

## What's News

### Business & Finance

- ◆ **Aramco posted a 38% drop** in quarterly profit due to lower energy prices and production cuts, but boosted its dividend by more than half, highlighting Saudi Arabia's dependence on oil revenues. **A1**
- ◆ **Many apartment-building owners** across the U.S. face default after last year's sudden surge in debt costs, in another hit to the commercial-property market. **A1**
- ◆ **Amazon representatives** are set to meet next week with FTC officials, a person familiar with the plans said, in the latest sign the agency is close to bringing an antitrust complaint against the online retail giant. **A3**
- ◆ **Charlie Ergen is nearing a deal** to merge his major holdings, Dish Network and EchoStar, a step toward building a nationwide wireless network. **B1**
- ◆ **Major U.S. stock indexes** rose, with the S&P 500, Dow and Nasdaq gaining 0.9%, 1.2% and 0.6%, respectively. **B11**
- ◆ **Tyson said it is closing** chicken plants in three states as the meat-processing giant posted a \$417 million loss for the three months ended July 1. **B1**
- ◆ **Campbell Soup agreed** to acquire Sovos, the parent company of food brands including Rao's pasta sauces and noosa yogurt, in a deal valued at about \$2.7 billion. **B1**
- ◆ **Tesla finance chief Zach Kirkhorn** stepped down after more than four years in the role, where he worked behind the scenes to translate Elon Musk's ambitions into reality. **B1**
- ◆ **Paramount Global said** it agreed to sell book publisher Simon & Schuster to KKR for \$1.62 billion in cash and would use the funds in part to cut debt. **B3**

### World-Wide

- ◆ **Already facing three criminal indictments**, Trump is bracing for a potential fourth in Georgia that is likely to come with a legal twist he hasn't faced yet: sprawling racketeering charges. **A4**
- ◆ **Florida Gov. DeSantis** further distanced himself from Trump's false claims that he won the 2020 election, saying in a television interview that "of course he lost." **A4**
- ◆ **A federal appeals court** put on hold a Biden administration program to make it easier for defrauded borrowers to have their student debt canceled. **A3**
- ◆ **Voters in Argentina** living with inflation in excess of 100% and a fast-depreciating currency are expected to hand a rebuke on Sunday to the ruling Peronist movement that has governed the country for most of the past 75 years, polls show. **A16**
- ◆ **At least two people died**, thousands of flights were canceled or delayed and more than 1.1 million homes and businesses lost power as severe storms struck the eastern U.S. **A2**
- ◆ **Kim sought** to showcase North Korea's defense industries and its nuclear-weapons arsenal, as U.S. and South Korean officials worry Pyongyang may seek to expand its illegal weapons trade. **A16**
- ◆ **More than 36,000** teenage scouts and their leaders were evacuating from the World Scout Jamboree in South Korea before a typhoon that is expected to bring heavy rains and strong winds. **A16**
- ◆ **Died: William Friedkin**, 87, Oscar-winning film director. **A2**

**CONTENTS**

Arts in Review... A11	Markets Digest... B7
Business & Finance B2-B10	Opinion... A13-15
Business News... B5	Personal Journal A9-10
Crossword... A11	Sports... A12
Heard on Street... B12	Technology... A4
Markets... B11	U.S. News... A2-4,6
	World News... A7,16

## For International Cat Day, the Eyes Have It



**THE 'OW' IN MEOW:** On the eve of today's International Cat Day, a stray cat gets checked out in Banda Aceh, Indonesia. This year the day's organizers are encouraging owners to play with their cats five minutes a day.

## Apartment Landlords Face Peril As Their Debt Costs Skyrocket

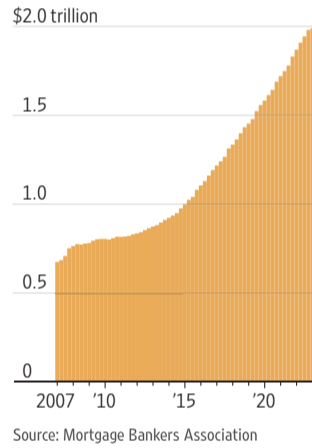
By KONRAD PUTZIER AND WILL PARKER

Apartment buildings, long considered a real-estate haven, are emerging as the next major trouble spot in the beleaguered commercial-property world. Investors bid up the prices of multifamily buildings for years, attracted by steadily rising rents and the prospect of outsize returns. Many took on too much debt, expecting they could raise rents fast enough to pay it down. Unlike office buildings and malls, which have been hit hard by remote work and e-commerce, rental apartments

have low vacancy rates. The apartment sector's main problem isn't a lack of demand—rents have soared since 2020—it is interest rates. The sudden surge in debt costs last year now threatens to wipe out many multifamily owners across the country. Apartment-building values fell 14% for the year ended in June after rising 25% the previous year, according to data company CoStar. That drop is about the same as the fall in office values. Mortgage delinquencies in the multifamily category are low but increasing. Borrowing costs have doubled, rent growth

is slowing and building expenses are rising. Data provider Trepp earlier this year identified one type of rental-apartment debt as accounting for a large share of the commercial mortgages at risk of default. Apartment landlords face a "hydrogen-bomb scenario," said Peter Sotoloff, a veteran real-estate finance executive, a former founding member of Blackstone's property debt business and former managing partner at Mack Real Estate Credit Strategies. Outstanding multifamily mortgages more than doubled over the past decade to about

