster when a rash of injuries left it with a squad with even less experience in international play. Only nine of 23 players



The U.S. team won the World Cup in 2019, above, and in 2015, right. They aim to become the first team to win a third consecutive World Cup.



on the roster played in the last World Cup. Not only are several top players out with injuries, but a few others are returning from being hurt, their fitness for a long tournament run a mystery.

The U.S.'s missing weapons are significant. Mallory Swanson was one of the team's top scorers when she went down with an injury in April. Also out are key midfielder Sam Mewis, veteran defender and team captain Becky Sauerbrunn, high-scoring midfielder Catarina Macario and forward Christen Press.

The U.S. also faces a hazardous field in group play. Its first opponent in Group E, tournament rookie Vietnam, narrowly lost to world No. 2 Germany 2-1 in a June friendly. On July 27 (July 26 in the U.S.), the U.S. will play the Netherlands, which reached the 2019 final before falling 2-0 to the U.S. The Americans needed heroic saves by goalkeeper Alyssa Naeher in a shootout to stave off the Dutch in

the 2021 Tokyo Olympics quarterfinals.

The U.S. will close group play on Aug. 1 against Portugal, a Women's World Cup debutante boasting its highest-ever world ranking at No. 21.

Wagner, the Fox analyst, said the Netherlands is "playing better than I've ever seen them play," even with star Vivianne Miedema out with an injury. Standout forward Lineth Beerensteyn is back, along with recent Manchester City signee Jill Roord.

The team's fate in group play matters. A second-place finish in the group could put the U.S. into a round-of-16 game against Sweden, which trounced the Americans 3-0 in the 2021 Olympics group stage en route to a silver medal. The U.S. settled for bronze.

Whichever path the U.S. takes, there are more threats than ever looming. Spain has welcomed back from injury Alexia Putellas, the reigning two-time FIFA women's

footballer of the year. Germany is always dangerous, with its own back-to-back World Cup titles in 2003 and 2007. And France has been lifted by new coach Hervé Renard, who was last seen guiding the Saudi Arabia men's team to a shocking upset of eventual champion Argentina in group play of the 2022 Qatar World Cup.

Then there is England, which rattled teacups from Norwich to Newcastle last summer by winning the European championships, its first major trophy. Despite missing three starters from that lineup due to ACL injuries, the Lionesses "have other bright young stars

that are just sliding in," Wagner said. "The way that the U.S. has always done, they're doing that in England."

Of the U.S.'s six forwards, only two have played in a World Cup—Alex Morgan and Megan Rapinoe—and the 38-year-old Rapinoe is months from a planned retirement and likely to come off the bench. To power the U.S.'s lethal transition game, they'll need help.

The end of a July 9 friendly against Wales showed the challenge and the promise of this U.S. team. For most of the match, there was a Mallory Swanson-sized hole in the U.S. attack as it stalled repeatedly in the final third of the field. Then the newcomers went to work. In the 76th minute Naomi Girma—the U.S.'s top young defender—won a header with a Wales defender. Girma tapped the ball to midfielder Andi Sullivan, who directed an off-balance pass to Lynn Williams.

Williams—playing midfield even though she's listed as forward on the World Cup roster—threaded a perfect ball forward to Sophia Smith on the left side. Smith, the 22-year-old reigning MVP of the National Women's Soccer League, dribbled into the box then crossed right to Trinity Rodman on the run, who one-touched it for a goal. Rodman, a 21-year-old star of the NWSL's Washington Spirit, scored again minutes later on a strike to the upper right corner to seal the 2-0 win for the U.S.

Rodman had come in at halftime for Morgan, who started alongside Smith and 18-year-old phenom Alyssa Thompson, one of the youngest U.S. players ever to make a World Cup squad.

"I'm not worried about the inexperience, but in fact I'm excited about the energy and the enthusiasm that the young players bring, the intensity and the drive as well," said Andonovski, the U.S. coach.

He brings some newness himself. After being hired in 2019 to replace two-time champion U.S. coach Jill Ellis, Andonovski will coach in his first World Cup.

FROM TOP: PA WIREZUMA; PRESS; VAUGHN RIDLEY/PA WIREZUMA; PRESS

The WSJ Daily Crossword | Edited by Mike Shenk

A crossword puzzle grid with numbered squares and some pre-filled letters. The grid is 13 columns wide and 13 rows high.

- 26 Gulch's kin
27 Business that grew dramatically in 2020
28 Pro who might not catch a break in the first qtr.
29 Decay
30 Sung show
32 One way to turn clutter into cash
33 Bouillon, e.g.
34 Palindromic principle
36 When repeated, a Yale football song
39 Video capture button
40 Chiding sound
43 Venture to declare
45 "Finding Nemo" pelican
47 Order to a broker
48 "Make it snappy!"
50 Plays first
52 Denounce
53 Source of Hawaii's growth
54 Incredible, in slang
55 Brand discontinued by Apple in 2022
56 Appalachian workplace
57 Automaker Ferrari
59 Shangri-La location
60 Software customer
63 Big gathering, for short

The Tour's Omniscient Narrator

By Joshua Robinson

Saint-Gervais-les-Bains, France

THE RUNNING GAG at the Tour de France is that the worst way to follow what's happening in the bike race is to actually be at the bike race.

For three weeks, the whole show snakes through narrow roads and mountain passes in stages that stretch out for over 100 miles. At any moment, someone inside the 180-rider peloton might attack. Or crash. Or get a flat tire. But the people charged with helping them—their coaches and mechanics—are forced to follow in a line of cars stuck behind the pack and will never see any of those incidents in real time.

For them, there is Radio Tour, the one-man, in-race broadcast that distributes live information about time gaps, accidents, and any rider in need of assistance. In other words, it's the only voice that seems to know everything that's going on. And for nearly two decades, that voice has belonged to a lanky Frenchman who sits in a red car behind the peloton.

His name is Seb Piquet and he's the closest thing to the Tour's omniscient narrator.

"Any day your Radio Tour doesn't work, you have a problem," says EF Education-EasyPost sports director Andreas Klier. "You're blindfolded."

From his vantage point in the passenger seat of an official car driven by a former rider, Piquet spends more than four hours a day at his radio console with a list of riders and their bib numbers on his lap. He relies on reports from three helpers riding the course on motorbikes to feed him updates from other groups while he keeps his eyes on the back of the main bunch.

And then, he relays it into every team vehicle, in French and in flawless English, by pressing a pedal with his left foot that opens his radio channel. The press-to-speak

habit becomes so ingrained over three weeks that he has, on occasion, lured himself into a hot mic situation—like the time the entire Tour de France heard Seb Piquet describe the contents of his sandwich.

When it isn't about accidental lunch chat, Radio Tour is intended primarily for the teams and broadcasters. Most fans will never seek it out, even though a stream is now available on the race's website. But ever since Piquet came in a Netflix documentary about the Tour, the

ings expanded to include Lionel Messi, local restaurants, and the AC/DC guitarist Angus Young, who is for some reason immortalized in statue form in the town of Sopela.

"I don't have a very good memory, which is great," says Piquet, a man who will have spent more than 70 hours in the car by the time the Tour reaches Paris on July 23. "I'm never bored."

The routine becomes comforting. Nearly every morning in July, Piquet wakes up somewhere in the middle of France, inhales a coffee, and



Radio Tour's Seb Piquet rides in a car alongside the race.

highly specific nature of his work has become more public.

"Radio Tour, quite simply, is our eyes," said Groupama-FDJ sports director Philippe Mauduit. "Unless the riders stop for a nature break, we might not see them all today."

Un seul homme en tête, Piquet will announce at a critical juncture in a stage. One man alone in front.

On top of vital race information for teams, Piquet also unspools anything a television audience might find interesting—a rider's age, for instance, or historical facts about the world's most famous bike race.

Then there are the details that Piquet, 48, finds personally worth sharing with the whole race. He considers it his duty to inform and to entertain—and to amuse himself when he can. That's how, in a single day during the race's first week in the Spanish Basque Country, Pique's mus-

folds himself into one of the race's official red Skodas for up to six hours. Rinse, repeat, and watch the skinny men on bicycles again.

Now he has a front-row seat to one of the most thrilling Tours de France in recent memory. For two weeks, he has witnessed defending champion Jonas Vingegaard of Denmark go blow-for-blow against two-time winner Tadej Pogacar of Slovenia. At the start of the third and final week, the two men were separated by just 10 seconds until Vingegaard exploded Tuesday's time trial to take an advantage of 1 minute 48 seconds overall. Still, there are two major mountain stages to come. That's when Piquet likes to switch into commentary mode and Radio Tour sounds like coverage of a prize fight.

Attaque de Vingegaard! Pogacar est distancé! Pogacar is dropped!

PATRICK WACK FOR THE WALL STREET JOURNAL

ROTARY CLUB | By Joanne Sullivan

- Across
1 Secure with teeth
4 "Poppycock!"
9 Key next to A
14 Afore
15 Famed American nurse Barton
16 Director of 2002's "Spider-Man"
17 No more than a mouthful
19 Joan of Arc's wear
20 Destination of a flight in a Beatles song
21 Drought-tolerant flowering plant
23 Singer-songwriter Janis
25 April Fools' Day action
26 Conveys
31 Letters that may be followed by QIA2S+

- 35 Frozen treat with an Alexander the Grape flavor
36 Fanfare sound
37 "Insecure" creator, writer and star
38 Bend over backwards for
41 Friend of Hermione and Harry
42 Prepares for a challenge
44 Connect deeply
46 Anna's sister in Arendelle
47 Forensic tool that exposes body fluids
49 Libertine
51 Number that never decreases
52 Calming Celestial Seasonings variety
58 Isaac's elder son
61 Temporary failure

- 62 Stationary bike session, and a hint to this puzzle's theme
64 Like quails and rails
65 Eccentric Muppet
66 PolitiFact "honors" the most impactful one each year
67 Store with a seasonal Santaland
68 Old music hall
69 A bartender might lend one
Down
1 Humped ox
2 Six-lobed flower
3 Kennel alternatives
4 They have RAM
5 Avoided a tag, perhaps
6 Mental fuzziness
7 Greek god with a helmet

- 8 Fly-fishing gear
9 They're often served with sauerkraut
10 Colin of "The Banshees of Inisherin"
11 Chauffeur's vehicle
12 Singer-songwriter Tori
13 Lose steam
18 Delete from a disc
22 Medieval European people who gave their name to a nation
24 Snitches

Previous Puzzle's Solution
I P S O A P T S P E L L
O R E O B O O P N O K I A
W I M P A L F A O N E I U P
A M I S H C O U N T R Y
Y A K D E E T D I A
L A D Y G O L F S W I N G
L A M A A U G L A H O R E
E G O I S T S D O T H E D O N
T E E S U P L I N N E W T
B A B Y B L U E S H I S S
E R A T A N G S A N
P L Y M O U T H R O C K
J D A T E E S S O O V A L
E R N S T T E E M M E M E
T E D D Y T S P E R I E

Solve this puzzle online and discuss it at WSJ.com/Puzzles.

## OPINION

## Of EVs and Heat Waves



**BUSINESS WORLD**  
By Holman W. Jenkins, Jr.

A just-so story is making the rounds. Consumer range anxiety is the stumbling block to increased sales of electric vehicles and also the reason car makers have been reduced to rolling out plus-sized EVs with batteries so big they defeat the purpose of emissions reduction.

Range anxiety is indeed a hang-up for consumers as shown in surveys. But this doesn't even scratch the surface of what has gone wrong— one might say, insane—in our EV policies.

If the goal were to reduce emissions, the world would impose a carbon tax. Then what kind of EVs would we get? Not Teslas but hybrids like Toyota's Prius. "A wheelbarrow full of rare earths and lithium can power either one [battery-powered car] or over 90 hybrids, but, uh, that fact seems to be lost on policymakers," a California dealer recently emailed me.

His numbers apparently originate with Toyota, setting off a small donnybrook in the green lobbying community. The same battery minerals in one Tesla can theoretically supply 37 times as much emissions reduction when distributed over a fleet of Priuses.

This is a shock only to those

who weren't paying attention. It certainly isn't lost on government. Chris Atkinson, the Ohio State University sustainable transportation guru whose slogan I've cited before—"the best use of a battery is in a hybrid"—was a key official in the Obama Energy Department.

Our policies don't exist to incentivize carbon reduction, they exist to lure affluent Americans to make space in their garages for oversized, luxurious EVs so Tesla can report a profit and so other automakers can rack up smaller losses on the "compliance" vehicles they create in obedience to government mandates.

Mining the required minerals produces emissions. Keeping the battery charged produces emissions. Only if a great deal of gasoline-based driving is displaced would there be net reduction in CO2. But who says any gasoline-based driving is being displaced? When government ladles out tax breaks for EVs, when wealthy consumers splurge on a car that burns electrons instead of gasoline, they simply leave more gasoline available for someone else to consume at a lower price.

This may be a secret to you, the public. It's not to economists.

In Joe Biden, alas, we have a president less likely than many to distinguish something that sounds good from something that actually does good. The press is not much better. Even

when willing to acknowledge policy irrationality, it remains cloyingly committed to the electric car as a virtue signal.

EV policy fulfills only one criterion of policy sustainability—it transfers consumer and taxpayer wealth to special interests in ways that voters can be conned into supporting.

The problem here is the problem with any plan to subsidize our way to emissions reduction. Humans are perfectly

**To help, grind your Tesla into small particles and inject it into the atmosphere.**

capable of consuming both renewable and dirty energy in ever-growing quantities if the price is right. The emissions data prove as much. How to explain, along the way, the coevolution of the climate empty gesture with climate rhetoric that increasingly shouts the unfounded claim that climate change threatens human survival? I explain it this way: When it became clear nobody was going to do anything about climate change, it became safe to engage in hysterical rhetoric about climate change.

At the very outset of my career, a wise mentor said of the then-new climate issue, "So what?" By which he meant he couldn't see humanity giving up fossil fuels.

In my mind, I later amended this: By incorporating carbon taxes into its tax systems, global society might at least slow the rate of CO2 emissions while simultaneously improving the efficiency of its tax codes. It still seemed unlikely, but it wasn't entirely clear why. Politicians enact plenty of taxes. Governments have been advised for decades to adopt consumption taxes as a way to fund their welfare states without destroying the possibility of growth.

But here we are. The composition of the atmosphere is changing thanks to human activities. Compiling an annual average temperature for the Earth may be about as meaningful as averaging the numbers in a phone book. Unusual periods of warm, cold, wet or dry weather can happen in any climate. But as long as the universe is made of matter and energy, we should expect some effect on Earth from altering the amount of CO2 in the atmosphere.

A perhaps apocryphal Edwardian statesman sent his newspapers to the cellar because, he said, only in 20 years would it be clear which news was important. Feel free to ignore every climate headline until one arrives saying humans have started injecting sulfate particles into the atmosphere to reduce the amount of sunlight falling on earth. Only then will somebody be doing something about climate change.

## No Labels Will Make 2024 Even Worse



**POLITICS & IDEAS**  
By William A. Galston

The bipartisan organization No Labels was trying to get the political establishment's attention, and it succeeded. The possibility that the group will run an independent unity ticket for president and vice president in 2024 has sparked controversy, and the recent release of its "Common Sense" agenda has received extensive news coverage.

What would the effect of a No Labels ticket be on the prospects of the major-party presidential nominees? And would its proposals change the campaign debate?

**A third-party run would give Trump the presidency without improving the debate.**

Polls taken thus far point in the same direction: The net effect of a bipartisan ticket would be to weaken Joe Biden's prospects against Donald Trump. The most recent poll, conducted by the Prime Group, offers details about how this would work. In a two-way race, Mr. Biden would beat Mr. Trump in the popular vote 52% to 48%. But in a three-way race, Mr. Trump would receive 40% of the vote to Mr. Biden's 39%, giving the former president a majority in the Electoral College.

Put simply, the Prime

Group found that about two-thirds of the support for the independent bipartisan ticket would come from voters who would otherwise support Mr. Biden. This makes sense given that 36% of Democrats identify themselves as moderate, compared with 22% of Republicans. In addition, polls have consistently shown that a larger share of Mr. Trump's support is "strong"—less likely to shift—than Mr. Biden's.

Prime Group produced expanded samples of voters in the seven key swing states to understand the possible effects of a moderate independent candidacy. Adding the option of a No Labels slate would expand Mr. Trump's narrow winning margins in Arizona and Georgia, move Michigan and Pennsylvania from toss-ups to Mr. Trump's column, transform a projected Biden victory in Wisconsin into another win for Mr. Trump, and make Nevada a jump ball. (The results in the seventh swing state, North Carolina, didn't change, with Mr. Trump winning either way.) After allocating the electoral votes of the nonswing states to their near-certain victors, a No Labels candidacy would increase Mr. Trump's total from 262 to 306, giving him an outright win.

The effect of the No Labels issues agenda on the substance of the campaign is harder to assess, but there are reasons to believe that it won't meet the organization's expectations, in part because many of its key recommendations are vague. The discussion of Social Security is limited to two principles—no



conversation to start. Leading the world in core academic subjects isn't a stretch goal; it's a diversionary fantasy. The U.S. is much closer to the bottom of the pack in educational achievement than to the top, and we have only begun to address pandemic-inflicted learning losses for K-12 students.

Borrowing John F. Kennedy's pledge to put a man on the moon within a decade and applying it to education is misleading at best. He faced a scientific and engineering challenge that government was well-positioned to meet. We face social, political and organizational problems in education that no mobilization from the top can solve. Leveling with Americans about where our educational system stands and defining the academic problems we can realistically solve over the next 10 years would be better than offering a poll-tested dream.

No Labels is right that we deserve a better conversation than the major parties seem prepared to offer. I wish I shared the organization's confidence that avoiding tough issues and focusing on areas of current agreement will help, but getting the country back on the right track will force all of us to accept measures with which we deeply disagree.

I'm sure of this: Contrary to No Labels' hopes, its ticket would have no chance of winning. And despite its stated intentions, an independent candidacy would materially increase Mr. Trump's chances of re-entering the Oval Office. If the group is serious about its pledge not to be a spoiler, it should stand down.

## Salsa in the Rain With Celia Cruz

By Tunku Varadarajan

*Bronx, N.Y.*  
Minutes after I arrived at Celia Cruz's tomb at Woodlawn Cemetery, the skies emptied their contents onto us: a small knot of diehard fans huddling under umbrellas. We were a dozen people, half of whom wore various T-shirts imprinted with her face. Coveting one in particular, I asked a man where he had bought it. "Made it myself," he said. "One for me, one for my wife." He sounded almost rueful, as if he'd let me down.

Sunday, July 16, was the 20th anniversary of the death of Úrsula Hilaria Celia de la Caridad Cruz Alfonso, known to the world as Celia Cruz. Feted as the queen of salsa, she was the most melodious exile from Fidel Castro's Cuba—and among the most unyielding. An obituary at the time of her death noted that she'd made

peace with the knowledge that she would die in the U.S., not in her beloved Cuba. In 2000, she recorded a song, "*Por si acaso no regreso*"—in case I don't return—the forlorn but unbowed lamentation of a Cuban patriot who senses that her exile will outlive her.