**Outstanding multifamily mortgages, quarterly**



## Aramco's Profit Falls 38% On Lower Oil Prices

Company increases its dividend by more than half, bolstering government finances

By SUMMER SAID

Saudi Arabia's national oil company posted a 38% drop in quarterly profit due to lower energy prices and production cuts, but boosted its dividend by more than half—highlighting the kingdom's dependence on oil revenues. Saudi Arabian Oil Co., known as Aramco, said Monday that its net profit fell to 112.81 billion Saudi riyals, about \$30.08 billion, for the quarter ending June 30, from \$48.44 billion in the same period last year when it benefited from soaring oil prices after Russia invaded Ukraine. The second-quarter profit, which came slightly above the \$29.8 billion expected by 15 analysts in an Aramco-provided poll, is the third-largest percentage drop in income for the company since it went public in December 2019. The previous large falls in quarterly profits came in 2020 when oil prices slumped amid the Covid-19 pandemic. Aramco is one of the most valuable companies globally, with a market cap of about \$2 trillion, briefly capturing the top spot from Apple last year. Oil prices were trading at lower levels earlier this year amid fears that a slowing global economy would crimp demand and due to a gusher

- ◆ **Rising oil prices put pressure on the Fed.....** B10
- ◆ **Wind power stumbles as problems mount.....** B11

## INSIDE



**JASON GAY**  
College football is in turmoil as departures tear the Pac-12 Conference apart. **A12**



**BUSINESS & FINANCE**  
Tesla CFO Zach Kirkhorn, a close ally of Elon Musk, is leaving the company. **B1**

## The World's Factory Floor Struggles to Attract Workers

Young Asians shun jobs making inexpensive consumer goods

By JON EMONT

The workplace features floor-to-ceiling windows and a cafe serving matcha tea, as well as free yoga and dance classes. Every month, workers gather at team-building sessions to drink beer, drive go-karts and go bowling. This isn't Google. It's a garment factory in Vietnam. Asia, the world's factory floor and the source of much of the stuff Americans buy, is running into a big problem: Its young people, by and large, don't want to work in facto-

ries. That's why the garment factory is trying to make its manufacturing floor more enticing, and why alarm bells are ringing at Western companies that rely on the region's inexpensive labor to churn out affordable consumer goods. The twilight of ultracheap Asian factory labor is emerging as the latest test of the globalized manufacturing model, which over the past three decades has delivered a vast array of inexpensively produced goods to consumers around the world. Americans ac-

## More Houses Are Becoming Celebrities

\* \* \*  
Even mildly famous homes now get visitors

By CANDACE TAYLOR

NEW YORK—It's a Tuesday evening on Cornelia Street, a side street in Manhattan's West Village. A little after 6 p.m., 17-year-old Lily Posner and her grandmother stroll down the street and come to a stop about half way down the block. There, they start snapping photos of a brick house. Posner, clad in a gray hoodie and carrying a shopping bag, explains she is a "very big fan" of Taylor Swift, who rented the house around 2016 and immortalized it in her song "Cornelia Street." A Vermont resident, Posner

## Heat Wave Has Turned People Into Night Owls

By RACHEL WOLFE

Call them heat vampires. To cope with this summer's record-breaking temperatures, people are going nocturnal. They are falling asleep in the wee hours or waking in them, resetting their biological clocks to take advantage of the comparative cool. In the process, they are transforming ordinarily desolate night-scapes and compelling businesses to adjust their operations, creating a new after-dark economy that exists outside of clubs and partying. Couples are working out near midnight; families are running errands after the sun sets, and construction crews are starting work at 4 a.m. When Raji and Hank Behniwal moved their daily post-work walks around their suburban Fort Worth, Texas, neighborhood to 11 p.m. after weeks of suffocating heat,

they expected to be the only ones out. Instead, they usually encounter more than a dozen other joggers, dog walkers and strollers. "You have to get your activity in somehow," said Hank Behniwal, a finance director for a healthcare company. The biggest difference when walking after dark? The couple now has to navigate around late-night creatures such as frogs, raccoons and giant insects, they said. They are also now waiting until after 9 p.m. to shop at their local supermarket—which they said is surprisingly crowded at that hour—so they don't have to haul groceries under the beating sun. The heat is altering their money. Searches for blackout curtains on Amazon rose 113% between June and the beginning

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## U.S. NEWS

## U.S. WATCH



Director William Friedkin with actress Linda Blair in 'The Exorcist,' pictured in 1973. He died Monday in Los Angeles.

## OBITUARY

## 'Exorcist' Director Friedkin, Age 87

William Friedkin, the Oscar-winning director who became a top filmmaker in his 30s with the gripping "The French Connection" and the horrifying "The Exorcist," and struggled in the following decades to match his early success, has died. He was 87.

Friedkin, who won the best director Oscar for "The French Connection," died Monday in Los Angeles, said Marcia Franklin, his executive assistant, on behalf of his family and wife, former studio head Sherry Lansing.

Born in Chicago on Aug. 29, 1939, Friedkin began working in local TV productions as a teenager. By age 16 he was directing live shows.

"My main influence was dramatic radio when I was a kid," he said in a 2001 interview. "I remember listening to it in the dark. Everything was left to the imagination. It was just sound. I think of the sounds first and then the images."

—Associated Press

## SOUTHEAST

## At Least Two Killed In Severe Storms

At least two people died, thousands of U.S. flights were canceled or delayed and more than 1.1 million homes and businesses lost power Monday as severe storms, including hail and lightning, moved through the eastern U.S.

The storms' spread was massive, with tornado watches and warnings posted across 10 states from Tennessee to New York. The National Weather Service said more than 29.5 million people were under a tornado watch Monday afternoon.

In Anderson, S.C., a 15-year-old boy was struck and killed when a tree fell on him as he got out of a car, according to the Anderson County Office of the Coroner. In Florence, Ala., police said a 28-year-old man was struck by lightning and died, WAAY-TV reported.

By Monday night, more than 2,600 U.S. flights had been canceled and nearly 7,900 delayed, according to flight-tracking service FlightAware.

—Associated Press

## Apartment Sector Is Hit By Rates

Continued from Page One

\$2 trillion, according to the Mortgage Bankers Association. That is nearly twice the amount of office debt, according to Trepp. The data provider adds that \$980.7 billion in multifamily debt is set to come due between 2023 and 2027.

"Everyone is focused on office," Sotoloff said. The risk of apartment defaults, he said, "is a really big issue that is not getting the attention it deserves."

Multifamily-building owners in Los Angeles, Houston and San Francisco have defaulted on loans against thousands of apartments. Blackstone, the world's largest alternative-asset manager, is in special servicing on mortgages related to 11 Manhattan apartment buildings, according to a person familiar with the matter. A spokeswoman for Blackstone said the buildings have unique

issues and are "not representative of the strength we're seeing in our broader rental-housing portfolio."

Apartment buildings have a reputation as a lower-risk commercial real-estate investment. They have performed relatively well even at times of recession, including during the 2008-2009 financial crisis when the housing market crashed. People always need a place to live, and during times of crisis former homeowners would flood into the rental market.

Inflation also allowed landlords to raise rents higher than usual, which boosted the values of their buildings. Asking rents rose 25% over 18 months spanning 2021 and 2022, according to rentals website Apartment List.

To many investors, these factors justified paying high prices. Apartment-building owners often borrowed more than 80% of the building value from bond markets. Most apartment loans are fixed-rate, long-term mortgages. During the pandemic, however, investors took out more shorter-term, floating-rate loans.

Many of these investors raised rents aggressively, bet-

ting that they could sell the buildings or refinance their debt at much higher valuations once their buildings generated higher rental income.

But few anticipated that interest rates could rise so quickly, pushing down building values and forcing landlords to refinance at much higher rates. Regional banks, a crucial source of funding, are lending far less today, making it harder to refinance mortgages. Rent growth has slowed sharply in many U.S. cities, while inflation and growing insurance premiums have raised the cost of running buildings.

A new crop of private real-estate firms, funded mostly by floating-rate debt and small-investor cash, have become bigger competitors in the multifamily market. Some paid higher prices based on rosy expectations of steep rent increases for years to come. Now, they are having trouble making the numbers work.

Los Angeles-based Tides Equities has acquired more than \$6.5 billion in rental property since 2016, mostly lower- and middle-income apartment buildings in Southwestern cities. In 2021, at a property in a

Dallas suburb, the company expected to push up rents 44% over the course of three years, ratings-agency reports show. In June, Tides told investors the strategy wasn't going as planned. Renters were "becoming too tight on cash," the company said in a letter. Some properties were no longer earning enough money to cover debt payments, and investors would likely need to put in more money to save buildings from default, the letter said.

In an interview, Tides's co-founders Sean Kia and Ryan Andrade said they were working with lenders on ways to avoid default at properties that faced difficulties.