Castro declared her persona non grata in 1960, a year after his revolution. She was 35 and

**The exiled Cuban singer died in 2003. I visited her tomb.**

had traveled to Mexico to fulfill some recording contracts. She chose to make her home in New York and later New Jersey. Celia was hostile to Castro, fiercely anticommunist, and had turned down a request to sing his favorite song at a concert in Havana. The vengeful *comandante* didn't let

her return for her mother's funeral in 1962. Thirty years after she left Cuba, she performed at the U.S. naval base at Guantanamo Bay, the only time she set foot on the island after the ban on her return. She took a fistful of soil with her from Guantanamo, which was entombed with her at Woodlawn.

On Sunday, the cemetery threw open the doors to her tomb, where her husband, Pedro Knight, lies alongside her. A spokesman for the cemetery, present there in the rain, told me hers is "the most-visited burial site" at Woodlawn—which is remarkable for a woman who didn't sing a word of English and, notwithstanding her love for America, lived only for the day she could return to Cuba. Remarkable, also, when you consider the competition at the cemetery: Herman Melville, Thomas Nast, Dorothy Parker, Duke Ellington, Miles Davis, Irving Berlin, Fiorello

LaGuardia, Joseph Pulitzer.

America embraced Celia Cruz. Yale conferred on her an honorary doctorate in 1989—along with Stephen Hawking, Isaiah Berlin and Justice Lewis Powell. In 1994 Bill Clinton awarded her the President's Award for the National Endowment for the Arts.

As we stood in the rain, someone played some Celia on his iPhone, her rich contralto defying the acoustic limits of a tinny speaker. "*Soy de la Cuba de ayer*," she sang—I am from the Cuba of yesterday, a prelapsarian place before Castro's coming.

And then, shortly after, the tomb was closed. It will open to the public again in 10 years. Perhaps Cuba will be free by then.

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BOOKSHELF | By Alva Noë

## Roughing It On the Diamond

**The Tao of the Backup Catcher**

By Tim Brown, with Erik Kratz  
(Twelve, 289 pages, \$30)

Baseball is a sport in hiding. The media celebrates the big hit, the virtuosic defensive play and the strikeout, but so much of the real action comes between all that. What pitch should we throw, now, to *this* hitter? It depends on who the hitter is but also on the pitcher's arsenal, the count, the score and the situation on the bases. Not to mention whether the pitcher is tired or has his best stuff.

The catcher is the hidden center of this quietly unfolding drama. We attend, naturally, to the pitcher, standing tall on the mound. It's easy to miss his accomplice, crouching behind the batter. To reliably handle the pitch, the catcher must know what's coming, and that means the duo must be of one mind. They need a private language—one the batter doesn't speak—that lets them operate as a true battery.

Tim Brown's "The Tao of the Backup Catcher" reveals another hidden dimension of baseball. I don't think I'll ever view the game the

same way after reading this book, written with the longtime backup catcher Erik Kratz. Mr. Brown, a veteran baseball writer, describes the grind of the comparatively mediocre players whose jobs are always in doubt and who bounce from team to team, frequently at the minor-league level.

Kratz, who survived at the fringes of the majors before a star turn for the Milwaukee Brewers during the 2018 playoffs, is a paradigm case. As Mr. Brown writes, Kratz played 19 seasons for 14 organizations. His career included stints with "sixteen different minor league teams, along with one Arizona Fall League team, one Dominican Winter league team, two U.S. national teams, a team in Mexico, and one alternate site team" during the pandemic. Such longevity requires grit, dedication and the ability to perform whenever and wherever the opportunity arises.

The catcher's job is grueling. Playing a whole game means coming out of the crouch and throwing balls back to the mound more than 100 times. The bruises from foul balls off the neck, the demands of guiding your pitching staff, the burdens placed on you as a hitter and baserunner: all take a toll. If you are a No. 1 catcher, you need days off. So you need a backup who can play a couple times a week, and also be ready to substitute at a moment's notice due to injury. More importantly, you need someone without pretensions to stardom.

Mr. Brown explores how some catchers come to accept the role of backup. Take the case of David Ross, now the manager of the Chicago Cubs. Ross only became an excellent backup after he gave up his aspiration to be a starter. The author points to a candid conversation that Ross had in 2008 with Theo Epstein, then an executive with the Boston Red Sox. Mr. Epstein convinced the frustrated Ross of his value if he could "reinvent himself and let go of the things he can't control and just focus on the team." As a committed backup, Ross became a beloved teammate and a winning player, a World Series champion with the Red Sox in 2013 and the Cubs in 2016.

**Baseball's ultimate journeymen survive by exhibiting a level of humility we would never expect of everyday players.**

Playing the role of backup, at catcher or any other position, often means worrying about being cut or demoted. A backup usually fields the position well, but if he hits and runs relatively poorly he will be considered, in effect, expendable. There's always another player with marginal skills out there looking for a job. To survive, the backup needs to add value to the position. It's a bit of a paradox: The backup, who is by definition not up to par, needs to make himself indispensable.

There are many ways for catchers to do this. Some backups secure their position through specialization—they learn to catch the knuckleball, or get paired with particular pitchers. Eddie Pérez of the Atlanta Braves, for example, was the personal catcher of the Hall of Fame pitcher Greg Maddux. Others, Mr. Brown suggests, cultivate leadership qualities. It's no coincidence that so many catchers, like Ross, later become managers.

Consider Matt Treanor, one of many catchers struggling for a roster spot at the Kansas City Royals' spring training camp in 1997. He was using his favorite, tried-and-true mitt in a bullpen session with an aging pitcher who was anxious about his reduced velocity. The pitcher, rather obnoxiously, demanded that Treanor get a new glove; he warned him not to show up with that old mitt again.

Treanor didn't get angry. He understood that the pitcher was needy and wanted to hear the pop of his fastball against new leather. He appreciated that one of his job requirements was to do everything necessary to keep the pitcher in the saddle. That's the special value required of a secondary catcher.

To survive as a backup, you have to exhibit a degree of humility and selflessness that you would neither need nor be able to cultivate if you were an everyday catcher. Mr. Brown puts it like this in the book's opening lines: "If you will work your whole young life to become strong and clever, to see the game in ways others don't or can't, if you will commit wholly to yourself, the group, the win, and today, and if you then will give it all away, then you will be the backup catcher."

This is a subordinate, unglamorous but deeply valuable baseball existence. Indeed, as the stories that fill this book suggest, baseball aside, it is a valuable kind of life.

*Mr. Noë is the author of "Infinite Baseball: Notes From a Philosopher at the Ballpark" and "The Entanglement: How Art and Philosophy Make Us What We Are."*

## OPINION

## REVIEW &amp; OUTLOOK

## Flying the Congressional Skies

Flying these days is as enjoyable as a trip to the dentist, so it's nice to see Members of Congress try to improve the experience . . . for themselves. The House this week plans to vote on legislation reauthorizing the Federal Aviation Administration. Reforms are taking a middle seat in a fight over flight changes at Congress's home airport.

A 1966 rule intended to help the Washington, D.C., region's Dulles International Airport limits flights to Reagan National Airport beyond a 1,250-mile perimeter. Reagan National is a 20-minute drive to the Capitol, while Dulles is an hour or more. The two airports now serve roughly the same number of passengers, but Members of Congress from the East Coast oppose scrapping the rule.

They fear that increasing long-distance flights at Reagan National will result in more congestion and delays. But as the population in the South and West has grown, so has the number of Congress-folk from outside the Reagan National perimeter. They want to hop off a flight and scoot to work. This may be the only instance in modern memory when Members care about efficient travel.

A Senate bill to reauthorize the FAA for five years has been waylaid by this fight over increasing flights outside of National's perimeter. Meanwhile, the House FAA reauthorization zoomed through the Transportation and Infrastructure Committee last month on a 63-0 vote and is set for a floor vote.

The bill increases FAA funding to hire more air traffic controllers but includes few technology and labor reforms. Naturally, that's why the National Air Traffic Controllers Association

(NATCA) and other unions support it. NATCA says the legislation "would enact real solutions" to FAA challenges, which means it will do the opposite.

Flights this summer have been delayed and canceled because of a shortage of air traffic controllers, especially in the New York area. But the bigger problem is a lack of labor flexibility, which neither the House nor Senate bills improve.

The House bill explicitly bars the FAA from requiring personnel from the New York Terminal Radar Approach Control on Long Island to move to Philadelphia as part of an agency reorganization to improve operations at Newark airport. It also requires that unions have a say over initiatives to improve safety and efficiency.

Even the White House Office of Management and Budget issued a statement this week expressing concern about the House bill's weakening of FAA "authority to determine the appropriate size and allocation of the air traffic controller workforce." Don't expect this concern to ground the bill, though the fight over National flights could delay its passage.

A bipartisan group plans to offer an amendment to add seven long-distance round trips at National. "Every American should have the opportunity to visit their nation's capital and witness their government in action," Utah Rep. Burgess Owens said.

He's right, but the FAA reauthorization is a perfect illustration of Congress in action. The Members promote their own interests and those of politically favored groups while ignoring the national interest. Maybe more delays at National would give Members of Congress more sympathy for the flying public.

### The FAA authorization bill perfectly illustrates Congressional priorities.

## LETTERS TO THE EDITOR

## Chinese Embassy Responds to Taiwan's Lai

To show his loyalty to his American patron, Lai Ching-te, the lead candidate of the Democratic Progressive Party (DPP) for the local elections of China's Taiwan region, presents "four pillars" to sell out Taiwan to the U.S. ("My Plan to Preserve Peace in the Taiwan Strait," op-ed, July 5).

Mr. Lai proposes to "build up Taiwan's deterrence." His true agenda is to resist by force the motherland's reunification. A "military threat" from China's mainland is the DPP's pretext for purchasing over \$4 billion in U.S. weaponry in two years alone. Squandering 2.6% of local GDP, the DPP is turning the island into a powder keg.

Mr. Lai also advocates "secure supply chains." The real thing is to decouple with China's mainland. Certainly, he won't care about the close cross-strait economic ties: Trade grew by over 7,000 times from 1978 to 2021. China's mainland is Taiwan's biggest export market and investment destination.

Mr. Lai's support for "the cross-strait status quo" is actually for so-called "peaceful separation" and "one China, one Taiwan." He has betrayed

the totality of the Chinese nation.

Mr. Lai claims to "never rule out the possibility of dialogue without preconditions, based on the principles of reciprocity and dignity." This is an old camouflage to deny the one-China principle. No wonder in 2017 he called himself a "pragmatic worker for Taiwan independence." Given the one-China principle is the foundation for cross-strait peace and stability, Mr. Lai's word tricks aren't in the interest of peace at all.

When Mr. Lai calls for "forming partnerships with democracies," he is requesting U.S. support for Taiwan independence. In what way is the DPP "democratic" and "progressive"? Social division and tepid growth are the DPP's performance. No one should underestimate the resolve of the Chinese people to defend national sovereignty and territorial integrity. The DPP's attempt to sell out Taiwan is despicable. Seeking independence is doomed to fail.

LIU PENGYU  
Spokesman, Embassy of the People's Republic of China  
Washington

## What About Racial Preferences in Government?

Regarding your editorial "A Warning to the C-Suite on Race" (July 14): The home page of the Small Business Administration states, "SBA is committed to supporting the development and growth of minority-owned small businesses and entrepreneurs from underserved communities." Many such programs, targeting support to businesses based on the race of their owners, exist throughout Washington and the various state government agencies.

This seems to be a direct violation of the sort addressed by the Supreme Court. I wonder if Congress is investigating. What would it mean to the industry that is dedicated to supporting such set-asides?

LLOYD TALBERT  
Manhattan Beach, Calif.

What about the Office of Federal Contract Compliance? This office within the Labor Department was set up to audit affirmative-action plans that companies doing business with the federal government are required to establish. I don't see that agency going away any time soon. Do you?

JOSEPH C. MITCHO  
Tulsa, Okla.

Did the state attorneys general also send a letter warning President Biden about clearly stating in a presidential debate that, if he won the nomination, he would choose a woman as his running mate, and later that he would nominate a black woman to the Supreme Court?

LINDA MONSON  
Bainbridge, Ga.

## Tax Credits for the New Jersey Wind Project

New Jersey recently enacted offshore-wind legislation that would enable the state's first project to fully access federal investment tax credits ("New Jersey's Wind Giveaway Gets Worse," Review & Outlook, July 10). The new law allows federal tax incentives to be used as they were intended, promoting New Jersey's manufacturing economy, workforce and ambitious clean energy goals. Mid-Atlantic states are racing to build offshore-wind infrastructure, all powered by a local workforce.

The original guidelines for our wind project, approved four years ago, limited access to tax credits, making New Jersey less competitive than other Mid-Atlantic states. Unless we updated those rules to maintain tax parity with neighboring states, thousands of new jobs and billions in new investment would have gone elsewhere. Our state legislature chose to

ensure the federal dollars are put to work in New Jersey for New Jersey.

BOB GORDON  
Fair Lawn, N.J.  
Mr. Gordon is a former state senator and commissioner of the New Jersey Board of Public Utilities.

In his excellent assessment of the true cost of the Ocean Wind project, Jonathan Lesser mentions only in passing the cost of the necessary backup generation (Letters, July 14). Wind farms produce, on average, 34% of their rated capacity. As bad as this sounds, this means that they often produce zero of their rated capacity.

In an industry that strives to provide better than 99.9% availability (around an hour of outage a year), having a facility rated at 1.1 gigawatts that can be relied on to produce only 34% of that, averaged over time, means that reliable operation of the electrical grid would require a backup facility of nearly equal capacity. This probably doubles the total cost.

The need for such an extensive backup raises the question: What value does the wind farm provide in the first place?

SEYMOUR SHAPIRO  
Long Branch, N.J.

## Biden Bails Out Higher Ed

In reading about the Biden administration's \$39 billion in creative student-loan write-offs ("Biden's Latest Loan Forgiveness Scheme," Review & Outlook, July 15), I want to know who benefits. Is it the student or the institution? Perhaps the bailout is really intended for higher education itself.

Instead of bailing out borrowers and institutions, let's improve teacher pay. How far would \$39 billion go to attract, retain and motivate educators at the K-12 level, before anyone needs to take out a loan to get an education?

BEN BUFFINGTON  
Memphis, Tenn.

## Print Newspapers and How To Instill a Love of Reading

I agree entirely with Danielle Shapiro's defense of print newspapers "The Sabbath and the Printed Page" (Houses of Worship, July 7). So many major events became known to me through the print newspaper. I think of reading about the election of President John F. Kennedy over Richard Nixon and of the day after 9/11, when I sat on the bus and everyone was buried in the paper, reading the terrible details.

The print newspaper is needed not only on the Jewish Sabbath, but the rest of the week as well. My extended family doesn't allow children any screen use at all. Extreme? The problem is that screens become addictive and you lose the habit of reading books. Our children have no smartphones and they are all avid readers. They run outside to play with friends. It is essential to make screens off-limits to children so they can develop a love of reading.

EILEEN POLLOCK  
Baltimore

## Linnaeus Was One of a Kind

In reviewing "The Man Who Organized Nature" (Books, July 15) by Gunnar Broberg, Christoph Irmscher writes of the Swedish naturalist Carl Linnaeus: "There are no handy two-part labels that would completely describe him." I beg to differ. Try *Homo sapiens*—for whom Linnaeus, appropriately, is the type specimen.

CHUCK DIBB  
Eagle Point, Ore.

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.

## Countering Russia's Grain Extortion

Vladimir Putin wants sanctions relief, and he's again threatening the global food supply to get it. On Monday Russia withdrew from the Black Sea Grain Initiative that had facilitated Ukrainian grain exports. Mr. Putin followed on Tuesday with missile attacks on the Ukrainian grain-exporting port of Odesa.

Before the war Ukrainian farms fed some 400 million people worldwide, according to the World Food Programme. The Black Sea Grain Initiative, brokered by Turkey and the United Nations last summer, has allowed some 32 million metric tons of wheat, corn and other crops to sail from Ukrainian ports despite the war.

The deal has also meant that some 45 countries could continue to receive Ukrainian grain. That includes countries suffering from high food inflation such as Turkey, Egypt and Tunisia, and others facing food shortages, such as Afghanistan, Somalia, Sudan and Yemen. The U.N. estimates the Black Sea Grain Initiative has helped "reduce food prices by more than 23% since March 2022." Ukraine can use land routes in Europe for some exports but not at the volumes that shipping allows.

In this vulnerability the Kremlin sees political leverage. Mr. Putin described the initiative last week as "all one-sided" and claimed "nothing was done, nothing at all" to meet Russian demands.

But under a parallel accord the U.N. agreed

### A naval escort operation may be needed if Putin imposes a blockade.

to work with the Kremlin to "facilitate the unimpeded access to global markets for food and fertilizers" from Russia. U.N. data showed Russian fertilizer exports increased 70% to \$16.7 billion in the first 10 months of 2022, and U.N. Secretary General Antonio Guterres recently noted that "Russian grain trade has reached high export

volumes."

On Monday Ukrainian President Volodymyr Zelensky said "we are not afraid" and "even without the Russian Federation, everything must be done so that we can use this Black Sea corridor." He deserves Western support.

When Russia briefly suspended participation in the grain initiative last fall, Ukraine, Turkey and the U.N. moved forward with plans for shipments anyway. The Kremlin ended up rejoining the agreement, and it's worth calling the Kremlin's bluff again.

Russia wants renewed access for the state-owned Russian Agricultural Bank to the Swift system that facilitates cross-border payments, among other Western concessions. But this would blow a sizable hole in sanctions. More important, Mr. Putin would learn that it works to hold the world's food supply hostage.

Mr. Putin is capable of anything, but he'd be taking considerable risks if he used military power to enforce a food blockade. The U.S. and the world should let him know that if he does, the result will be a naval escort operation in the Black Sea.

## Biden and the Anti-Israel Democrats

On Friday these columns criticized President Biden for snubbing Israeli Prime Minister Benjamin Netanyahu, declining in gratuitous public fashion to invite him to the White House. On Monday the President had a change of heart, calling Jerusalem and making plans to meet this year.

Will it be a White House meeting, with pomp and ceremony, or a quick 30 on the sidelines of the U.N.? It shouldn't matter, except insofar as the Biden Administration seems to think it does, rebuffing Israeli requests. The logic isn't hard to decipher: Mr. Netanyahu would like to reassure his voters that he has maintained strong U.S.-Israel relations, and Mr. Biden doesn't want to let him.

The point is driven home by the treatment accorded this week to Isaac Herzog. A former Netanyahu opponent, Mr. Herzog is now in a nonpolitical role as Israel's President. He met Mr. Biden at the White House Tuesday and addresses a joint session of Congress Wednesday. For him, the Biden Administration rolls out the red carpet it refuses Mr. Netanyahu.

The message to Israelis is that the U.S. is with you but not your government. It's the kind of thing we tell Cubans and Iranians, or at least we used to. That the White House adopts the same approach with an allied democracy is a sign of the times in the Democratic Party.

Last week the White House issued a statement urging Israel "to protect and respect the right of peaceful assembly" for judicial-reform protesters—as if Israel has done something else. New York Rep. Jerry Nadler calls Israel's reform proposals "anti-democratic" and a threat to judicial independence. That he and other Democrats support packing the U.S. Supreme Court, and putting it under Congress's thumb on recusal rules, never seems to prompt

any cognitive dissonance. They treat Israel as an incipient authoritarian state.

On Saturday Seattle Rep. Pramila Jayapal, chairman of the Progressive Caucus, told the Netroots Nation activist conference, "I want you to know that we have been fighting to make it clear that Israel is a racist state." This false claim was a

staple of Soviet propaganda, recognizable by its moral inversion. Israel is the least racist state in the Middle East and a stark contrast to the Palestinian Authority.

Ms. Jayapal spoke up after pro-Palestinian protesters had heckled Illinois Rep. Jan Schakowsky, herself a regular critic of Israel, but one who happens to be Jewish.

Republicans are advancing a resolution saying Israel isn't a "racist or apartheid state," but this easy vote will let most Democrats off the hook. House Democratic leaders rejected Ms. Jayapal's claim, arguing, "Government officials come and go. The special relationship between the United States and Israel will endure."

Ms. Jayapal suggests she is singled out as a woman of color. She also tries to clarify: "I do not believe the idea of Israel as a nation is racist. I do, however, believe that Netanyahu's extreme right-wing government has engaged in discriminatory and outright racist policies." For this nonretraction, she is defended by J Street, the major liberal lobby group on Israel. Ms. Jayapal and the other usual suspects will boycott even President Herzog's speech.

Liberals quibble over wording—you're supposed to speak of "democracy" and "Netanyahu" instead of "racism" and "Zionism"—but under the cover offered by presidential spats and judicial reform, the vilification of Israel has gone mainstream in the Democratic Party. This will be hard to take back, even when Israel gets a new Prime Minister.

### The President has a change of heart on Netanyahu, sort of.

## Pepper ... And Salt

THE WALL STREET JOURNAL



"Go upstairs and think about what you did and how you can avoid detection next time."



OPINION

# The U.S. Can Help Ukraine and Deter China

By Michael Allen  
And Connor Pfeiffer

How can the U.S. simultaneously arm Ukraine in its fight against Russia and deter a Chinese invasion of Taiwan? It's a false choice. A critical look at the weapons that Washington has transferred to Kyiv, what is needed in the Pacific, and when new production might become available reveals that the U.S. has enough resources both to arm Ukraine and to bolster deterrence in Asia.

Ukraine and Taiwan don't need the same things. There is a large category of U.S. capabilities that are critical in the Pacific and that haven't been provided to Ukraine. Taiwan is an island. To fight off a Chinese invasion it needs to develop its own undersea platforms and to field sea mines and fast-attack craft. For

## The two countries have different needs, and long-term national-security objectives aren't zero-sum.

U.S. forces involved in a potential defense of Taiwan, the most critical capabilities would include bombers, attack submarines, hypersonic missiles and, especially, long-range antiship missiles. By the same token, many capabilities provided for Ukraine's ground war, such as armored vehicles, counter-artillery radar, air-to-ground rockets and small arms, aren't at the top of the list of what Taiwan needs from the U.S., according to numerous unclassified expert analyses. Aid to Taiwan and

Ukraine isn't zero-sum.

Where there is an overlap of preferred military capabilities, some prioritization is in order. The TOW antitank missiles, M1 Abrams tanks, and high-speed antiradiation missiles that Washington has supplied to Kyiv would have some applicability in the Pacific, but they are less critical to Taiwan in the short term. Ukraine, however, needs them right now. Similarly, weapons like the Harpoon antiship missile will be crucial to Taiwan's air-sea battle. Taiwan has so far received Harpoons only from U.S. allies. The U.S. should move delivery of Taiwan's pending Harpoon orders to the front of the line and, in the meantime, make transfers from its own stockpile of missiles slated for demilitarization or deep storage.

The U.S. has a variety of options to support both Ukraine and Taiwan. These include drawing down from U.S. stocks, ramping up production where possible, and making foreign military sales to Taiwan a priority. Take the portable Javelin and Stinger missile systems, which are important to both Taiwan and Ukraine. The U.S. reportedly has a stockpile of 20,000 to 25,000 Javelins, and production is increasing from 2,100 missiles a year before the war to nearly 4,000 by 2026. Consistent with operational needs for U.S. forces, the Defense Department should transfer significant quantities of stockpiled Javelins to Taiwan. For the Stinger, which the Army is currently replacing with a new mobile air defense system, reportedly one-third of U.S. stocks have gone to Ukraine. The Defense Department awarded a contract for production of 1,300 Stingers by 2026. At least several hundred stockpiled Stingers should be sent



A Ukrainian trains with a Javelin missile system.

surge in artillery production will pay dividends for deterrence in the Pacific by bolstering U.S. stocks that can eventually be transferred to Taiwan. Not only are artillery shells a less applicable munition for what will primarily be an air-sea battle in the Pacific, but Taiwan also has the ability to manufacture them on its own soil.

The twin imperatives of backing Ukraine and bolstering deterrence in Asia are achievable for now. But Ukraine urgently needs more weapons, and the U.S. must act quickly to strengthen deterrence in Asia, even if a Chinese invasion of Taiwan might not come until 2027. A narrow trade-off argument focused on Javelins and Stingers obscures the real problem—the limitations of the U.S. defense industrial base. Stated plainly, even if the U.S. stopped providing assistance to Ukraine today, the most glaring obstacles to deterrence in the Pacific—from surface ships and submarines to precision-guided munitions—would remain.

The good news is that the war in Ukraine has catalyzed action to revitalize America's industrial base, which will ultimately put the U.S. in a better position to deter a Chinese invasion of Taiwan. The Pentagon is investing billions in industrial capacity. To remain the arsenal of democracy, the U.S. must allocate additional resources, authorize long-term weapons purchases, and reform glacial bureaucracies. Only then can the U.S. sustain its longer-term national security objectives in Asia and Europe.

Mr. Allen was special assistant to President George W. Bush for national security affairs. Mr. Pfeiffer is executive director of the Forum for American Leadership.

to Taiwan in the near term, given the importance of mobile air defense in the event of an invasion.

The U.S. defense industrial base is already kicking into a higher gear. The High Mobility Artillery Rocket System, or Himars, is a Ukraine mobilization success story. In each quarter of this year, American industry will produce almost as many Himars launchers as the total number provided to Ukraine from U.S. prewar stockpiles. Production of Guided Multiple Launch Rocket System rockets has also increased significantly. Like Himars, these weapons are under new multiyear Pentagon contracts. Taiwan's pending Himars order will be fulfilled by 2026, but that isn't soon enough. The timeline should be accelerated, even if the Pentagon has to pay other customers to wait.

The Patriot air-defense system is also critical to both Ukraine and Taiwan. Taiwan operates several Patriot batteries as part of its integrated

air-defense system, and a U.S.-provided battery in Ukraine has downed Russian missiles targeting civilian infrastructure. Because of growing demand, industry is increasing production capacity to 12 Patriot systems a year. Taiwan is in the process of upgrading its Patriot batteries and interceptors, and while there are other countries waiting to take delivery of Patriot orders, the U.S. should make sure that Taiwan is at the front of the line.

The long-delayed decision to provide Ukraine with cluster munitions is a sign of progress, not desperation. The Pentagon is working with industry to significantly increase production of 155mm artillery rounds, from 3,250 shells a month before the war to 40,000 by the end of 2025. While production ramps up, cluster munition—s provide a bridge capability for the Ukrainians to sustain offensive bombardments against Russian ground forces. This Ukraine-driven

# Jesse Jackson Turned the Civil-Rights Cause Into an Industry



UPWARD MOBILITY  
By Jason L. Riley

In his 1989 autobiography, "And the Walls Came Tumbling Down," Ralph Abernathy, a close friend and mentor of Martin Luther King Jr., offers a gripping account of King's assassination at a Memphis, Tenn., motel in 1968.

King was shot standing on the motel balcony while Abernathy was inside. "I bolted out the door and found him there, face up, sprawled and unmoving," Abernathy wrote. "Stepping over his frame I knelt down, gathered him in my arms, and began patting him on his left cheek." While waiting for the ambulance to arrive, Abernathy tried to comfort King, who was losing consciousness. "Martin. It's all right. Don't worry. This is Ralph. This is Ralph."

Jesse Jackson, a young King confidante, had been down in the motel courtyard chatting with other members of King's entourage when the shooting occurred. "I glanced at the courtyard below, consciously aware

for the first time that somebody, somewhere had fired a gun," Abernathy wrote. "It had been only a matter of seconds, but no one was visible in the parking lot. Jesse . . . and the others had apparently taken cover—where, I didn't know."

Mr. Jackson made his presence known a short time later, according to Abernathy. After the ambulance left and the news media arrived, Mr. Jackson made a beeline for the television cameras. " 'Yes,' Jesse was saying, 'I was the last person he spoke to as I was cradling him in my arms.'" The next day, Abernathy wrote, "Jesse appeared before the Chicago City Council wearing a bloodstained shirt and saying that it was the same shirt he had been wearing the previous evening when he had held Martin."

Last week Mr. Jackson, 81, announced his retirement as head of the Rainbow PUSH Coalition, a civil-rights organization he founded three years after King's death. By the late 1970s, Mr. Jackson was arguably the most prominent black political activist in the country. Over the decades, his theatrical self-promotion became familiar. His

preening and rhyming—"Down with dope, up with hope!"—was affectionately parodied on late-night television. He ran for president in 1984 and 1988, did better than any black candidate before Barack Obama, and has since been a major player in Democratic politics.

Mr. Jackson likes to bask in the glow of King, but comparisons between the two can be overdone.

## Refighting battles the movement had already won helped ensure poor blacks would stay impoverished.

When King died, blacks were far better off than they had been before, thanks to his intimate involvement in the passage of the Civil Rights Act of 1964 and the Voting Rights Act of 1965. Mr. Jackson has done well for himself, financially and otherwise, but can the same be said for the black Americans he claims to represent?

On some level the question may be

unfair. The needs of black Americans in the King era were manifestly different from the problems the black underclass has faced since the 1970s. Mr. Jackson and other activists, from Al Sharpton to the leaders of the Black Lives Matter movement, have modeled their activism in many ways on King's, but it has been in the service of battles for basic civil rights that had already been fought and won. Hence, the diminishing returns.

"After the 1960s, any understanding of the role of black leaders was cast in the context of Martin Luther King, Jr.'s leadership, with the implication that African Americans can rise in American life only through direct-action protest against the political order," wrote historian and Booker T. Washington biographer Robert Norrell. "To be sure, that confrontational approach accounted for King's great success, but as the sole model for group advancement it has not always worked, because it does not apply to all circumstances."

After King's death, black America didn't need another King. It needed a leadership that would focus on helping the black underclass develop the skills, attitudes and behaviors

necessary to take full advantage of the rights King had worked to secure. What emerged instead was a leadership that shifted the focus from equal rights to racial favoritism and blamed all racial disparities primarily on racism.

Mr. Jackson's quarter-century-old Wall Street Project, for example, essentially shakes down successful corporations for "donations" in the name of expanding job opportunities for minorities. It's possible that blacks are underrepresented on Wall Street or in Silicon Valley because of employers' racial animus, but the far more plausible explanation is that hiring at Google or Goldman Sachs reflects the significant racial gap in academic achievement.

Mr. Jackson helped turn the civil-rights movement into an industry that has boosted the fortunes of blacks who were already better off but he has done little to help the black poor. Worse, by advocating an ever-larger welfare state that creates incentives not to work and subsidizes counterproductive behavior, Mr. Jackson and his political allies have inadvertently helped to keep the black poor impoverished.

# America's Largest Teachers Union Isn't Beyond Reform

By Scott Fitzgerald  
And Aaron Withe

When Congress granted the National Education Association a federal charter in 1906, it tasked the union with promoting "the cause of education in the United States." In so doing, lawmakers recognized it as one of the country's official "patriotic and national organizations."

Today the NEA (along with the American Federation of Teachers) haunts public education with unparalleled influence in the service of advancing left-wing politics. At the NEA's 2023 Representative Assembly in Orlando, Fla., this month, the union's leaders were true to form: cheering an address by President Biden, excoriating Gov. Ron DeSantis's "attacks on students," and justifying their intense partisan rhetoric by claiming that "love is actually what fuels our anger."

Parents have seen the effects of

this politicking up close. As the nation reeled from the pandemic, the NEA lobbied the Centers for Disease Control and Prevention to make its school reopening guidelines more restrictive. Studies have since shown that in-person learning resumed more slowly in school districts with strong teachers unions—while learning loss and declining test scores have been documented exhaustively.

The NEA has worked not to fulfill its original purpose but to promote a left-wing social and economic agenda at odds with many Americans' values. The union has used its institutional heft as leverage to influence nearly every major policy debate, from the debt ceiling and abortion to the Israeli-Palestinian conflict and the Second Amendment. Meantime, it has opposed efforts to reform failing schools by such means as school choice, curriculum transparency and performance pay for teachers.

The public's perception of teachers unions largely splits across

party lines, with a 2022 Education Next poll showing that less than half of Americans view them favorably. The other 94 federally chartered organizations—including the U.S. Olympic Committee, Little League Baseball and the American Legion—are far less controversial. That's at least in part because the organizations' charters have guardrails to prevent them from becoming political lightning rods.

While 60% of federal charters prohibit or limit political activity and lobbying, the NEA's doesn't. During the 2019-20 election cycle, the union raised nearly \$32 million through its three political funds. The only other federally chartered entity that maintains a federal political action committee, the Society of American Florists, raised some \$23,000 for its PAC. The NEA's charter also lacks several other regulations and safeguards that have been standard charter features for the past century.

Thankfully these provisions aren't

chiseled in stone. Congress can repeal or revise federal charters whenever it deems necessary. The time has come to do so for the NEA.

One of us (Mr. Fitzgerald) is introducing the Stopping Teachers Unions from Damaging Education Needs Today Act, Student for short, which would amend the

## Washington can make the NEA less political and more accountable by revising its federal charter.

union's charter by adding 11 accountability and transparency provisions commonly found in other federal charters, such as prohibiting the NEA from engaging in political activities and lobbying, requiring it to submit annual reports to Congress, and requiring that its officers be U.S. citizens.

The bill would fully repeal an exclusive exemption granted to the union for certain property taxes in the District of Columbia and prohibit its affiliates from striking—a standard that applies to unions representing federal employees. The Student Act would also prevent taxpayers from having to pay NEA officers' salaries—a common requirement of union contracts—and restrict the union from incorporating critical race theory into its operations and advocacy.

Five years after the Supreme Court's ruling in *Janus v. AFSCME*, which struck down state laws forcing public employees to pay union dues, the NEA still fails to inform teachers sufficiently of their right to forgo membership. The union also relies on government-administered payroll deductions of dues—a process that shifts dues-collection costs onto taxpayers and facilitates union-imposed "maintenance of payment provisions," sharply limiting teachers' ability to cancel their membership.

The Student Act would end this indefensible behavior by requiring the NEA to collect dues on its own—without the use of government payroll systems—and to notify employees of their rights before signing them up for membership. As the nation nears another school year, our students desperately need more advocates for quality education. That can start by reining in America's largest teachers union from its excesses and encouraging it to return to its founding ethos.

Mr. Fitzgerald, a Republican, represents Wisconsin's Fifth Congressional District. Mr. Withe is CEO of the Freedom Foundation.

# Notable & Quotable: Chicago

From the glossary of "A Blueprint for Creating a More Just and Vibrant City for All," a report by Chicago Mayor Brandon Johnson's transition team:

Throughout this report there are references to marginalized, vulnerable, and special populations. We recognize that these groups are made vulnerable by our current socio-political structure and the way that interlocking systems of oppression produce structural violence that marginalizes their experiences. These conditions require that those

most impacted receive 'special' consideration to ensure quality of life for all Chicagoans. We examined these experiences throughout this report recognizing the margins as a place of power. Those most marginalized include, but are not limited to, people who identify within the LGTBQIA+ populations, older adults, disabled Chicagoans, people racialized as Black and other racial/ethnic groups, people who only speak a language other than English, immigrant and refugee groups, formerly incarcerated people, and people experiencing poverty.

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WORLD NEWS

# Inflation Looms Over Vote In Spain

By PAUL HANNON AND HUMZA JILANI

Spain has had notable success in tamping down inflation, but for voters, the benefits will take a while to register—probably too long to make a difference in Sunday’s election.

This weekend’s ballot will decide the shape of the next government. It will also be a test case for whether voters perceive that the worst of the recent inflation is fading or whether anger over the cost of living lingers.

There is a lesson here for the U.S., where inflation fueled discontent with Democrats during last year’s mid-term elections and could play a major role in next year’s presidential vote.

Spain’s annual rate of inflation has tumbled this year, falling below the European Central Bank’s 2% target in June. At 1.6%, it was well below the 5.5% pace of price increases recorded in the eurozone as a whole and the 3% registered in the U.S.

Spain’s inflation rate had previously peaked at 10.7% in July 2022, while U.S. inflation peaked at 9.1% that June, and in the eurozone it reached its recent high of 10.6% in October.

**Voters in many Western countries are angry about the rising cost of living.**

After more than two decades of low inflation, voters in many Western countries are angry about the rising cost of living. During the Covid-19 pandemic, many countries used massive fiscal and monetary stimulus to prevent a long economic slump. That policy and the fallout from Russia’s war in Ukraine drove up energy and food prices.

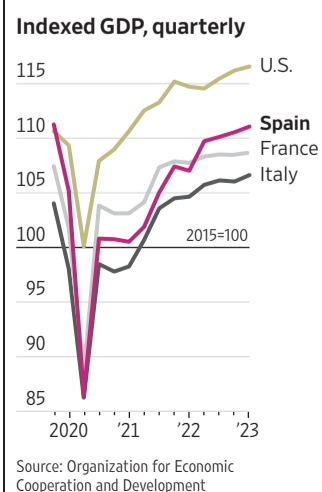
Now, political incumbents in Spain and elsewhere are finding they are getting little credit for improving data on growth and jobs because many voters are angry over the cost of living.

“Prices were the main topic of conversation between my friends and me,” said Carmen Paya, a nurse in Valencia. “Things have gotten better, but for my friends who really struggled a year ago, there is still frustration.”

It will take time for slowing inflation to begin to repair the damage done to real earnings by the surge in prices in 2021 and 2022. In the first three months of 2023, Spanish workers were still earning less in real terms than at the start of 2022.

Any declaration of victory in the fight against inflation may be premature since the speed of the decline is partly because of statistical quirks.