Houston-based Nitya Capital, owner of about \$3 billion of multifamily buildings, notified investors in March that it was slashing profit expectations because of steeper interest rates.

"We are essentially paying the higher mortgage costs instead of making cash distributions," Nitya Chief Executive Swapnil Agarwal wrote in an investor letter.

Apartment landlords still have reasons for optimism. Fannie Mae and Freddie Mac offer a reliable source of gov-

## Apartment mortgage rate vs. 10-year Treasury yield



Source: Cushman &amp; Wakefield

ernment-backed lending even as banks retreat. Most analysts expect housing shortages, and high rents, to persist. If interest rates come down, property prices could bounce back quickly. Multifamily owners with fixed-rate mortgages are better positioned to ride out any near-term turbulence.

Still, other threats are mounting. The unusually high number of new apartment

buildings opening this year and next poses a supply concern.

Further, apartment-building values are more vulnerable to higher rates than their commercial counterparts because they are closely tied to the price of 10-year Treasury notes, which plunged as rates rose, said Chad Littell, CoStar's national director of capital-markets analytics.

Even some veteran real-estate investors that weathered past storms look vulnerable. Veritas Investments, one of San Francisco's largest landlords, and partners defaulted on debt backing 95 rental buildings during the past year. It stands to lose more than one-third of its San Francisco portfolio as a result.

"The multifamily real-estate sector is facing many of the same financial challenges as have been reported on for other asset classes including office, retail and hotel-hospitality," the company said earlier this year.

## Watch a Video

Scan this code for a video on what it takes to convert offices into apartments.

## Heat Has Upended Routines

Continued from Page One

of August compared with the same time in 2022, according to analytics firm Pattern, as people look for help sleeping during the hottest parts of the day.

Lime, an electric-scooter company, has seen a 25% uptick in ridership between 9 p.m. and 11 p.m. and a 2% uptick between 1 a.m. and 3 a.m. in July compared with February in Austin and Corpus Christi, Texas, where daytime temperatures have consistently surpassed 90 degrees.

Many Hyatt hotels, meanwhile, are offering after-dark activities such as cosmic yoga and astrophotography tours in response to demand from guests.

## New routines

After moving to Houston this summer, Neha Manoj reworked her schedule so she could live more of her life in the dark. She now naps for hours after finishing the workday as a software engi-



Many Hyatt hotels are offering after-dark activities. Above, astrophotography at the Hyatt Regency Maui Resort and Spa.

neer. When she wakes up around midnight, she goes grocery shopping or swims at the pool in her apartment complex—where she's often joined by neighbors with the same idea.

"I end up sleeping much later, but since I've had a long nap before, I'm able to get up for work and repeat the process all over again," she said.

Local governments across the country are adjusting pool and beach hours to give

residents some reprieve. State parks in western New York offered extended hours at swimming pools in July, while Austin recently announced six seasonal pools would remain open through much of September as the heat wave lingers.

Nate Warren, a ghostwriter in Starkville, Colo., has been trying to stay awake a bit later every night for the past two months to survive living in his house, which lacks air-conditioning. "The idea is to

push it until more or less the first show of light, which I've been successful at more and more often," he said.

He said he gets his best writing done around 9 p.m., when he opens every window to let in the breeze. "If I can save \$100 a month by altering my schedule, I will," said Warren, though he admits he will probably buy a small air-conditioning unit for his bedroom when prices go down in the cooler months.

In Phoenix, personal devel-

opment coach Lauren Russell said she is experiencing reverse seasonal affective disorder. She doesn't make plans with anyone until after 9 p.m.—which means on most weekdays, she doesn't make any plans. "Happy hour does not exist right now," she said.

She said that when she takes her dog for walks at 5 a.m., the streets are as crowded as they would ordinarily be hours later. "It's turned into peak walking hour," she said.

## Working in the heat

Those whose work is affected by the heat have had to make some of the biggest adjustments of all.

Some crews working for DPR Construction in Phoenix now start at 4 a.m., an hour earlier than their typical 5 a.m. summer schedule. Since it is still pitch black at that hour, the company hauled in giant light towers "that will light up the world," said site superintendent Tom Corey.

Mikael Truesdale, an artisan candlemaker in San Diego has been waking up around 4 a.m. every day to pour candles. If they don't set before the sun hits the house around 8 a.m., he said they'll be ruined. "I feel like I'm hiding from the sun," said Truesdale. He installed blackout curtains and hasn't turned the lights on in his house in weeks.

The one upside, he said, is that the heat inspired him to make a bestselling pine, cypress, clove and peppercorn candle to remind customers of cooler times. "It's meant to feel like you're walking through a wreath," he said.

Back in Fort Worth, the Behniwals have been overseeing middle-of-the-night renovations on a nearby house they are set to move into in the fall. Their painter and pool resurfacer worked until around 3 a.m.

Worried about annoying the new neighbors, Hank Behniwal ended up knocking on all the doors nearby to give everyone a heads up. (He said they understood.)

Though the Behniwals are coping with less sleep for now, they are eager to return to regularly scheduled programming.

"If this happens every year, we're going to have to think about where we're going to reside for the rest of our lives because turning nocturnal every summer is not going to be practical," Hank Behniwal said. "We've got to sleep at night. We still have day jobs."

## CORRECTIONS &amp; AMPLIFICATIONS

**The University of Oklahoma** has seen a decline in enrollment in its undergraduate petroleum-engineering program. A Page One article on Monday about a talent drought in the oil-and-gas industry included a graphic that incorrectly said it was Oklahoma State University that was experiencing a decline.

**Donald Trump urged** his supporters to march to the U.S. Capitol on Jan. 6, 2021.

A U.S. News article on Saturday about Trump's First Amendment defense in his latest indictment incorrectly said he egged on his supporters to attack the Capitol. Also, the first name and title of special counsel Jack Smith was missing.

**In a U.S. News article** on Friday about genetically modified meat, a photo caption incorrectly described a steer as a cow.

**The first name** of Jhony Brito, a pitcher for the New York Yankees, was misspelled as Johnny in a Sports article on Saturday.

**Pilots can go on strike** under federal law only after certain conditions are met. A Business & Finance article on Monday about labor activism in the transportation industry incorrectly said FedEx pilots aren't allowed to strike under federal law.

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

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## U.S. NEWS

## Amazon to Meet FTC Officials Next Week

BY JAN WOLFE

Representatives of **Amazon.com** are set to meet next week with Federal Trade Commission officials, a person familiar with the plans said, in the latest sign that the agency is close to bringing an antitrust complaint against the online retail giant.

The Amazon representatives will meet individually with each of the FTC commissioners during the week of Aug. 14, the person said.

The person referred to the plans as a last-rites meeting, often one of the final steps before either a lawsuit or a settlement is filed.

If the commission does sue Amazon, it would mark a signature moment in the tenure of FTC Chair Lina Khan, who built her career in part by arguing in a widely read academic paper that Amazon had amassed too much market power and that antitrust law had failed to restrain it.

The commission in recent years has been examining Amazon practices, including whether it favors its own products over competitors' on its platforms and how it treats outside sellers on Amazon.com, according to some of the people familiar with the matter. The FTC also has been scrutinizing the company's Amazon Prime subscription service's bundling practices, some of the people said.

Exactly which aspects of the business the FTC would target in a potential Amazon lawsuit couldn't be learned.

## Cheers and Fist Bumps Greet Students on First Day of School



**WELCOME BACK:** Fathers and grandfathers of students at a Jackson, Miss., elementary school cheered on each child Monday on the first day of classes.

BARBARA GAUNITZ/THE CLARION-LEDGER/ASSOCIATED PRESS

## Drug Shortages Benefit Compounding Pharmacies

BY JARED S. HOPKINS  
AND LIZ ESSLEY WHYTE

Relentless drug shortages are fueling a niche sector that operates outside the realm of the traditional pharmaceutical industry: compounding pharmacies.

Large-scale compounders, which make custom versions of medicines in bulk without individual prescriptions, are filling more of the demand for crucial drugs such as pain medications and respiratory treatments, hospitals, pharmacists and industry officials say. Compounding facilities are also supplying more anesthetics, including lidocaine and ketamine hydrochloride.

More than half of the 1,100 members of the American Society of Health-System Pharmacists surveyed recently said they increased purchases from large compounders—known as outsourcing facilities—because of drug shortages, according to the professional organization.

“Almost every time there is a fear of some new shortage, we turn immediately to the compounders and say, ‘What do you have for our needs for this?’” said Eric Tichy, who leads the medical supply chain at Mayo Clinic, which is using compounders to source widely used blood-pressure drugs.

The demand is turning bulk compounding into an attractive business. As shortages become more widespread, more

drug manufacturers are expanding into the market, while compounding businesses are drawing investments from private equity, venture capital and hospitals.

The Food and Drug Administration in 2021 estimated the bulk compounding market to be as high as \$4.6 billion and growing.

Bulk compounders usually make custom versions of medicines, such as anesthetic drugs in ready-to-go syringes, without individual prescriptions. But they can also make copies of existing drugs that are deemed to be in shortage by the FDA.

Large compounding facilities must follow the same

manufacturing rules as generic drugmakers. But they don't need approval from the FDA to start making a drug, so they can deliver drugs to hospitals in a matter of weeks or months, rather than the years often needed for the regulatory steps that come with commercial generic drugs.