Disregarding big swings in energy prices, Spain’s inflation rate looks pretty much like it does elsewhere in Europe. The core measure—which excludes energy and food—stood at 5.9% in June, compared with 5.4% in the eurozone as a whole, driven by services such as recreation and restaurants. And if energy prices steady and stop lowering the all-items inflation rate, the continued rise in services prices may push the core measure higher again.



Tunisian coast-guard forces off Sfax, Tunisia, in April stopped a boat carrying migrants who were attempting to cross the Mediterranean Sea to Italy.

# Europe to Harden Migration Stance

Pact with Tunisia is EU’s latest move to resolve fights over accepting arrivals

Europe is trying again to resolve its most divisive issue: migration.

By Laurence Norman in Berlin and Margherita Stancati in Rome

After years of bad blood and legal fights, the European Union is edging toward a tough new set of migration and asylum policies, including steps to make it easier to turn people away.

The EU on Sunday secured the first piece of its plan by signing an agreement with Tunisia that promises economic aid and other cooperation in return for Tunisian efforts to crack down on boat crossings and to take back Tunisians illegally entering the bloc.

Migration into Europe and across the Americas has risen sharply since the end of the Covid-19 pandemic, prompting renewed efforts to tighten restrictions on inflows. The

Biden administration recently unveiled new limits on asylum seekers by declaring that migrants who transited through another country on their way to the U.S. without seeking asylum there would now be ineligible to stay in the U.S.

Europe’s new approach has been spearheaded by Italian Prime Minister Giorgia Meloni, whose antimigration stance helped her sweep to victory in parliamentary elections last year.

Questions remain about whether the EU’s plans will significantly dent the number of people seeking to cross illegally into Europe—and whether the proposals will be fully enacted. Migration groups argue that the EU should reopen safe and legal pathways to the bloc, after a tragedy in June when hundreds of asylum seekers are presumed to have died off the Greek coast after the overcrowded fishing vessel transporting them sank.

The plans still face opposition from Poland and Hungary. The new plans will also need backing from the European Parliament, which has traditionally opposed efforts to restrict asylum seekers’ rights. Since the 2015 migration

crisis, when over one million asylum seekers, mainly Syrians, fled across the Mediterranean Sea into the bloc, migration has sparked arguments among the 27 EU members. The fights have at times paralyzed decision-making on other policies.

After sealing a deal with Turkey in 2016 that essentially paid Ankara to keep Syrians from entering the bloc, EU member states have repeatedly failed to agree on a comprehensive system to control illegal immigration while complying with international obligations to give shelter to refugees who need protection.

The volatile politics of migration have shown no signs of abating. Dutch Prime Minister Mark Rutte’s government recently collapsed over the issue. Antimigration parties are faring well in opinion polls in several EU countries, including Austria, the Netherlands and Spain, and are well-placed to add seats in next year’s European Parliament elections.

EU diplomats nonetheless in June pieced together an overwhelming majority agreement on a new approach to the issue, which blended Meloni’s antimigration focus with

longstanding demands from some Western European capitals for shared EU responsibility for asylum seekers.

The proposal would allow countries to prescreen refugees and process people deemed unlikely to gain entrance through a swift evaluation. It would also give each member state more authority over where a failed asylum seeker could be returned.

In exchange, the EU would seek to relocate at least 30,000 migrants across the bloc annually. If a country refused to take in asylum seekers, they could instead make a 20,000-euro payment, equivalent to roughly \$22,500, for each person they don’t accept.

While the migration deal was being cobbled together, the EU said European Commission President Ursula von der Leyen would travel with Meloni and Rutte to Tunisia for talks on a migration pact. The trio returned to seal last weekend’s deal. In June, von der Leyen proposed creating a fund of over \$15 billion to finance external partnerships like the Tunisia deal.

At the center of the EU negotiations has been Meloni,

whose right-wing government made tackling migration a top foreign-policy priority.

More than 76,000 migrants have arrived by sea to Italy this year, equivalent to roughly 77% of registered Mediterranean Sea arrivals to Europe, according to United Nations data.

The number of arrivals to Europe’s southern shores is nearly twice as high as it was during the first half of last year—and is the highest level since the migration crisis years of 2015.

A big reason for the increased flow of sea arrivals is Tunisia’s political and economic turmoil.

On Monday, Amnesty International criticized the EU’s deal with Tunisia, saying it signaled “EU acceptance of increasingly repressive behavior” by Saied and the Tunisian government. “This makes the European Union complicit in the suffering that will inevitably result,” Amnesty said.

Meloni is showing no sign of regrets. On Sunday, she hailed the Tunisia agreement as a model for building new relationships between European and North African countries.

# Iranian Oil Is Stuck Off the Texas Coast

By IAN TALLEY

WASHINGTON—U.S. federal prosecutors can’t auction off 800,000 barrels of seized Iranian oil sitting in a Greek tanker off the coast of Texas because U.S. companies are reluctant to unload it, people familiar with the matter said.

Prosecutors commandeered the Suez Rajan tanker carrying the oil this year after charging its Greek owner with sanctions evasion, and directing the ship into the waters 65 miles off Galveston’s coast. The U.S. Coast Guard cleared the tanker for unloading, but the companies that manage those transfers—known as lightering—say they are too worried about Iranian reprisals to handle the captured oil.

The impasse over the seized oil illustrates the difficulties the U.S. government faces when it comes to enforcing sanctions against Iran, which has ramped up attacks against Western shipping interests. Tehran uses those tactics to deter the West from interdiction Iranian exports, analysts and former U.S. officials said.

The question of how to deal with the Iranian oil comes amid quiet efforts by top U.S. diplomats to restart negotiations with Tehran over a nuclear accord that former President Donald Trump had pulled out of in 2018. President Biden took office pledging to revive the international pact that imposed limits on Iran’s nuclear programs, but those efforts had stalled last year.

“That vessel’s emblematic of a much-bigger drama that’s playing out about how we deal

with Iranian threats,” a former U.S. official said.

Tehran’s military forces have hijacked several Western tankers traveling through the shipping channel off the nation’s southern shores in recent months in what some analysts said is retaliation for Western oil seizures. The Defense Department this month said Iran’s navy attempted to hijack two more tankers but were turned away by the Navy ships protecting international waters in the Strait of Hormuz.

U.S. officials on Monday said the Pentagon is deploying F-35 jet fighters and a Navy destroyer to the Middle East as part of an effort to deter Iran from attempting to seize oil tankers and to respond to Russian aggression in the region.

Iran analysts say the Iranian navy’s seizure in late April of the Marshall Islands-flagged Advantage Sweet was likely in retaliation for the U.S. commandeering of the Suez Rajan. “We categorically reject the U.S.’s baseless allegations of hijacking foreign oil tankers by Iran,” a representative for Iran’s mission to the United Nations told The Wall Street Journal.

Iranian state media, quoting the government in Tehran, claimed that the Advantage Sweet was seized because it had hit a fishing craft. The owners of the Advantage Sweet didn’t respond to a request for comment.

The Greek company that manages the vessel on behalf of its owner didn’t respond to a request for comment.

## WORLDWATCH



MUSICAL TRIBUTE: A sand sculpture called ‘The Beatles—Yellow Submarine,’ by Karlis and Maija Ile, is on display at the International Sand Sculpture Festival in Jelgava, Latvia.

**MEXICO**  
**Sailor Rescued After 3 Months**

An Australian sailor who was rescued by a Mexican tuna boat after being adrift at sea with his dog for three months said he was grateful to be alive after setting foot on dry land.

Timothy Lyndsay Shaddock, 54 years old, and his dog, Bella, disembarked Tuesday in the Mexican city of Manzanillo from the fishing boat that rescued them.

“I’m feeling all right. I’m feeling a lot better than I was,” Shaddock said.

His catamaran left the Mexican city of La Paz in April for French Polynesia but was crippled by bad weather. He said he survived on raw fish and rainwater.

—Associated Press

**PANAMA**  
**Ex-Leader Gets 10 Years in Jail**

Former Panamanian President Ricardo Martinelli was sentenced to more than 10 years in prison for money laundering.

Martinelli, 71 years old, had been trying to mount a political comeback in next year’s general elections, but a judge sentenced him to 128 months in prison in a case that revolved around the purchase of a media company.

The supermarket magnate who governed Panama from 2009 to 2014 was elected by his party last month as its presidential candidate for next year’s election.

The judge also fined Martinelli \$19 million. He had denied wrongdoing.

—Associated Press

**PAKISTAN**  
**Troops Hit by Suicide Attack**

A suicide bomber targeted a truck carrying security forces in northwestern Pakistan, wounding at least eight people, police said, amid rising violence in the region.

The attack took place in Peshawar, the capital of Khyber Pakhtunkhwa province, which borders Afghanistan and is a former stronghold of the militant Pakistani Taliban group, also known as Tehreek-e-Taliban Pakistan.

No one claimed responsibility for the bombing, but suspicion is likely to fall on the Pakistani Taliban, which has stepped up attacks on security forces recently.

The attack also damaged nearby vehicles carrying civilians.

—Associated Press

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## Meta, Microsoft Team Up in AI Push

### Partnership will offer social-media company's language model to companies

BY TOM DOTAN AND DEEPA SEETHARAMAN

Microsoft will release a new version of **Meta Platforms'** artificial-intelligence language model in a partnership between the tech giants that will make the software

available to companies for the first time.

The Meta AI model, dubbed Llama 2, will be free and available to developers building software on Microsoft's Azure cloud-computing platform, the companies said Tuesday. Meta previously released an earlier version of Llama to academics, and it was subsequently leaked in an online forum, but the social-media company hadn't made it available for commercial use.

Microsoft on Tuesday also

announced plans to charge businesses \$30 a month per person for access to an AI-powered assistant for Microsoft 365, its popular workplace software that includes Word and Excel, setting up a test of how much consumers will pay for AI tools. The fee is more than double what Microsoft currently charges for the least-expensive version of the productivity software, a sign of what value the tech giant sees in AI investments.

Shares of Microsoft soared

4% Tuesday to a record \$359.49, helping push major stock indexes higher. The stock is up 50% this year.

Meta is releasing Llama 2 as "open source" software, which typically is made widely available for use, modification and sharing by the public. The earlier leak put the company at the center of a vibrant, if uncontrolled, surge in AI software development.

The release of Llama 2 is set to intensify competition for private, commercial models

such as the GPT-4 system developed by **OpenAI**, the startup that released popular chatbot ChatGPT.

"Open source drives innovation because it enables many more developers to build with new technology," Meta Chief Executive Mark Zuckerberg said Tuesday in a Facebook post. "It also improves safety and security because when software is open, more people can scrutinize it to identify and fix potential issues."

Please turn to page B4

## Accounting Firms Pare Consultants As Growth Falls Off

BY MARK MAURER

The Big Four accounting firms are trimming their consulting ranks—sometimes months after a promotion—after forecasting slower growth as more businesses scale back on third-party help in certain areas.

The firms—**Deloitte, Ernst & Young, KPMG and PricewaterhouseCoopers**—are facing the consequences of aggressive hiring over the past two years as the pandemic spurred higher demand for consulting in areas such as corporate strategy, coupled with lower attrition than they expected during the first half of the year.

The recent rounds of layoffs have been heavily focused on the advisory sides of the firms. KPMG laid off about 5% of its U.S. staff in June—including advisory, tax and back-office people—four months after cutting some advisory personnel, nearly 2% of U.S. staff. In April in the U.S., Deloitte cut 1.5% of its staff and EY 5%. PwC said its U.S.

Please turn to page B2

## Chipotle Brings Its Burritos to Small-Town U.S.

BY HEATHER HADDON

Small-town America is the next frontier for **Chipotle Mexican Grill**.

Inverness, Fla., and Fairborn, Ohio—with populations ranging from 7,600 to 35,000—are among the towns and small cities where the burrito chain hopes to open 700 to 800 new locations in the coming years. Such smaller-market stores would represent around one-fifth of the nearly 3,800 restaurants the company has committed to opening across North America, Chief Financial Officer Jack Hartung said in an interview.

Chipotle's growth prospects, analysts said, have helped drive its shares 55% higher so far this year, outpacing **McDonald's, Starbucks** and other large restaurant stocks and lifting its valuation to \$59.4 billion. Its revenue grew to \$8.6 billion last year, making Chipotle the tenth-largest restaurant chain by U.S. sales, according to market research firm Technomic.

Restaurant sales have largely held steady this year, federal data show, helping fuel

chain executives' expansion plans. Other fast-casual chains, including **Sweetgreen, Cava** and **Portillo's**, are pushing into new parts of the country.

Chipotle is reaching into some cities far from any of its existing locations, along with places with roughly 10,000 residents, such as Newton, N.J., and Covington, La. Attracting a Chipotle can boost towns' broader development and brings an amenity that caters particularly to younger residents, local officials said.

When Madison, Miss., surveyed residents several years ago about the businesses they would most like to see in town, Chipotle came in first. "I think the kids got together and voted, they wanted that Chipotle so bad," said Mary Hawkins Butler, mayor of the city of around 28,000.

Chipotle got its start in Denver in 1993, when founder Steve Eells took a page from Mexican restaurants in San Francisco's Mission District, serving burritos stuffed on an assembly line.

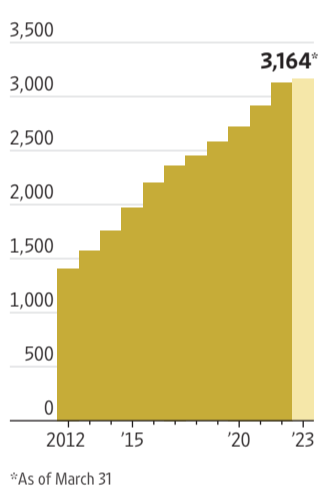
Chipotle traditionally grew in cities, where it became a

Please turn to page B2

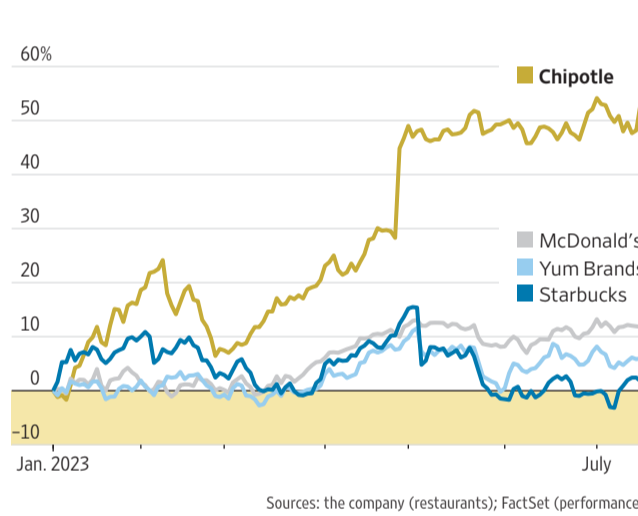


Four of the five best openings for Chipotle locations in the past year were in smaller markets.

### Number of U.S. Chipotle restaurants



### Share-price performance, year to date



## Record Miami Land Sale Flops Amid Slowdown

BY DEBORAH ACOSTA

The collapse of a record Florida land sale leaves a billion-dollar hole of prime waterfront real estate in downtown Miami.

In the spring, Genting Malaysia, a Southeast Asia casino operator, cut a deal to sell the 15.5-acre assemblage for \$1.2 billion in what would have been the most expensive Florida land sale on record. That deal collapsed in June when

the buyer, a group led by Miami developer Terra, was unable to agree on terms and timing with Genting, which has owned the property for more than a decade, according to a joint statement.

The site continues to attract interest although no other potential buyers have been named. "There's been no break in the receipt of offers at, and even above, the \$1.2 billion price," said Michael Fay, of Avison Young, the broker representing Genting.

Genting's effort to sell the property comes amid signs that even the hot Miami commercial real-estate market is being slowed by the high interest rates and tight credit that is weakening sales volume and new financing throughout the country. High interest rates are particularly costly for developers buying land because they often have to pay interest for years before their project finally starts

producing a cash flow.

The South Florida multi-family, retail and office market continues to outperform the rest of the country. But demand has slowed since its peak in 2021 partly because migration of residents has slowed in 2023, according to data from data firm CoStar Group and the Florida Department of Highway Safety and Motor Vehicles.

The number of Miami condominiums that sold for over \$1

million fell 41% in May compared with the same month last year, according to ONE Sotheby's International Realty. The median sales price, at \$1.5 million, was down 3% compared with 2022, the firm said.

Investors purchased \$1.4 billion in commercial property in Miami in the first quarter of 2023 compared with an average of \$1.8 billion in the five

Please turn to page B6

◆ The Property Report..... B6

## Noom Names a New Chief as It Moves Into Market for Ozempic

BY CHIP CUTTER

The digital-health platform **Noom** is choosing a veteran technology executive to lead the company, as it looks to seize on surging interest in weight-loss treatments and wellness among consumers.

The company on Tuesday named Geoff Cook, 45 years old, as its next chief executive, succeeding Saeju Jeong, Noom's longtime CEO and co-founder, who will become executive chairman.

Cook previously served as co-founder and CEO of the Meet Group, an operator of online dating and social-media apps such as MeetMe, Skout, Growlr and others. He sold the Meet Group in 2020 in a deal that valued the company at about \$500 million.

Founded in 2008, Noom is best known for offering online coaching and customized health plans to consumers to help them manage their weight and other chronic conditions. Some users have criti-



Geoff Cook, center, would succeed Noom co-founder Saeju Jeong, left, as CEO. At right, co-founder Artem Petakov.

cized Noom's weight-loss programs, saying they encourage behavior similar to that of an eating disorder. Noom defended its programs as based on principles of psychology aimed at helping people to build healthy, lifelong habits and said its coaches are trained to spot users exhibiting signs of disordered eating.

Noom recently branched out to offer new services and programs to employers and health

plans. In May, the company launched a telemedicine service for obesity care called Noom Med that pairs behavioral-change programs with prescription weight-loss drugs such as Ozempic, Wegovy and Mounjaro for medically eligible patients. WW International, known as WeightWatchers, earlier this year bought a company that offers telehealth visits with doctors who can pre-

Please turn to page B2

### INSIDE



#### BUSINESS NEWS

A U.A.E. company's surge to a \$236 billion valuation puzzles experts. **B3**



#### HEARD ON THE STREET

Lead cables look to be a dead weight for telecom companies. **B12**

## IPO of Beauty Firm Oddity Tops Forecasts

BY CORRIE DRIEBUSCH AND LAURA COOPER

**Oddity Tech** priced its initial public offering above expectations at \$35 a share, signaling a potential thaw in the new-issue market.

The company is expected to raise about \$425 million for selling stockholders, including private-equity firm **L Catterton**, by placing significantly more shares than planned, according to people familiar with the matter.

On Monday, Oddity said it aimed to sell shares at a price of \$32 to \$34 apiece in its IPO, up from an initial targeted range of \$27 to \$30. The original range was set conservatively ahead of a key inflation reading last week that showed price increases moderating, some of the people said.