The industry has a mixed safety record. In 2013 the U.S. government ratcheted up regulation after contaminated drugs from the New England Compounding Center sickened hundreds with fungal meningitis and killed more than 100 people.

Some in healthcare still question the quality control of bulk compounders, but others

say they have grown comfortable with the industry's expanded role, pointing out that generic manufacturers also face safety problems. Having a steady supply of drugs, compounded or not, means healthcare providers are less likely to ration drugs and patients are less likely to miss treatments.

Hospitals in recent months have contended with scarce antibiotics, chemotherapies and other generic drugs, partly due to drugmakers abandoning unprofitable products or failing quality checks. Supplies could be further pinched after a recent tornado damaged a **Pfizer** manufacturing plant that produced 8% of

sterile injectable medicines used by U.S. hospitals.

Lobbyists for compounders say they could do more to help with shortages if they had more regulatory flexibility. Large compounders can duplicate drugs that are on the FDA's shortage list, but predicting when drugs will make that list and how long they will stay on can be difficult. Compounders are sometimes reluctant to invest in ramping up production for drugs that could go either way.

House Republicans last month proposed lengthening the amount of time bulk compounders could copy drugs—30 days to produce and six months to distribute—

even after the drugs are no longer in shortage.

Data from Premier, a major group-purchaser for U.S. hospitals, shows that its 4,400 members purchased 41% more products from outsourcing facilities in 2022 than in 2021, compared with a roughly 4% rise between 2020 and 2021.

“More and more hospitals are inclined and interested to move to the outsourcing facilities,” said Amish Vyas, who leads a compounding division started last year by generic drugmaker **Hikma Pharmaceuticals**.

The FDA, too, sometimes taps compounders for help with drugs in shortage. In June, it asked generic manufacturer and compounder **Nephron Pharmaceuticals** to consider compounding cardioplegia, a solution used in open heart surgery, said Chris Fortier, president of the company's compounding division. He said Nephron has distributed all 2,000 cardioplegia bags produced.

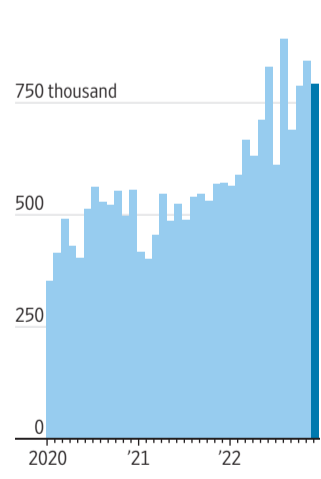
About half of the lidocaine with epinephrine purchased by hospitals in June through hospital group purchaser **Vizient** was from compounding facilities, compared with none in October 2021, when the drug was entering shortage, the company's data shows.

For ketamine hydrochloride, the supply from compounders jumped to about 70% in that same period from about 20%.



Workers making albuterol at compounder **STAQ Pharma** in Denver last week.

**Drug units purchased by Premier-member hospitals from large compounders**



Source: Premier

## Federal Appeals Court Freezes Relief for Defrauded Student Borrowers

BY GABRIEL T. RUBIN

A federal appeals court put on hold a Biden administration program to make it easier for defrauded borrowers to have their student debt canceled.

The New Orleans-based Fifth U.S. Circuit Court of Appeals on Monday issued an injunction freezing an initiative, known as the Borrower Defense to Repayment, while it hears a lawsuit by several Texas-based for-profit schools challenging the government's ability to offer the program. Oral arguments are expected in November.

The program allows students who have been misled by schools about job prospects

or are victims of other types of fraudulent behavior and aggressive recruiting to have their federal debt canceled in full by the Education Department.

Students applying for debt relief may have to wait longer for approval while the injunction is in place, if claims are processed at all.

A spokesman for the Education Department didn't immediately comment on the injunction. In court filings, the department said it was relying on debt-cancellation powers that the department has had for decades and that have been updated by several administrations.

Put in place during the Obama administration, the

program has been the target of litigation by students and for-profit schools. It was weakened under the Trump administration, whose Education Secretary, Betsy DeVos, was sued for failing to act on hundreds of thousands of outstanding student claims.

The Biden administration revived the program with changes that streamline the process for borrowers to make claims and that allow them to apply for relief as part of a legal settlement.

The Biden administration has canceled \$14.7 billion in debt for 1.1 million borrowers, a figure that includes a major settlement of claims from students who sued the Trump administration. Last month, af-

ter new rules for the program went into effect, the administration approved \$130 million in claims from 7,400 student borrowers who were enrolled at a Colorado chain of for-profit colleges.

The borrower-defense program has been a key tool in the Biden administration's efforts to reduce student debt loads as it attempts a broader overhaul of federal loan programs. The Supreme Court in June dealt the administration a blow to those efforts when it struck down a separate plan to cancel up to \$20,000 in student debt per borrower.