The IPO market has shown signs of reawakening in recent months, as the stock market surges, following a prolonged stretch of dormancy brought on by increases in interest rates and inflation. Several

corporate spinouts have performed well and Mediterranean restaurant chain Cava Group doubled in its debut last month.

Still, the new-issue market remains historically quiet. Last year marked the slowest period for IPOs in at least two decades, according to Dealogic. Companies going public in traditional IPOs raised just \$9.1 billion in the first half of the year, far below the \$27 billion comparable-period average over the past decade.

If Oddity trades well on Wednesday, bankers and investors hope it could encourage others to list their shares. There are a handful of major companies eyeing second-half IPOs, including British chip designer Arm and grocery-delivery company Instacart.

Oddity, the direct-to-consumer seller of makeup brands Il Makiage and Spoiled-Child, is profitable and fast-growing. That's a combination investors regard as a welcome change from two years ago.

# INDEX TO BUSINESSES

These indexes cite notable references to most parent companies and businesspeople in today's edition. Articles on regional page inserts aren't cited in these indexes.

<b>A</b>	Accenture.....B2	Activision Blizzard.....B4	Alpha Dhabi.....B3	Alphabet.....B4	Amazon.com.....B4	American Tower.....B12	Apple.....A12,B4	AT&T.....A4, B12
<b>B</b>	Bain.....B2	Bank of America.....A1,B11,B12	BlackRock.....B12					
<b>C</b>	Cava.....B1	Charles Schwab.....A1,B11	Chipotle Mexican Grill.....B1	Citigroup.....A1	Crown Castle.....B12			
<b>D</b>	Deloitte.....B1							
<b>E - F</b>	Ericsson.....B12	Ernst & Young.....B1	Frontier Communications.....B12					
<b>G</b>	Goldman Sachs.....A1	Grant Thornton.....B2						
<b>I</b>	International Business Machines.....B4							
<b>J</b>	JPMorgan Chase.....A1,B12							
<b>K</b>	Kering.....B3	KPMG.....B1						
<b>L</b>	L Catterton.....B1	Lockheed Martin.....B3	Lumen Technologies.....B12					
<b>M</b>	McDonald's.....B1	Meta Platforms.....B1,B4	Microsoft.....B1,B4,B11	Morgan Stanley.....A1,B11	Multiply.....B3			
<b>N - O</b>	Nokia.....B12	Noom.....B1	Northrop Grumman.....B3					
<b>P</b>	Purdue Pharma.....B5							
<b>R</b>	Raytheon Technologies.....B3	Related.....B6						
<b>S</b>	Salesforce.....B4	SBA Communications.....B12	Starbucks.....B1	Sweetgreen.....B1				
<b>V</b>	Verizon Communications.....A4, B12							
<b>W</b>	Wells Fargo.....A1							
<b>Y</b>	Yellow.....B6	Yum Brands.....B2						

# INDEX TO PEOPLE

<b>A</b>	Arndt, Timothy.....B6						
<b>B</b>	Belletini, Francesca.....B3	Bizzarri, Marco.....B3					
<b>C</b>	Cashin, Dick.....B1	Cook, Geoff.....B1	Cook, Tim.....A12	Costello, Jim.....B6	Crawford, Peter.....B11	Creel, Jim.....B2	Czerniawska, Fiona.....B2
<b>D</b>	Divgi, Adi.....B11	Duplax, Jean-Marc.....B3					
<b>F</b>	Federighi, Craig.....A12	Feldman, Brett.....B12					
<b>G</b>	Gemic, Alex.....B3	Goldin, Bob.....B2	Gorman, James.....A2				
<b>H</b>	Hartung, Jack.....B1						
<b>I</b>	Ives, Dan.....B11						
<b>J</b>	Jamner, Josh.....B11	Jeong, Saeju.....B1					
<b>K</b>	Kaplan, Robert.....B6	Knightley, James.....A2					
<b>L</b>	LaVorgna, Joseph.....A2	Lynch, John.....B11					
<b>M</b>	Major, Steven.....B12	Moffett, Craig.....B12					
<b>P</b>	Palus, Jean-François.....B3	Pérez, Jorge.....B6	Pinault, François-Henri.....B3	Pomeroy, Sandy.....A2			
<b>R</b>	Regan, Mike.....B6	Rollins, Michael.....B12					
<b>S</b>	Sagar, Rosemary.....B11	Seidl, Jason.....B6	Stankey, John.....A4				
<b>T</b>	Tahnoun, Sheikh.....B3	Torres, José.....B11					
<b>W</b>	Williams, Gregory.....B12						
<b>Y</b>	Yeshaya, Sharon.....A2						
<b>Z</b>	Zuckerberg, Mark.....B1						

# BUSINESS & FINANCE

## Restaurants Reach a Truce In War Over 'Taco Tuesday'

By JOSEPH DE AVILA

There is a truce in the "Taco Tuesday" wars.

Restaurant chain Taco John's said Tuesday it is giving up its fight defending its trademark of the phrase "Taco Tuesday."

Fast-food giant Taco Bell filed a petition in May with the U.S. Patent and Trademark Office seeking to cancel the trademark.

Taco Tuesday is generic and any restaurant that makes tacos should be able to use it, said Taco Bell, which is owned by Yum Brands.

Jim Creel, chief executive of Taco John's, which operates nearly 400 restaurants in more than 20 states, said the company estimated it could cost as much as \$1 million to defend the trademark.

"It's just not worth the amount of money it would take to defend it," Creel said. "We'd rather take that money and put it toward a good cause."

Creel said Taco John's will donate \$40,000 to Children of Restaurant Employees, a non-profit group that provides financial support to people who work in the restaurant industry and have children. Creel said he hopes Taco Bell will consider giving a donation to the group as well.

Taco Bell didn't respond to requests for comment.

Taco Bell turned the Taco Tuesday dispute into a mar-



Taco John's says defending the trademark would be too costly. A Denver location.

keting campaign. It enlisted taco enthusiast and NBA star LeBron James, who shot a commercial for Taco Bell calling for the liberation of Taco Tuesday.

James also tried to trademark Taco Tuesday in 2019, but the trademark office denied it, saying it was a commonplace phrase.

Taco John's has owned the trademark on Taco Tuesday since 1989 in every state except New Jersey. Gregory's Restaurant & Bar, a restaurant in the Jersey Shore city of Somers Point, owns the trademark in New Jersey.

Taco Bell filed a separate petition in May seeking to cancel Gregory's trademark as well. Greg Gregory, whose family owns Gregory's, said in June the restaurant would attempt to defend its trademark.

Any restaurant in the U.S. except in New Jersey can now legally use Taco Tuesday now that Taco John's has given up defending its trademark. Previously, Taco John's would send cease-and-desist letters to restaurants that used the term.

David Olson, who ran a Taco John's franchise in St. Paul, Minn., first started offering taco specials on Tuesday

in 1979. He originally called it "Taco Twosday."

The Taco Tuesday concept spread to other Taco John's locations during the 1980s. Creel credited Taco Tuesday for driving the success of Taco John's throughout the Midwest.

Creel said it was tough for Taco John's to give up the trademark.

"It's a sad day for us and our franchisees and a lot of our customers," Creel said. "But at the same time we will still have Taco Tuesday, and others will have Taco Tuesday as well."

## Chipotle Eyes Small Towns

Continued from page B1  
lunch staple for office workers. The brand also expanded into suburbs, and in 2019 began building online-order drive-through lanes in those locations.

Chipotle also is eyeing an international push. The company announced Tuesday its first international franchising deal, starting with four restaurants in Dubai and Kuwait by early next year. If successful, Chipotle said it hopes to add hundreds of Middle Eastern locations.

Around 18 months ago, Chipotle executives started crunching numbers on the several dozen restaurants Chipotle had built in smaller U.S. markets, including Camden, Del.; Staunton, Va.; and Battle Ground, Wash. Executives were impressed by the stores' performance, and last year decided to go further.

Chipotle looked at areas of the country averaging 40,000 or fewer people, factoring in other draws such as shopping centers and highway access. The chain wanted its new outposts to be around 90 minutes away from major metropolitan areas to give enough distance from established locations but not overly stretch its regional managers or distribution network, Hartung said.

Chipotle relies on fresh food in its restaurants, which has sometimes led to outages

of ingredients, the company said. Stretching into new terrain could lead to supply challenges and costs, though Chipotle likely has enough sway with its distributors to mitigate interruptions, said Bob Goldin, co-founder of the food-industry consulting firm Pentalex.

Chipotle's planned locations will have to lure diners in towns where chains such as McDonald's and Applebee's dominate. Bargain-seeking customers often look to those chains during uncertain economic times. Chipotle has lifted its prices five times since 2021 in response to rising labor, food and other

costs. Chipotle typically goes big when it comes to town. The chain often puts up banners advertising its restaurant is coming soon, and invites freshly recruited employees to bring their family and friends inside for free food.

Four of the five best openings for Chipotle restaurants in the past year occurred in smaller markets, Chipotle said. Some of the new restaurants in these smaller markets are opening with two to three times the sales of an average Chipotle, Hartung said. Most of the planned locations will

have drive-through lanes for online orders.

The opening of a Chipotle in a smaller market tends to lead to a dip in business at other restaurant chains, according to Placer.ai, which monitors people's movement through mobile app usage. Sit-down chains such as Texas Roadhouse tend to experience the biggest declines, while fast-food spots such as McDonald's and Chick-fil-A also register a drop, the data firm found.

Local officials in Newton, a county seat in a less-populated part of northwestern New Jersey, had been trying to bring in newer chain restaurants to cater to students at a community college, and workers arriving to staff newer high-tech manufacturing businesses. The last chain restaurant to open in the

8,500-person town was an Applebee's location some 20 years ago, said Jason Schlaffer, the town's mayor until last year.

Some townspeople worried about the traffic the Chipotle was expected to bring, but the restaurant has helped Newton become more developed and appealing, Schlaffer said.

"As soon as it opened, it was full, and it's still full," said Schlaffer.

Jane Donadio, a 53-year-old personal trainer, said she has been a Chipotle regular since the restaurant opened in Newton last year.

"I think it reflects a changing demographic," said Donadio, who typically orders a bean burrito and guacamole from the chain. "I was quite pleased to see better options moving in regardless of cost. I don't do dollar meals."

## Accounting Firms Pare Consultants

Continued from page B1  
unit hasn't had layoffs and isn't planning any. Outside the Big Four, Grant Thornton let go 3% of its U.S. staff in May.

While hiring soared in the wake of the pandemic, other data sets show exits were also rising. In the U.S. at the four firms, exits—both voluntary and not—have generally climbed each year since at least 2019, according to a review of online professional profiles by Revelio Labs, a provider of workplace data. In 2022, roughly 56,600 people collectively left the firms, up 8.3% from a year earlier in the Revelio data.

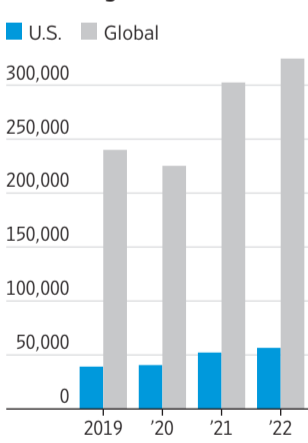
But that scenario flipped this year, even amid layoffs. Exits at the four big firms have dropped, falling 11.6% through June from a year earlier to about 21,400 in the U.S., according to Revelio.

"Life became more flexible and folks have found reasons to stay where they might have been ground to a fine powder prior years," said Michael Shaub, an accounting professor at Texas A&M University, referring to remote work and salary increases that might have kept some from resigning this year. "Now the firms are saying we can't keep all these people."

EY and KPMG declined to comment, and Deloitte didn't respond to a request for comment.

PwC said it expects to report an increase this year in its global workforce from the nearly 328,000 it reported last

Number of consulting staff exits at the big four accounting firms\*



\*Deloitte, EY, PwC and KPMG. Note: Includes voluntary exits. Source: Revelio Labs

year, adding individual staffing decisions are based on local circumstances.

Consulting work exposes firms to more fluctuation in revenue, which can be particularly damaging in a slower economy, compared with auditing, which is a mandatory expense for public companies.

Clients are still working with consultants to pour more investment into building out their tech capabilities, for example, further applying artificial intelligence throughout the business. But they also have slowed their mergers-and-acquisitions activity and need for related support such as due diligence.

"Client demand isn't shrinking, but it's certainly changing shape, so they need more experts in one field and need fewer in another," said Fiona Czerniawska, chief executive of consulting-industry analyst Source Global Research.

U.S. and global consulting is expected to experience much lower growth through 2025 than in the boom times

of 2021 and early 2022, Czerniawska said. The global consulting market is projected to expand by 6% to 10% this year, putting its size between \$245 billion and \$252 billion, building on a 10.7% increase in 2022, according to a Source report from February. In the U.S., consulting is expected to grow by 10.6% to \$97.31 billion this year, rising at roughly the same 10.5% pace as last year but down from an 11.1% rate in 2021, Source said.

The Big Four firms' global advisory revenue collectively has more than doubled since 2010, to \$94 billion in 2022 from \$39 billion a decade earlier, as the audit business comprised an increasingly smaller portion of total revenue, a review of annual reports show. The firms also square off with consulting giants such as Accenture and Bain. Accenture reported \$61.59 billion in revenue for the year ended in August 2022, up roughly 22% from the prior-year period, a filing showed.

Consulting in the U.S. has been generally more recession-resilient than in other countries, but there are signs that businesses are putting more projects on the back burner. Seventy-seven percent of U.S. consulting clients said they have canceled at least some existing projects, according to a Source survey released in June.

The loss of consulting revenue from key corporations is also raising concerns. Large companies across industries account for most of the falloff in global consulting demand, because they are reallocating their spending as a way to boost efficiencies, according to a report released last week by Kennedy Research Reports, which tracks the consulting industry.

## Noom Names New Chief

Continued from page B1  
scribe weight-loss drugs.

Cook said he planned to embark on a listening tour in his initial weeks on the job and he saw growth opportunities for the company. "Noom has this extraordinary brand—well known—and I think it's scalable to other opportunities," he said.

Cook didn't address any specific acquisition plans for the company and declined to comment on whether Noom is pursuing an initial public offering. Noom raised roughly \$669 million in funding to date. It was valued at \$3.7 billion as of May 2021, according to PitchBook.

Cook said he saw some parallels to his prior work and Noom. Online dating companies often rely on consumer subscriptions, a model Noom embraced.

During his time at the Meet Group, Cook expanded its business-to-business offerings, selling its streaming-video software to online and entertainment companies.

With Noom, Cook said members of his family have used the product to successfully lose weight through its programs. "This felt very personal to me," he said.

Noom said last year that Jeong intended to step down as part of a transition.

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## In Memoriam

For more information: [wsj.com/inmemoriam](http://wsj.com/inmemoriam)

**William Louis Martin, Jr.**  
July 1, 2023



CINCINNATI, OHIO - William Louis Martin, Jr. - Bill Martin - was a loving and always supportive husband, father, son and brother, a great neighbor and friend to many. He was a respected attorney, a tireless gardener, a voracious reader and art lover who frequented Paris throughout his life, and a lifelong baseball fan. If you knew Bill even a little bit, you'll also remember just how fun and funny he was. But what we will really miss was his kindness: he was always warm, saw the good in everyone he met, and dedicated his life to serving others. Born Nov. 4, 1946, to parents William L. Martin, Sr. and Melba Martin, Bill lived and worked his whole life in Greater Cincinnati. He was a graduate of St. Xavier High School, The College of the Holy Cross, and University of Cincinnati College of Law. Over the course of his long career at Paxton and Seasongood, Thompson Hine, and Martin Wharton Law, he was also a fierce advocate for children's causes, including serving on the board for the non-profit Children Inc. (now Learning Grove) for nearly twenty years. Bill died peacefully on July 1 at age 76, leaving behind his wife, Marilyn, children Trey Martin and Ani Dunn, sister Pam Coffey and brother Ted Martin, and five grandchildren. He survived his beloved daughter Mikki, who predeceased him in 2015. Services will be held on August 12 at The Community of the Good Shepherd in Montgomery, Ohio. In lieu of gifts or flowers, consider honoring his memory with a donation to the non-profit Learning Grove through the following link: [Donate - Learning Grove](https://www.strawserfuneralhome.com). Online condolences at [www.strawserfuneralhome.com](https://www.strawserfuneralhome.com)

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BUSINESS NEWS

# U.A.E. Stock is \$236 Billion Enigma

Conglomerate's surge has some experts questioning value, seeking more clarity

By Eliot Brown

Between 2019 and 2022, an obscure Abu Dhabi stock surged more than 400-fold to become one of the most valuable companies in the Middle East. This year, the shares are going nowhere—and once again turning heads.

The company is **International Holding Co.**, or IHC, a conglomerate led by the United Arab Emirates' top security official, Sheikh Tahnoun bin Zayed Al Nahyan. With a market value of about \$236 billion, it is more valuable than many major Western businesses, and worth nearly twice as much as General Electric.

The stock has barely budged this year, even as some of IHC's big, publicly listed holdings such as **Alpha Dhabi, Multiply Group** and **Q Holding** have fallen more than 20% each. It trades at a price of roughly 55 times reported earnings: more than double the average PE ratio for the S&P 500.

"It's very hard to do the mathematics there," said Christopher Davidson, an associate fellow at the European Centre for International Affairs who researches Abu Dhabi and the Middle East. "There still needs to be a lot more clarity."

IHC was once a small owner of fish farms. Under Chairman Sheikh Tahnoun, it has grown rapidly, buying up food producers, hair salons, real-estate developments and dozens of other businesses. Sheikh Tahnoun is the brother of U.A.E. President Mohammed bin Zayed al Nahyan, and oversees a growing financial portfolio for the emirate.

It now represents about 30% of the market value of Abu Dhabi's stock exchange, and holds large stakes in other



The stock of International Holding Co., based in Abu Dhabi, rose 400% from 2019 to 2022.

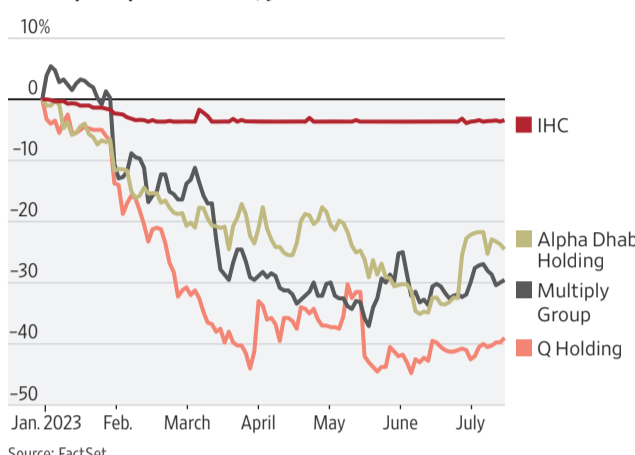
listed businesses. But no investment-bank analysts publish research on the company, while some investors and academics question its valuation.