The administration is separately pursuing a revamp of other student-repayment programs and is restarting loan

payments after a more than three-year pandemic-era freeze.

For-profit schools argued that the Education Department's standards were slanted heavily toward borrowers. In a filing, Career Colleges and Schools of Texas, the group that brought the lawsuit, argued that the regulation “imposes strict liability on schools for even inadvertent errors in the name of remedying borrower injury, and then irrationally relieves the borrower of any requirement to prove injury in most circumstances.”

Advocates of the debt-relief program say that it prevents administrative backlogs from delaying help for defrauded

students, because the Education Department has to review fewer claims.

“Until these protections are restored, countless students are at risk of being taken advantage of by higher-ed profiteers who are exploiting students with little accountability,” said Aaron Ament, president of the National Student Legal Defense Network and a former senior lawyer at the Education Department.

By the end of 2021, 423,000 borrowers had filed claims under the program and around 157,000 applications had either not been processed or borrowers hadn't yet been told whether their claims were approved.

U.S. NEWS

# Racketeering Threat Looms for Trump

By JAN WOLFE  
AND CAMERON MCWHIRTER

ATLANTA—Already facing three criminal indictments, Donald Trump is bracing for a potential fourth in Georgia that is likely to come with a legal twist he hasn't faced yet: sprawling racketeering charges.

Fulton County District Attorney Fani Willis, a prosecutor who made a name for herself bringing such charges in high-profile cases, has been tight-lipped about what case she will make against the former president and others.

But lawyers who have followed the investigation, including some who have worked with Willis in the past, expect her to invoke Georgia's RICO Act, modeled after the federal Racketeer Influenced and Corrupt Organizations Act of 1970.

"Signs are certainly pointing in that direction," said Anthony Michael Kreis, a law professor at Georgia State University.

Within the next two weeks, a grand jury is expected to consider whether criminal charges are appropriate for Trump and GOP allies who sought to overturn his 2020

election loss in Georgia. Last week, he was indicted on federal criminal charges, accused of trying to subvert the will of American voters after he lost the 2020 election. Events in Georgia figured prominently in the federal indictment. Trump faces a different federal case in Florida over his handling of classified documents.

Trump has pleaded not guilty in Washington and Florida to all federal charges and in a separate case in New York. He has stated repeatedly that he did nothing wrong regarding the Georgia election.

Georgia's RICO law is a powerful tool for Willis, who has skillfully applied it in the past, legal experts say. The state code is modeled after the federal statute, enacted in 1970 to help take down the mafia. Before RICO, it was difficult for prosecutors to connect mob bosses with their underlings who carried out crimes. More than 30 states have adopted RICO statutes

based on the federal law.

Under both the federal and Georgia's RICO law, if prosecutors show that there is an organization of people who commit crimes together on a recurring basis, then members can be prosecuted for crimes the group committed.

In 2021, when Willis first launched her election-interference probe, she retained one of Georgia's leading experts on racketeering charges, John Floyd, to advise on the investigation, which he still does. Floyd has worked on high-profile cases for the Fulton County District Attorney's office, including the Atlanta school-cheating case, in which Willis was a key prosecutor.

That case involved a group of public-school administrators and teachers conspiring to inflate test scores of students to improve the test ranking of individual schools and the district. The case led to 11 convictions in 2015—all under the state RICO law. Clint Rucker, a former top

Fulton County prosecutor who worked closely with Willis on the case, said the team was sent to a hotel in Macon for a week to study RICO. "It was a big deal because it wasn't a gang case," said Rucker, who is now in private practice.

Rucker said he expected Willis, who he has known well for years, would use RICO in the 2020 election case, since she has already used it with success in the complicated cheating-scandal case.

Willis in May 2022 announced a 56-count RICO indictment of 27 people associated with alleged criminal organization YSL, which Willis called a violent street gang. Defendants include Jeffrey Williams, better known as Young Thug, a prominent rapper. He has pleaded not guilty and is awaiting trial.

The RICO statute lends itself well to the Georgia investigation because Trump allies around the country tried a range of tactics to keep him in power, legal experts said.

"It gives prosecutors lots of choices as far as venue goes, and it leads to very long complicated trials that wear down defense attorneys," said Andrew Fleischman, a defense lawyer in Atlanta.

Critics of RICO said it allows the government to join defendants with little connection to each other into a single prosecution that, absent RICO, would be too disjointed to proceed in the same trial.

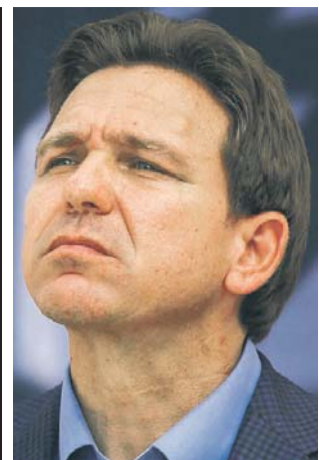
Willis has said Georgia's RICO Act allows prosecutors to connect dots for the jury.