The questions reflect a broader tension in the region, where energy-rich monarchies are eager to develop financial markets, diversify economies and attract foreign investment, while retaining a strong grip over local business and markets.

The company has reached a size where its stock price would be expected to stabilize, after a "remarkable phase of dynamic investment," said IHC spokesman Ahmad Ibrahim. While IHC's stock price is influenced by an array of factors beyond the company's control, the recent calm could also reflect "the absence of significant events driving substantial changes in investor sentiment," he added.

IHC listed in 2005 under the name International Fish Farming, and initially focused on raising sea bass and other fish before gradually expanding into other areas. Growth took off in 2020, after Sheikh Tahnoun became chairman and the emirate's royal family began to move holdings from

Share-price performance, year to date



its privately held portfolio to IHC. Disclosures by the conglomerate typically list these transfers as taking place for "nil consideration."

Deals have spanned areas such as air conditioning, cosmetics, tent sales, cargo ships, venture capital and veterinary clinics. IHC is largely "an amalgamation of the various bits and pieces" of Sheikh Tahnoun's business empire, said Davidson at the European Centre for International Affairs.

That amalgamation appears to have neared its completion, Davidson said, as acquisitions

have slowed substantially.

In previous years, IHC has pointed to a surge in the subsidiaries it controls as a measure of its rapid growth. The number of subsidiaries fell to 444 from 482 in the first quarter, the first drop in years.

This year, IHC stock has rarely moved more than 1% a day, and it has closed between 395 and 396 dirhams, a range equivalent to nearly \$108 a share, in most trading sessions recently.

IHC shares are lightly traded, and ownership is con-

centrated: Just 25 shareholders own nearly 97% of the stock, the annual report shows. Overall, IHC says it has 7,700 shareholders, including some employees paid partially in stock.

The company is itself a major market player, and says its stockbrokerage arm has a market share of more than 50% in the U.A.E.

More broadly, IHC has rapidly become a force in Middle Eastern business, earning \$3.4 billion of profit on \$13.8 billion of revenue last year, according to its annual report. IHC has spent heavily to buy private companies in addition to the royal-family companies it has absorbed.

Last year it bought Arena Events Group, a U.K.-based events-management company, in a \$92 million deal. It paid \$32 million for a company that provides security guards, and this spring it agreed to buy part of the large Colombian food processor Grupo Nutresa.

Some deals have fared poorly. It invested nearly \$2 billion in three companies tied to Indian conglomerate Adani Group. Shares in those companies have fallen after a scathing report by a U.S. short seller, whose allegations Adani disputes.

IHC has said its strategy is to buy smaller companies in a range of industries and wring out efficiencies by combining related groups. IHC then plans to list these subsidiaries, letting investors buy a small slice of these enlarged companies.

Locally, investors see IHC as ascendant, with cash to spend, even as its acquisition pace has slowed.

Alex Gemici, the chairman and chief executive of Dubai-based capital-raising firm Greenstone Equity Partners, said IHC has bought considerably more companies than anyone else in the region.

"There wasn't a true conglomerate holding group here," he said. "IHC has become that overnight."

# Gucci CEO to Leave in Leadership Shuffle

By Suzanne Kapner

Gucci Chief Executive Marco Bizzarri is leaving as part of a management shuffle that will elevate two other executives at **Kering**, the conglomerate that owns the fashion house and other brands.

Bizzarri has been Gucci's leader since 2015 and will step down in September. During his tenure, Bizzarri presided over a renaissance at Gucci, which struggled to recover its mojo after designer Tom Ford left in 2004. Together with creative director Alessandro Michele, who left last year, the pair thrust Gucci back into the spotlight with chic bohemian looks. But the brand lost steam coming out of the pandemic and hasn't been able to recover.

Gucci is Kering's biggest label and accounts for the lion's share of sales and profits at the French conglomerate, which is run and controlled by CEO François-Henri Pinault. On Tuesday, Pinault said he was promoting two executives to serve as his deputy CEOs. The deputy CEOs are Francesca Bellettini, who will continue as CEO of Yves Saint Laurent, and Jean-Marc Duplaix, who has been Kering's finance chief for a decade. All brand CEOs will now report to Bellettini, Pinault said.

Another Kering executive, Jean-François Palus, will take over as CEO of Gucci for a transitional period.

"We are building a more robust organization to fully capture the growth of the global luxury market," said Pinault. "I am confident that the changes we are announcing today will set Kering on a path to success."



The defense company beat analyst estimates for the latest quarter and lifted its guidance.

# Lockheed Forecasts Growth In Sales as War Lifts Orders

By Doug Cameron

**Lockheed Martin** said it expects to resume growth this year, reversing its earlier prediction that sales would shrink despite the war in Ukraine and rising global military budgets.

Sales and profit in the second quarter beat expectations among analysts polled by FactSet, and the company raised its full-year guidance for both. Other defense companies, including **RTX**, formerly known as Raytheon Technologies, and **Northrop Grumman**, report results next week.

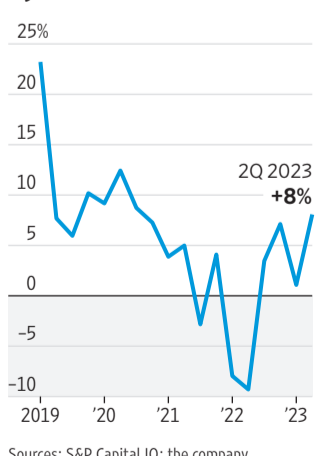
The world's largest defense company reported net profit of \$1.68 billion for the three months ended June 30 compared with \$309 million a year earlier, the latter weighed by a charge on a classified program.

Sales rose 8% to \$16.7 billion in the quarter, lifted by big orders for its F-35 combat jet and GMLRS and Himars missiles.

Full-year sales are forecast to rise as high as \$66.75 billion, up 1.5% at the midpoint from Lockheed's prior guidance in April, which would top the \$66 billion generated in 2022.

Lockheed shares slid 3% in

Lockheed Martin's quarterly revenue, change from a year earlier



Tuesday's trading. Other defense stocks also fell. The sector has been out of favor with investors this year as lingering supply-chain and inflation pressures affect profit margins.

Lockheed Martin has benefited more than most peers from the Ukraine conflict, with more countries buying the F-35 and Patriot missile-defense system, as well as rockets and launchers. Its total outstanding orders are a record \$158 billion.

The order backlog at its missiles and fire-control unit rose \$9 billion during the quarter to \$34 billion, though this will take months or even years to translate into sales. Operating profit fell 11% in the quarter on flat sales during the period.

Falling profit margins indicate that defense contractors are still wrestling with supply-chain problems and labor shortages, as well as the lingering impact of inflation.

The Pentagon has awarded \$16 billion in Ukraine-driven contracts since Russia's invasion last year, with Lockheed and RTX claiming the largest portion.

The F-35 accounts for 30% of company sales and orders have been buoyant, but the program remains dogged by problems.

The Pentagon has frozen accepting new F-35 deliveries until Lockheed Martin catches up installing and testing upgrades to the aircraft's sensors and weapons systems.

Lockheed Martin expects to deliver 100 to 120 jets this year, down from the 156 previously planned. It hopes to reach that level in 2025.

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# Swift Hires New General Counsel

### Singer taps the lawyer who helped her win sexual-misconduct case

BY NEIL SHAH

Taylor Swift is tapping a high-powered litigator to be the general counsel of 13 Management, her closely guarded Nashville-based company, according to a person familiar with the matter.

Douglas Baldrige, a partner at the Washington, D.C.-based law firm Venable, will start in his new role in the fall, replacing Jay Schaudies, who is retiring, this person said.

Despite her clout in the music industry, Swift's business operations have long been shrouded in mystery, even compared with other performers of her stature. That is in part because the 33-year-old pop star is known for keeping her circle tight and her business close. Among her confidants are her parents, including her father, Scott Swift, who worked as a broker.

Swift herself typically takes an active role in her business activities instead of delegating them: For the U.S. leg of her continuing "Eras Tour," for example, she didn't use a booking agent, an outside party that would take a cut of her business. With so little known about Swift's 13 Management, it's a fairly rare occurrence for its executives such as the incoming Baldrige to confront the public glare.

Baldrige, a veteran commercial litigator, currently serves as an outside counsel for Swift. He represented her in a much-publicized sexual-harassment trial that she won against an on-air radio person-



Douglas Baldrige, above, is well-known as a litigator. Pop star Taylor Swift keeps a close circle of business confidants, including her father, Scott Swift, seen with her at right.



Taylor Swift keeps a close circle of business confidants, including her father, Scott Swift, seen with her at right.

ality in 2017. No other changes are being made to 13 Management's team, the person familiar with the matter said.

Neither Baldrige nor a Venable spokesperson returned requests for comment.

Swift's 13 Management handles much of her business on its own. But this move does not mean that she is now bringing her full legal arsenal in-house. The pop star will retain the services of Venable, according to the person familiar with the matter, a firm whose music clients have included Snoop Dogg and Barry Manilow. In addition to Baldrige, Swift continues to work with well-known music-

industry attorney Donald Passman of Gang, Tyre, Ramer, Brown & Passman, who is the author of the canonical book "All You Need to Know About the Music Business."

Swift, whose current concert tour is projected to generate well over \$1 billion in concert-ticket sales, is one of music's biggest and most widely followed superstars. This week, she became the first woman to lodge four different albums in the Billboard 200 album chart's top 10 at once. With the release of "Speak Now (Taylor's Version)," a rerecording of her 2010 album, the singer-songwriter also notched her 12th

chart-topping record, the most of any female artist.

A onetime chair of Venable's Washington litigation group, Baldrige has represented major U.S. corporations in the pharmaceutical, technology and consumer-products industries, along with entertainers and real-estate developers. His cases have involved areas like intellectual property and celebrity rights, according to Venable's website.

Back in 2017, he helped Swift win a trial against Colorado radio personality David Mueller. In that case, a jury found that the former DJ assaulted and battered Swift by groping her; she sought and

was awarded a symbolic \$1 in damages. In his remarks at the time, Baldrige said Swift didn't want to bankrupt Mueller, but only to send a message. The jury also rejected Mueller's claims that members of Swift's management team got him fired from his job.

In another case, from 2015, Baldrige defended Swift against trademark infringement and dilution claims. There, Swift settled a legal disagreement out of court with Blue Sphere, a clothing company that had accused her of copyright infringement.

Baldrige is expected to complete his tenure with Venable in the coming weeks.

# Authors Request Payment For AI Use

BY TALAL ANSARI

More than 8,000 authors have signed a letter asking the leaders of companies including Microsoft, Meta Platforms and Alphabet to not use their work to train artificial-intelligence systems without permission or compensation.

The letter, signed by writers including James Patterson, Margaret Atwood and Jonathan Franzen, says the AI systems "mimic and regurgitate our language, stories, style, and ideas." The letter was published by the Author's Guild, a professional organization.

"Millions of copyrighted books, articles, essays, and poetry provide the 'food' for AI systems, endless meals for which there has been no bill," the letter says. "You're spending billions of dollars to develop AI technology. It is only fair that you compensate us for using our writings, without which AI would be banal and extremely limited."

The letter was addressed to the CEOs of OpenAI, International Business Machines, Stability AI and several tech companies, which run AI models and chatbots such as Alphabet's Bard, ChatGPT and Llama.

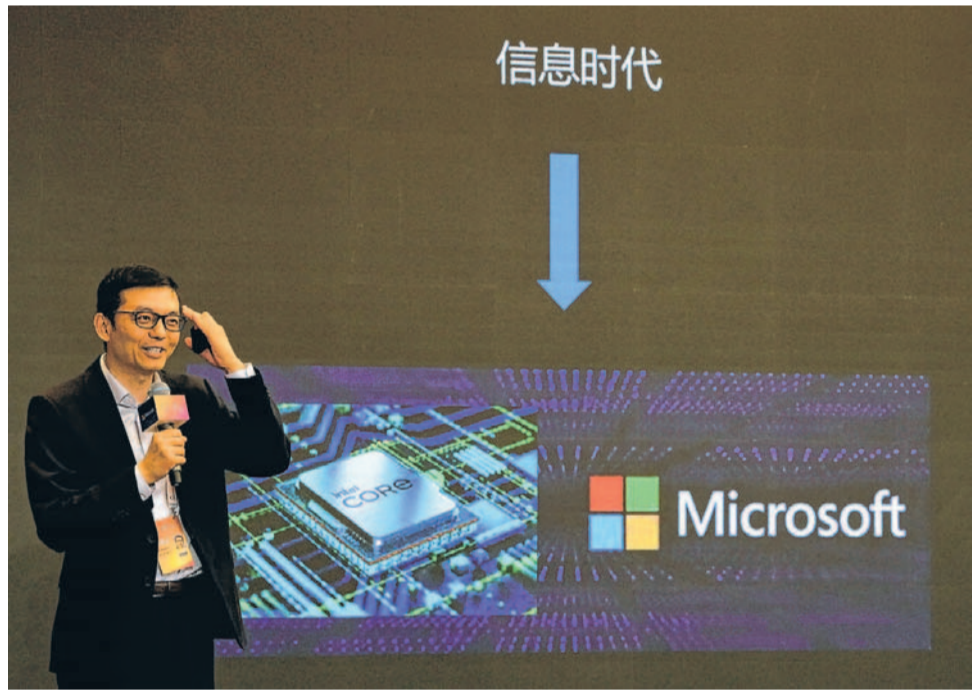
Meta, Alphabet, Stability, IBM and Microsoft didn't reply to a request for comment. In a statement, OpenAI said that ChatGPT is trained on "licensed content, publicly available content, and content created by human AI trainers and users," adding that the company respects the rights of creators and authors.

# Tech Giants Team Up On AI

Continued from page B1

In making Llama 2 available to Azure customers, Microsoft is showing a willingness to broaden beyond ChatGPT maker OpenAI as its AI platform of choice. Despite the fact that Microsoft has committed billions to OpenAI, other cloud-computing providers such as Amazon.com and Google are increasingly marketing themselves as neutral platforms where developers can pick among an array of generative AI models from different companies.

Llama 2 represents a shift for Meta, which just two months ago said it had no plans to make its model available commercially. Activists and entrepreneurs started a campaign to persuade Meta to



A presentation at the World Artificial Intelligence Conference in Shanghai on July 6.

reverse its stance or "Free the LLaMA." The new model is one of several moves under way within the company to make inroads into generative AI af-

ter falling behind tech rivals. Microsoft's separate price announcement about Copilot, which is powered by OpenAI's technology, is a key part of the

company's plans to revamp its software offerings around generative AI. Copilot will be able to carry out tasks like summarizing emails in Outlook, trans-

forming a Word document into a PowerPoint presentation or analyzing sales data in an Excel spreadsheet.

The company first announced Copilot for Microsoft 365 in March but hadn't announced pricing or an expected release date. Microsoft still hasn't given a date of when it will roll out Copilot widely, though it has been testing the tool with a handful of large businesses.

Microsoft has invested more than \$10 billion into OpenAI and integrated a version of the chatbot software into its Bing search engine, steps that helped rebrand the company as being on the cutting edge of the AI boom. The company hasn't articulated a full vision for how it plans to make money from the technology. In Microsoft's last earnings call, executives noted that generative AI has already driven some business to Azure, including through usage of ChatGPT, which is hosted on the cloud-computing platform.

A wide release of Copilot will help show how many cus-

tomers are willing to pay for generative AI. Last month, Salesforce, one of Microsoft's competitors in the enterprise software space, also announced the pricing for its suite of generative AI tools.

Microsoft also said it plans to roll out its AI-powered chatbot Bing Chat Enterprise as an added feature for many of its Microsoft 365 business customers. The company said it would charge businesses \$5 a month per user to access Bing Chat Enterprise if they aren't customers.

The chat tool works similarly to ChatGPT—doing things like summarizing text and generating answers to questions—and promises customers that the data they input won't be accessible to people outside the company. Those security guarantees come in response to concerns from customers about how secure their data is. In recent months, companies such as Apple have warned employees not to use tools like ChatGPT at work for fear that it could release confidential data.

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# Microsoft Works to Close Deal

BY SARAH E. NEEDLEMAN

Microsoft and Activision Blizzard planned to continue to work toward completing their \$75 billion deal by sorting out lingering regulatory issues, people familiar with both companies said Tuesday, as the merger's closing deadline approached.

The deal struck between the companies early last year was set to expire at 11:59 p.m. Pacific time Tuesday, according to their merger agreement. It stipulates that Microsoft pay Activision a breakup fee of \$3 billion if either party terminates the deal afterward. But neither company intends to do so, the people said.

Microsoft announced its plans to buy Activision in January 2022 and valued the deal at \$69 billion after adjusting for the videogame publisher's net cash. The companies secured regulatory approval in Europe, China and other markets but hit roadblocks in the U.S. and U.K.

Activision shares have gained ground recently as investors bet that the deal is more likely to close. They ended trading Tuesday at \$92.74, up 10% in July. The deal price is \$95 a share.

Last week a U.S. federal judge denied the Federal Trade Commission's bid to block the transaction while the agency appeals a July 11 decision by a trial-court judge. The FTC more often drops its opposition to a deal if a judge denies an injunction, which is what happened with Meta Platforms' acquisition of virtual-reality company Within Unlimited.

Britain's Competition and Markets Authority is now the only major obstacle to the deal closing. The regulator has said it is concerned that the merger could harm the nascent market for cloud gaming or the streaming of videogames over the internet, though last week it agreed to consider a restructuring of the acquisition. The U.K. regulator added that it would need to conduct a fresh investigation into any changes made but didn't say how long that would take.

Activision is known for its hit videogame franchises such as "Call of Duty," "World

of Warcraft" and "Candy Crush." Microsoft is looking to buy it to bolster its limited presence in mobile gaming, which is by far the biggest sector of the videogaming industry by revenue. The software giant also wants to pad its portfolio of titles for its videogame subscription service Game Pass, which includes cloud gaming.

Closing the Activision deal is critical for Microsoft to achieve those goals. Outside of China, there are only a handful of game companies with large portfolios that Microsoft could potentially acquire.

To woo regulators over the past 18 months, Microsoft made pacts with Nintendo, Nvidia and other rivals to make "Call of Duty," one of the game industry's most popular franchises, equally accessible to players on their platforms over a 10-year period. On Sunday, Sony Group, one of the biggest critics of the acquisition, agreed to the same arrangement.

The company wants to pad its portfolio of titles for its Game Pass.

BUSINESS NEWS

Opioid Victims Object to Review of Purdue Settlement

By ALEXANDER SAEEDY

Victims of opioid addiction are objecting to the U.S. government's request to send Purdue Pharma's pending bankruptcy plan for review before the Supreme Court, which would delay long-awaited disbursements under a \$6 billion settlement for addiction victims and state governments.

The settlement would help end a yearslong legal battle that led to Purdue's bankruptcy and would shield members of the Sackler family, who own the company, from future opioid-related liabilities.

ments, who have sued Purdue over damages caused by its prescription opioid OxyContin, are objecting to the delays, saying they are in need of immediate receipt of the settlement funds promised by Purdue and the Sacklers.

also argued that the federal government is putting lives in danger while it focuses on whether the U.S. bankruptcy code allows releases for members of the Sackler family, who haven't filed for bankruptcy themselves.

If the Supreme Court decides to review the settlement, its nine justices will determine whether immunity for the Sacklers through Purdue's bankruptcy is legally sound.

Whether to allow a shield for members of the Sackler family has been a thorny issue in Purdue's bankruptcy. Judge Robert Drain of the U.S. Bankruptcy Court in White Plains, N.Y., approved a deal in 2021 that included legal releases for them.

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## THE PROPERTY REPORT

## Prologis Lifts Outlook on Record Quarter

Warehouse giant is boosting space despite rising rates and falling demand

By WILL FEUER

Industrial-property giant Prologis raised its earnings outlook for the year after posting record profits and sales amid higher interest rates and signs of wavering demand in broader warehousing markets.

The San Francisco-based landlord, the world's largest industrial property company with 1.2 billion square feet in 19 countries, is targeting full-year earnings attributable to common shareholders of \$3.30 a share to \$3.40 a share, up from its prior guidance of \$3.10 a share to \$3.25 a share.

Core funds from operations are expected to be \$5.56 a share to \$5.60 a share, up from prior guidance of \$5.42 a share to \$5.50 a share. Prologis said it now expects cash same-store net operating income to rise by 9.5% to 10%, up from prior guidance for growth of 9% to 9.75%.

The upgraded outlook came as the company said Tuesday it doubled its net earnings in the quarter ending June 30 to \$1.22 billion, or \$1.31 a share, com-



Prologis has been flexing its strong balance sheet by expanding its worldwide network of distribution centers and storage sites.

pared with \$610 million, or 82 cents a share, in the same quarter a year ago. Core funds from operations came to \$1.83 a share, topping the \$1.67 a share that analysts were expecting, according to FactSet.

Total revenue jumped to

\$2.45 billion from \$1.25 billion last year, topping analysts' expectations of \$1.72 billion.

Average occupancy in Prologis's owned and managed portfolio slipped to 97.5%, down from 98% in the previous quarter.

The company's shares fell 3% to \$123.91 Tuesday.

The growth came as broader measures suggest warehouse demand is easing following a surge in construction and leasing in the past three years driven by e-commerce growth.

Real estate services firm Cushman & Wakefield said this month that the average national vacancy rate for industrial real estate in the U.S. jumped from 3.5% in the first quarter to 4.1% in the three months ending June 30.

U.S. employment in the warehousing and storage has retreated sharply since reaching a record high in June 2022.

Prologis Chief Financial Officer Timothy Arndt said in an earnings conference call that customers have been more deliberate in leasing decisions but that the company expects the upturn in vacancy rates "will be a short-lived reprieve" because construction starts have declined. "Starts in the second quarter were down approximately 40% across our U.S. markets and 50% in Europe. We see deliveries in 2024 falling short of demand, reducing vacancy over the course of next year," he said.

Prologis has been flexing its strong balance sheet by expanding its sprawling worldwide network of distribution centers and storage sites in part through several big acquisitions.

Prologis said last month it would buy a portfolio of U.S. industrial space totaling nearly 14 million square feet from Blackstone for \$3.1 billion. It acquired rival Duke Realty in 2022 in a deal valued at \$23 billion. The company said that it along with its co-investment ventures issued \$7 billion of debt at a weighted average of 4.9% and a weighted average term of 8.4 years.

## Truck Firm Yellow Faces Strike After Missing Payments

By PAUL BERGER

The Teamsters union is threatening a strike against trucking giant Yellow after the company missed healthcare and pension payments, putting fresh pressure on one of the country's biggest trucking companies as the carrier seeks to avoid bankruptcy.

The union said Monday that a board overseeing pension and welfare funds for unionized workers will suspend healthcare benefits and pension accruals from July 23 unless Yellow makes the needed payments by the end of this week. The Teamsters says that if the payments aren't made Yellow workers could strike as soon as July 24.

The board of trustees of the Central States Southeast and Southwest Areas Health and Welfare Fund, which manages benefits for Teamsters members, says Yellow withheld payments due July 15 and advised it would withhold payments due Aug. 15. The board said the payments for the two months total more than \$50 million.

Yellow said in a statement Monday evening they regretted that the Central States funds had rejected a company request to defer contributions.

The officials said a pause in payments is needed "to preserve liquidity" as they seek to negotiate with the Teamsters over plans to streamline the company's operations.

"We are not giving up," the company said. "We will work with all parties involved to come to a speedy resolution."

Company officials said Tuesday that Yellow "intends to repay the funds with interest immediately upon securing additional financing and has asked the funds to discuss acceptable terms."

Nashville, Tenn.-based Yellow is the third-largest operator in the less-than-truckload business, in which carriers haul cargo from multiple customers in the same trailer.

A strike would be devastating for the trucker, which is teetering on the brink of bankruptcy as it seeks Teamsters' cooperation to overhaul its freight-handling operations while it seeks to refinance \$1.2 billion in loans that come due next year.

Analysts say a strike would cause shippers to flock to other carriers, putting even more pressure on the struggling trucking company's finances. "We believe it would be extremely difficult for Yellow to



The company hasn't been as successful as its competitors in securing a pandemic-driven boost.

recover from a full-blown strike given its precarious financial status," TD Cowen analysts said in a note Tuesday.

Yellow could also struggle to make the needed payments. The company reported having more than \$100 million in cash holdings at the end of June. But it has been losing tens of millions of dollars every few months and recently had to secure a waiver from lenders that allows its finances to drop below predetermined levels tied to its loans.

**Yellow is under pressure to repay a \$700 million federal loan.**

Yellow says its operational restructuring, which in part could consolidate freight-handling now divided between its main national carrier and three regional subsidiaries, is a matter of survival in a highly competitive trucking market. But the Teamsters union says the plan violates the current labor contract and wants Yellow to raise pay for its 22,000 members and open negotiations on its master contract for the streamlining to proceed.

Yellow is under pressure to

repay a \$700 million federal loan that was made early in the Covid-19 pandemic. It must also pay down an outstanding loan balance of about \$500 million owed to a group of lenders led by Apollo Global Management.

Trucking companies in the past have folded rather than restructure their finances in bankruptcy because shipping customers haven't been willing to push freight to the carriers and risk having it tied up in bankruptcy litigation, according to industry experts.

A Yellow failure would mark the biggest shutdown of a U.S. trucking company since Consolidated Freightways, once the country's largest long-haul trucker, abruptly ceased opera-

tions in 2002.

The company's failure would raise costs for retailers and manufacturers who depend on Yellow as a low-cost option, but it could also boost other trucking companies.

Analysts say other LTL carriers are picking up business from Yellow customers and that some truckers are delaying new contracts with a view to securing better pricing in the event that Yellow goes out of business.

"We believe the entire industry stands to benefit if Yellow were to go under," Jason Seidl, a TD Cowen analyst, said in a July 13 report.

Mike Regan, chief of relationship development with TransAct Technologies, a supply-chain services provider, said shipping rates will rise if Yellow folds. "Carriers will review their pricing and they will cherry-pick business that makes sense for them," he said.

Trucking companies are struggling today because retailers and manufacturers have pulled back on orders. Jason Miller, interim chair of Michigan State University's supply chain management department, said demand for LTL loads in May was down about 11% compared with 2021 levels.

Yellow hasn't been as successful as its competitors in securing a pandemic-driven boost to business. Its revenues have grown just 5.6% compared with 2019 levels, according to investment bank Stephens. During the same period, Fort Smith, Ark.-based ArcBest's less-than-truckload revenues grew 40%.

## Miami Land Sale Collapses

Continued from page B1

years before the pandemic, according to data firm MSCI Real Assets.

The optimism about Florida "is not as intense as when things were crazier with really low interest rates and cheap debt," said Jim Costello, chief economist at MSCI Real Assets.

Other prospective buyers who considered the Genting site said that \$1.2 billion was too high a price tag for them given today's borrowing costs and the slowing condo market. "The number didn't make sense, that's all this is really a reflection of," said Neisen Kasdin, an attorney at Akerman based in Miami who specializes in the development of complex, large-scale multiuse projects.

Miami has had one of the hottest commercial-property markets during the pandemic thanks to companies and people migrating to Florida for its weather and business-friendly regulations and taxes. Multiple large financial firms



Genting put the 15.5-acre property on the market in November and announced a deal with the Terra group in April.

moved their headquarters to the area.

Genting operates gambling properties in Asia, the U.K. and the U.S. It began investing in Miami's arts-and-entertainment district in 2011 when it purchased 14 acres, including

the Miami Herald building, for \$236 million.

Later that year Genting gained control of the \$206 million mortgage on the adjacent Omni Center, hoping to develop a casino. The firm lobbied the state for an excep-

tion to the Florida rule that only Native American tribes can operate casinos, but hasn't been able to get an exception that would allow it to proceed.

Genting put the 15.5-acre property on the market in No-

vember and announced a deal with the Terra group in April. There were nine offers for the site, five of which exceeded \$1 billion dollars, according to Genting broker Avison Young.

The Terra group didn't specify its plans for the site.

The property will probably be developed with a range of commercial and residential uses, given its size and location, according to Miami real-estate professionals.

Developers interested in the site include Related Group, one of Miami's largest builders. Related Group Chief Executive Jorge Pérez said the company "passed" on the deal because Genting wanted the whole acquisition price up front rather than in stages. "We felt that paying for the whole site would require a substantial discount of the purchase price," Pérez said.

Genting declined to comment.

At current interest rates, a buyer of the site would have to pay at least \$72 million a year in debt service if they paid \$1.2 billion and borrowed half of that amount, according to Robert Kaplan, executive managing director at Cushman & Wakefield, a commercial real-estate services firm. He added that Genting might attract more bidders if it divided the site into pieces rather than trying to sell it all at once.

"Overall it's a magnificent site, it's a critical site," he said. "The city would be extremely flexible in what they permit there. But the scope of it, as a takedown in total, is just too large."



BIGGEST 1,000 STOCKS

Table with columns for Stock, Sym, Close, Net Chg, and multiple columns of stock data. Includes sections for 'How to Read the Stock Tables', 'Footnotes', and 'Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.'

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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.

Table with columns: Stock, 52-Wk % High/Low, % Change. Includes sections for 'Highs' and 'Lows' with various stock tickers and their performance metrics.

Table with columns: Stock, 52-Wk % High/Low, % Change. Continuation of stock performance data from the previous table.

Table with columns: Stock, 52-Wk % High/Low, % Change. Continuation of stock performance data, including a 'Lows' section.

Continued on Page B11

Dividend Changes

Table with columns: Company, Symbol, Yld%, Amount New/Old, Frq, Payable/Record. Lists companies with their dividend changes.

Biggest 1,000 Stocks | WSJ.com/stocks

Table with columns: Stock, 52-Wk % High/Low, % Change. Lists the top 1,000 stocks by market cap.

Table with columns: Stock, 52-Wk % High/Low, % Change. Continuation of the top 1,000 stocks list.

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Futures Contracts

Table containing Metal & Petroleum Futures, Copper-High (CMX), Gold (CMX), Palladium (NYM), Platinum (NYM), Silver (CMX), Crude Oil, Light Sweet (NYM), NY Harbor ULS (NYM), Gasoline-NY RB (NYM), Natural Gas (NYM), and Agriculture Futures including Corn, Oats, Soybeans, and Soybean Meal.

Table containing various commodity futures including Soybean Oil (CBT), Rough Rice (CBT), Wheat (CBT), Wheat (KC), Cattle-Feeder (CME), Cattle-Live (CME), Hogs, Hogs-Lean (CME), Lumber (CME), Milk (CME), Cocoa (ICE-US), Coffee (ICE-US), Orange Juice (ICE-US), and Interest Rate Futures including Ultra Treasury Bonds (CBT), Treasury Bonds (CBT), and Treasury Notes (CBT).

Table containing Currency Futures including Japanese Yen (CME), Canadian Dollar (CME), British Pound (CME), Swiss Franc (CME), Australian Dollar (CME), and Mexican Peso (CME).

Table containing Index Futures including Mini DJ Industrial Average (CBT), Euro (CME), Mini S&P 500 (CME), Mini S&P Midcap 400 (CME), Mini Nasdaq 100 (CME), and Mini Russell 2000 (CME).

Table containing Agriculture Futures including Corn, Oats, Soybeans, and Soybean Meal with price and change data.

Table containing Interest Rate Futures including Ultra Treasury Bonds, Treasury Bonds, and Treasury Notes.

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 showing Broad Market Bloomberg Fixed Income Indices and U.S. Corporate Indexes Bloomberg Fixed Income Indices.

Table showing Mortgage-Backed Bloomberg Fixed Income Indices and Global Government J.P. Morgan'.

Cash Prices | wsj.com/market-data/commodities

Tuesday, July 18, 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 showing Cash Prices for Energy, Metals, Fibers and Textiles, Grains and Feeds, and Fats and Oils.

Borrowing Benchmarks | wsj.com/market-data/bonds/benchmarks

Money Rates

Key annual interest rates paid to borrow or lend money in U.S. and international markets. Rates below are a guide to general levels but don't always represent actual transactions.

Table showing Inflation, U.S. consumer price index, International rates, Prime rates, Policy Rates, Overnight repurchase, U.S. government rates, and Discount.

Exchange-Traded Portfolios | WSJ.com/ETFResearch

Table showing Largest 100 exchange-traded funds, latest session, including ETF names, symbols, closing prices, and YTD changes.

Table showing U.S. Agency Bloomberg Fixed Income Indices.

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 showing Global Government Bonds with columns for Coupon, Maturity, Country, Latest yield, and Spread.

Corporate Debt

Prices of firms' bonds reflect factors including investors' economic, sectoral and company-specific expectations

Investment-grade spreads that tightened the most...

Table showing Corporate Debt spreads for various issuers like Toronto-Dominion Bank, Royal Bank of Canada, AT&T, Barclays, Morgan Stanley, etc.

...And spreads that widened the most

Table showing Corporate Debt spreads for Caterpillar Financial Services, National Australia Bank, Verizon Communications, Westpac Banking, Walt Disney, John Deere Capital, Mayo Clinic, Bank of Montreal.

High-yield issues with the biggest price increases...

Table showing High-yield issues with columns for Issuer, Symbol, Coupon, Yield, Maturity, and Spread.

...And with the biggest price decreases

Table showing High-yield issues with columns for Issuer, Symbol, Coupon, Yield, Maturity, and Spread.

\*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

COMMODITIES

MARKETS & FINANCE

BANK OF AMERICA



Shares climbed 4.4% after the bank reported a 19% increase in net income and a 15% gain in revenue at its consumer unit.

Stocks Rally as Banks Post Strong Quarterly Results

By JACK PITCHER

Stocks extended recent gains, with the major indexes boosted by banks and shares of artificial-intelligence related companies.

The S&P 500 rose 0.7%, while the Dow Jones Industrial Average added 1.1% and the Nasdaq Composite advanced 0.8%. The Dow extended a winning streak to seven days, closing at its highest level since April 2022.

TUESDAY'S MARKETS

The Nasdaq is now 37% higher in 2023.

Bank stocks rallied after earnings reports from bellwethers Bank of America and Morgan Stanley, among others. Morgan Stanley rose 6.45% after executives said client activity strengthened during the quarter, raising hopes for a return of deal-making activity that has been stalled by higher interest rates.

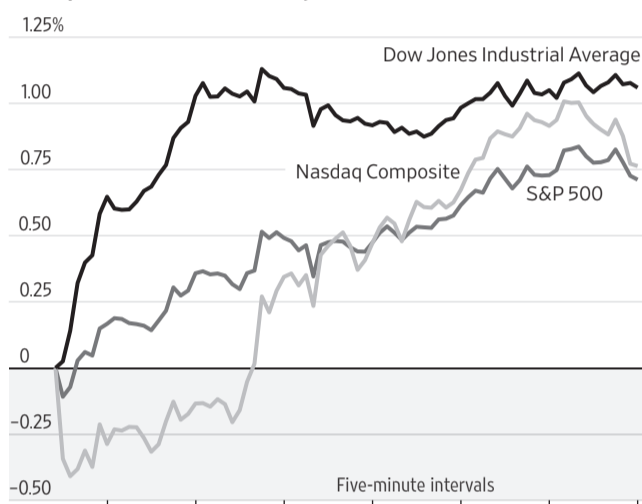
Bank of America shares climbed 4.4% after it reported a 19% increase in net income from a year ago. Its consumer division increased revenue by 15%.

"Investor sentiment remains buoyant," said José Torres, senior economist at Interactive Brokers. "Banks continue to believe that consumers are keeping healthy finances."

Charles Schwab was the S&P 500's best performer, rising 13% after the brokerage reported results that beat Wall Street estimates and said its pace of deposit outflows has continued to slow.

Smaller banks also performed well, with the KBW Nasdaq Regional Banking Index up 4.1%.

Index performance on Tuesday



Source: FactSet

Meanwhile, AI mania continued. Microsoft rose 4% after announcing plans for several new initiatives to sell AI-powered products to consumers and businesses.

"We believe over the next three years over 50% of the Microsoft installed base will ultimately be on this AI functionality...which changes the game" for Chief Executive Satya Nadella and the company, wrote Wedbush Securities analyst Dan Ives.

Microsoft's market capitalization rose by more than \$100 billion. Shares of Nvidia, the S&P 500's best performer in 2023, rose 2.2%. Nvidia produces graphics chips used by companies that make AI-chat models.

Information technology was the best-performing S&P 500 sector, followed by financials.

Investors have grown increasingly bullish in recent weeks, pouring money back into U.S. equity exchange-

traded funds and bidding up shares of technology companies as they price in a soft landing for the economy, in which Fed rate increases don't cause a serious recession.

Some analysts and investors are concerned the outlook has grown too rosy.

"A flood of soft inflation data has equity investors excited about a sustained rally," said John Lynch, chief investment officer at Comerica Wealth Management. "While we appreciate the technical momentum of the market, we are less optimistic that such frothy price to earnings multiples are warranted."

The S&P 500 is trading at around 19.5 times its expected earnings over the next 12 months, higher than its five-year average of 18.9 times, according to FactSet.

Investors will get their next look at how companies fared in the second quarter Wednesday, with Tesla, Netflix

and Goldman Sachs among the companies scheduled to report earnings.

Data released Tuesday showed U.S. monthly retail sales rose in June but came in below expectations. Investors are closely watching consumer activity for any signs that the Federal Reserve's rate-increase campaign is beginning to affect demand.

"The consumer is still in really healthy shape and that's supporting retail sales," said Josh Jamner, investment strategist at ClearBridge Investments. "But there are some potential headwinds to the consumption story," he said, including more layoffs as rate increases take effect and the resumption of student loan payments.

Treasury yields ticked lower, with the yield on the benchmark 10-year bond falling to 3.788% from 3.796% Monday.

Interest-rate derivatives traders are overwhelmingly pricing in a quarter-point interest-rate increase from the Fed at its meeting next week, according to CME Group. After that, they see just a 14% chance of a rate increase at the Fed's September meeting.

Brent crude oil rose 1.4%, halting two days of declines prompted by concerns about China's economy.

The international oil benchmark last week breached \$80 a barrel for the first time since April.

Overseas, the Stoxx Europe 600 Index rose 0.6%. Early Wednesday, Japan's Nikkei 225 was up 1% and Hong Kong's Hang Seng Index was down 1.25% amid concerns about China's property sector. S&P 500 futures were flat.

Family Offices Offer Ways to Hedge Risk, Rates

By LAURA KREUTZER

As interest rates rose, some family offices tilted toward private-market investment strategies with shorter durations and lower risk profiles, such as private credit and real-estate bridge financing, according to some investors who manage family wealth.

"We're looking at the discounted present value of future cash flows, which means I've really brought down the duration of my investments," said Rosemary Sagar, chief investment officer of the Sagar Family Office in Miami. The office manages the fortune built up by the late Vidya Sagar, who helped build Indian law firm Remfry & Sagar. "I will not invest beyond three to five years," Sagar said. "The opportunity cost due to high interest rates has just gotten too high."

She spoke at a recent conference of family office investors sponsored by Jacoby Pro-

ductions, an event-management company. Sagar and other speakers cited the relative attraction of private credit and other fixed-income strategies when economic conditions make capital markets tougher to predict.

"I'd rather get current income than wait three-plus years for total return," Sagar said. "So my strategic asset allocation is focused on private credit and other income-generating strategies."

A recent survey of 166 family-office investors published by Goldman Sachs earlier this year found 94% of respondents plan to either maintain or increase their strategic allocations to private credit over the next 12 months.

Adi Divgi, chief investment officer at EA Global, his family's investment office, said he and his colleagues have actively backed private credit this year, although they shy away from the largest fund managers.

Schwab Shares Jump On Heartening Results

By JUSTIN BAER

Charles Schwab's shares jumped nearly 13% after the brokerage giant reported quarterly results that beat Wall Street estimates and said the pace of deposit outflows has continued to slow.

Schwab rose \$7.37 to \$66.01 on Tuesday, and was the biggest gainer in the S&P 500. The increase lifted the shares to a level unseen since early March, when the collapse of SVB Financial triggered a broad selloff in mid-size banks.

The numbers themselves weren't all that impressive. Bank deposits were down 31% from a year earlier and down 7% from March.

Net income fell 28%, and revenue dropped 9%. Net interest revenue fell 10%.

But investors have been looking for signs from Schwab that the effects of higher rates won't go on for

much longer, and the company offered them some reasons for optimism.

Schwab's brokerage clients have been shifting cash out of Schwab deposits as rates rise, forcing the company to turn to more-expensive sources of funding.

On Tuesday, Schwab said that the pace of deposit outflows slowed during the second quarter, and executives said that gave them confidence that it would abate completely before the end of the year.

On a conference call with analysts, Schwab finance chief Peter Crawford said the company hadn't sought to borrow from the Federal Home Loan Bank or issue new CDs since late May. The company's borrowings from the FHLB, a more expensive source of funding than deposits, totaled \$41 billion in June—down 10% from the first quarter.

One Equity Probed on Contacts

Continued from page B1. ties could have traded on. Regulators didn't find insider trading or misuse of the firm's information, the person said.

Cashin didn't respond to requests for comment.

"OEP has been fully cooperating with an SEC inquiry," the firm said. "We believe that the resolution of this matter will not materially impact ongoing operations or any of the funds. We continue to work diligently to ensure that best-in-class compliance policies and procedures are adhered to by all employees." An SEC spokesman declined to comment.

The SEC tightly regulates how investment advisers and

money managers handle material nonpublic information and advertise their past and future performance. Firms generally need to follow policies they have established when they promote or advertise their performance to investors.

Even when regulators don't find substantive wrongdoing such as insider trading or mis-marking investments, they can fault financial firms for lesser offenses such as faulty compliance programs or poor adherence to those policies.

The SEC has previously investigated how other investment advisers safeguard material nonpublic information. That can be a concern for private-equity managers with employees on the boards of companies they own.

New York-based One Equity focuses on midmarket investments in the technology, healthcare and industrial sectors in North America and Europe. It has about \$10 billion in assets under management.

New Highs and Lows

Table with columns: Stock, 52-Wk % Chg, Stock, 52-Wk % Chg, Stock, 52-Wk % Chg. Lists various stocks and their performance changes.

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Mutual Funds

Data provided by LIPPER

Top 250 mutual-funds listings for Nasdaq-published share classes by net assets. e-Ex-distribution. F-Previous day's quotation. g-Footnotes e and s apply. J-Footnotes e and s apply. k-Recalculated by Lipper, using updated data. p-Distribution costs apply. l2b-1. r-Redemption charge may apply. s-Stock split or dividend. t-Footnotes p and r apply. v-Footnotes x and e apply. x-Ex-dividend. z-Footnote x, e and s apply. NA-Not available due to incomplete price, performance or cost data. NE-Not released by Lipper; data under review. NN-Fund not tracked. NS-Fund didn't exist at start of period.

Table with columns: Fund, Net NAV, YTD Chg, YTD % Ret. Lists various mutual funds and their performance.

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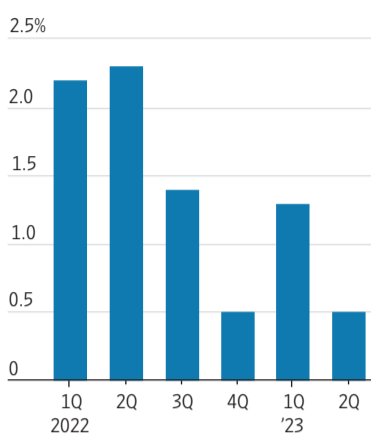
# HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

## Americans Shop Through Uncertainty

Worries about the outlook matter, but for U.S. consumers, the means to spend matters more

Change in control retail sales from the previous quarter



Note: Control sales exclude gasoline stations, car dealers, building-materials stores and food services; seasonally adjusted  
Source: Commerce Department

The Federal Reserve keeps raising rates, forecasters keep warning that a recession is around the corner, inflation is still a problem, and consumer surveys show people feel down in the dumps. And yet, Americans manage to keep on spending.

The Commerce Department on Thursday reported that retail sales rose a seasonally adjusted 0.3% in May from April, defying economist estimates that called for a decline. The gains were broad-based, with sales up at department stores, sporting-goods stores and furniture stores, among others. The one category that registered a big decline was gasoline stations, where sales were down 2.6% from a month earlier—a consequence of fuel prices that fell rather than, as typical when the summer driving season approaches, rose.

Meanwhile, sales excluding motor-vehicle dealers, gas stations, food services and drinking places and building supplies—the “control” category that economists use to track spending’s underlying trend—rose 0.2% in May after rising 0.6% in April. That suggests inflation-adjusted spending is on track for gains in the second quarter, a plus for gross domestic product.

To be clear, however, sales growth is slow by historical standards, and considering how much people spent on stay-at-home categories such as electronics in the early stages of the pandemic, a lot of demand for goods has been sated. Services spending looks better—the one services category in Thursday’s report, sales at food services and drinking places, logged solid gains—but even so,

Americans aren’t exactly spending like sailors on shore leave.

But they are spending like people who aren’t terribly worried about their next paycheck. Hiring was strong again last month, and with many employers still short-staffed, everyone can see the “help wanted” signs haven’t gone away. Many people appear to have plenty of the money they socked away during the pandemic. Data released by the Fed last week showed that cash and cash equivalents held by U.S. households in the first quarter equaled 64% of GDP. That was less than the 75% reached in the second quarter of 2020, but in 2019 it was 57%.

Consumers have plenty to be anxious about, but so far they aren’t seeing anything that will force them to close their wallets.

—Justin Lahart

## Bonds Are A Problem, And One Solution For BofA

Bank of America’s large bond holdings aren’t helping it as interest rates rise. Its investment in its own bond traders, however, is paying off handsomely.

Coming out of a regional banking crisis in which big paper losses on bonds were a major cause, there has been a lot of attention on the securities held by the country’s second-largest bank by deposits. Bank of America’s enormous portfolio including government debt and mortgage bonds—nearly \$760 billion at the end of the second quarter, with an unrealized loss of almost \$110 billion—is a drag on its ability to grow its net interest income.

This portfolio yielded 2.44% over the course of the second quarter, which is down from a yield of 2.58% in the first quarter. By contrast, the bulk of the bank’s cash deposited at other banks earned 4.81% on average in the second quarter.

The upshot is a drag on the bank’s ability to grow interest earnings as quickly as its peers. This is despite the cost of the bank’s vast and steady consumer-heavy deposit base remaining relatively low, at 1.82% for interest-bearing deposits on average in the second quarter, with more than 31% of its total deposits at period end not even bearing any interest costs.

Bank of America’s overall net interest income was up 14% versus a year earlier in the second quarter, less than a 38% gain at JPMorgan Chase excluding what it added from First Republic, as well as a 29% bump at Wells Fargo.

But as a giant global bank, that isn’t where the story ends for Bank of America. Its Wall Street unit is outperforming peers. Sales-and-trading revenue in the second quarter was up 3% year-over-year, versus a 22% decline at Morgan Stanley and 10% drop at JPMorgan. Bond trading was strong, growing 7% year-over-year. And investment-banking fees were up 4% over last year, versus a 6% drop at JPMorgan and only a very slight uptick at Morgan Stanley.

This points to one way the biggest global banks have been able to avoid the fate of their regional peers. While they can’t totally escape the effects of rising rates on deposits and investments, they have many other levers to pull to offset them, including Wall Street units that can profit from interest-rate volatility.

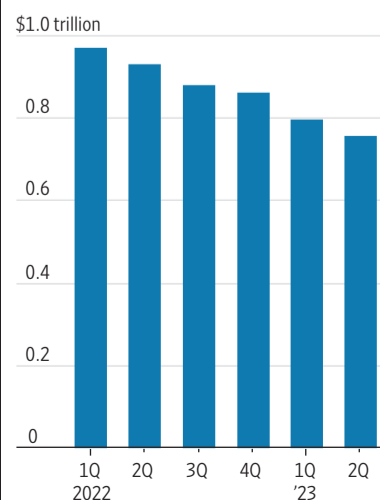
At Bank of America, notably, it protects its capital levels by designating most of its bonds as long-term holdings. This locks in those yields, but it also means the bank doesn’t have to reflect the roughly \$106 billion of unrealized losses on these so-called held-to-maturity securities in its capital, which in turn allows it to allocate more capital to its Wall Street bankers and traders.

Bank of America’s bottom line net income was up 19% overall year over year, beating analysts expectations, according to estimates compiled by Visible Alpha, and its stock closed up more than 4% Tuesday. Investors may still want to see more interest-rate benefit, especially as its bond portfolio shrinks—it is down at the end of the second quarter from over \$930 billion a year earlier. And investment-banking earnings are often looked at skeptically by investors, since they can be more volatile and depend in part on market conditions.

But with its huge scale and wide range of businesses, Bank of America’s bond drag isn’t nearly the problem it might be at almost any other bank.

—Telis Demos

Total debt securities held by Bank of America, quarterly



Source: the company

## Lead Cables Will Be Dead Weight for Telecom

Investors didn’t need another reason to hang up on telecom stocks. They got one anyway.

AT&T and Verizon Communications ended the first half of this year with their shares down 13% and 6% respectively—notable laggards in a bull market that boosted the S&P 500 by 16% in that time. Frontier Communications and Lumen Technologies fared worse, down 27% and 57% for the year by that point, respectively. The reasons aren’t terribly mysterious: Sharply rising interest rates are brutal for companies carrying high levels of net debt while slowing real-estate and construction markets hurt demand for services such as broadband.

And for those in the wireless business, there is the fading 5G cycle. Telecom-equipment providers Ericsson and Nokia cut their outlooks late last week, citing weak spending by North American carriers as a major factor.

Add to that a new—and potentially huge—environmental liability. In a series of reports last week, a Wall Street Journal investigation detailed the risk from copper cables sheathed in lead that are remnants of the old Ma Bell network. Such cables fell out of use in the 1960s, as far as new installations go, but an unquantified number still sit under the water, in the soil and on poles overhead. The investigation found evidence for more than 2,000 such cables, but stressed there could be many more. The investigation found elevated levels of lead in soil samples near known cable sites.

“We have not seen, nor have regulators identified, evidence that legacy lead-sheathed telecom cables are a leading cause of lead exposure or the cause of a public health issue,” read a statement from the USTelecom trade group. But the market’s response has been brutal. As of Tuesday’s close, AT&T’s shares shed 14% since the



A lead-covered cable, in gray, hangs from poles in Coal Center, Pa.

network transformation timelines,” wrote Brett Feldman of Goldman Sachs on Monday.

Michael Rollins of Citigroup, who downgraded AT&T and Frontier on Monday, wrote in a note to clients that “we are unable to specifically quantify financial risks,” but added the issue “is likely to remain an overhang for the stocks and valuation for at least a few months and potentially longer.”

Craig Moffett of SVB MoffettNathanson wrote Monday that “we had never previously encountered the topic of lead in telecom networks.”

He added the carriers likely don’t know the full extent of the problem given the age of those legacy networks plus all the changes in ownership that have resulted from several waves of telecom mergers since then. “The unsatisfying, but honest, answer is that at this point we have nothing but unknowns to work with and no real way to quantify the companies’ exposures,” he wrote.

It seems unlikely that the matter will be resolved quickly—or cheaply. Lawmakers in Washington are pushing the carriers for answers and threatening legislation. And on Monday, three environmental groups asked the Environmental Protection Agency to ensure “immediate removal” of such cables from poles and other areas.

That might accelerate efforts by the carriers to get a handle on the issue, but the potential for major lawsuits from workers and affected communities will still loom large.

“The range of outcomes could range from near-zero liability to billions of dollars in damages,” wrote Gregory Williams of TD Cowen in a note Monday. “We very much expect a long-drawn-out process, self-auditing, and plenty of political squabbling with potential class action lawsuits and AG lawsuits.”

Ma Bell’s grandchildren still have plenty of family baggage.

—Dan Gallagher

Share-price and index performance, year to date



Source: FactSet

first report ran on July 9, putting the new Ma Bell’s market value below the \$100 billion mark for the first time since 2006, accord-

ing to FactSet.

Verizon’s shares slid 10% over the same time. Frontier Communications and Lumen saw their shares plunge 33% and 26%, respectively, on worries about their larger reliance on wireline services. Wireless-tower operators American Tower, Crown Castle and SBA Communications saw their shares shed 4% to 5% on worries that the problem could crimp capital expenditures by AT&T and Verizon.

Is that an overreaction? Not really, considering how little is known about the true extent of the problem, or what the financial exposure may be for telecom carriers holding legacy networks that are more than a century old in some cases. Wall Street is so far unanimous on one thing: No one really knows anything yet.

“We do not believe it is possible at this point in time to estimate the materiality of this potential risk, including the extent of additional costs (if any) or impacts to

isn’t so straightforward. Investors’ guesses about future interest rates aren’t recorded anywhere, so the Fed can’t directly observe the term premium. It estimates it based on regressions, following a 2008 paper by Tobias Adrian, Richard K. Crump and Emanuel Moench. The results could simply be wrong.

Steven Major, global head of fixed income research at HSBC, points out that the premium is actually positive if we use a rule of thumb and trust officials’ latest “dot plot,” which shows expectations that U.S. rates will average 3.2% over the next decade. With 10-year Treasuries yielding 3.8%, the implied term premium is 0.6 percentage point.

Indeed, the Fed’s calculations of the term premium may mostly track the Treasury yield curve, which has been inverted for a year. The two have historically moved in lockstep, and the premium could normalize now that the curve is steepening again. But because this is happening for benign reasons—U.S. inflation cooled to 3% in June—it need not mean scary high yields.

Even if the Fed’s estimates are right, it may be that the financial ecosystem has been forever transformed by big institutional inves-

tors with an insatiable hunger for long-term assets, such as pension funds, life insurers and foreign-exchange reserve managers.

Or perhaps it is the fact that since 2008 rate setters have provided careful guidance on future policy that has reduced the perceived uncertainty of holding long-term assets. At times when economists’ long-term rate forecasts, as collected by the Federal Reserve Bank of Philadelphia, are more in agreement, the term premium seems to be lower.

Whatever the explanation, it is hard to deny that 10-year bonds offer scant compensation when 2-year Treasuries yield 4.7% and central bankers retain a hawkish bias.

Though flawed, term-premium estimates capture something real: Markets don’t require much of an incentive to favor long-term investments. This has been so for a decade and remains the case today, as the speed with which money has flowed back to technology firms this year based on hypothetical artificial-intelligence gains has again highlighted.

Whether it happens in a sudden rout or a slow creep, investors can’t dismiss the possibility that one day, this trend will reverse, too.

—Jon Sindreu

## A Long-Term Danger Lurks in Financial Markets

Contrary to popular belief, financial markets have a long-term bias. This isn’t always a good thing.

There is much talk among investors of a “new regime.” Those words headline BlackRock’s recent midyear outlook, for example, which emphasized how the trends of the past decade have reversed in the past two years.

Weirdly, however, one indicator from the era of near-zero rates has remained unchanged: Investors don’t demand much extra return in exchange for locking away their money for longer periods.

This can be inferred from data published daily by the Federal Reserve, which estimates the “term premium” needed for investors to buy 10-year government bonds rather than stash their money in, say, a money-market fund.

In theory, the yield on risk-free government paper should be equal to the interest rate investors expect on average until the debt is paid back. In practice, this only holds true for short-term bonds. Unless an investor or a market maker is 100% sure that a 10-year bond will be held to maturity, there is a risk that it will need to be sold at an unfavorable time. Without a discount for 10-year paper, giving a yield premium, it would make more sense for investors to roll

over 10 one-year bonds.

This term premium has added an average 1.5 percentage points to 10-year yields since 1961. After 2016, though, ultralow rates, quantitative easing and low inflation turned it negative. Even now that inflation has shot up and rates have risen, this anomaly persists: On Friday, the term premium was a negative 0.75 percentage point. This is deeply odd: If anything should make investors wary of long-term assets, it is hawkish and unpredictable central bankers.

Should term premiums return to the historical average, the consequences would be dire for investors. Yields on 10-year Treasuries would jump to 6.1%, and there might be similar effects with global equivalents such as German bunds.

Also, government paper serves as a benchmark for other assets, particularly the debt of blue-chip companies. At constant credit spreads, U.S. investment-grade yields would rise from 5.5% to 7.8%. The S&P 500, which using 12-month earnings forecasts offers a yield premium of 1.4 percentage points over Treasuries, would instead yield 1 percentage point less, undermining an argument for buying stocks at today’s prices.

Is it time to abandon ship? It