"I think jurors are very, very intelligent," Willis said in 2022 at a press conference about a gang indictment. "They want to know what happened. They want to make an accurate decision about someone's life. And so RICO is a tool that allows a prosecutor's office and law enforcement to tell the whole story."

Kreis, the Georgia State professor, noted that Willis has also investigated an effort by Trump allies to access sensitive voting equipment in Coffee County, 200 miles away. RICO allows her to make it part of her case, Kreis said.

Defense lawyers have said the state's RICO law allows prosecutors to tar defendants by association.

"A lot of folks in Georgia have been critical of its use," Kreis said of the state's RICO law. "It's ripe for abuse given how open-ended it is relative to the federal law."



Florida Gov. Ron DeSantis

## DeSantis Distances Self From False Stolen Vote Claims

By ALEX LEARY  
AND JOHN MCCORMICK

Florida Gov. Ron DeSantis further distanced himself from Donald Trump's false claims that he won the 2020 election, saying in a television interview that "of course he lost."

"Of course—Joe Biden's the president," DeSantis repeated when asked again by an NBC News reporter in a segment that aired Monday.

The comments are the Republican governor's strongest to date and put him at odds with Trump's continued claims of widespread election fraud, which have been proved false and rejected in numerous courts.

They came as DeSantis is trying to recalibrate his presidential campaign after slumping in polls and taking criticism from some allies that he hasn't differentiated himself from Trump. DeSantis is also doing more interviews with reporters, after largely sticking to conservative media, and is often questioned about Trump.

DeSantis still faulted the 2020 election, questioning the legality of some changes Democrats made to voting laws during Covid-19 and saying technology companies censored coverage of the business dealings of President Biden's son, Hunter Biden. "And so I don't think it was the perfect election," the governor said.

DeSantis also distanced himself from Trump's 2020 claims while campaigning in Iowa on Friday.

"I've said many times the election is what it is," DeSantis told a reporter. "All those theories that were put out did not prove to be true. But what I've also said is the way you conduct a good election that people have confidence in, you don't change the rules in the middle of the game."

A Trump spokesman, Steven Cheung, said: "Ron DeSantis should really stop being Joe Biden's biggest cheerleader, it's very unbecoming of him. Maybe that's why he's plummeted in the polls and getting squashed like a little bug by President Trump."

DeSantis has at times avoided directly commenting on the election, including whether it was rigged, though he has said generally that Republicans need to move on from their culture of losing. He pushed back on calls from some Florida Republicans to conduct an audit of the election, even as Trump won the state. But he also pushed for the creation of the Office of Election Crimes and Security.

DeSantis isn't alone among 2024 GOP presidential candidates in saying that Trump lost.

Former Vice President Mike Pence, who has been drawn closer in recent days to Trump's post-2020-election controversies because he is a central character in the indictment issued last week against the former president in relation to his actions following the 2020 election, has made his disagreement central to his campaign.

"President Trump also demanded that I choose between him and the Constitution," Pence said in June when he announced his bid. "Now voters will be faced with the same choice. I chose the constitution, and I always will."

Former New Jersey Gov. Chris Christie has repeatedly said he knows Trump didn't win. "The fact is that he doesn't believe he won," he said in July on ABC News.

### Georgia's RICO law is a powerful tool for Fulton County DA Fani Willis.



Former Virginia Gov. Bob McDonnell, left, in 2016, and former North Carolina Sen. John Edwards, right, in 2011. They both faced prosecutions from Jack Smith's office.

# Smith Pursues Tough Cases, With Mixed Results

By SADIE GURMAN  
AND JAMES FANELLI

Jack Smith, the special counsel who brought historic, back-to-back indictments of a former president, has developed a reputation as an aggressive prosecutor known for trying high-stakes, politically explosive cases.

But he hasn't always prevailed.

Smith led the Justice Department's public corruption unit more than a decade ago, when it brought several cases against lawmakers and politicians that legal experts say were based on far-reaching interpretations of federal law that sometimes backfired before juries and courts.

Now he faces the most consequential case of his extensive career, the prosecution of Donald Trump on charges that he conspired to undo his 2020 election loss. In doing so, Smith is relying on theories that present legal questions that some experts say could go either way in court.

### 'Classic Jack case'

Smith and some of his prosecutors were present Thursday when Trump pleaded not guilty to four crimes, including conspiring to defraud the U.S., obstructing an official proceeding and conspiring against the rights of voters. A lawyer who

### Trump Lawyers, Prosecutors Clash Over Evidence Access

Donald Trump's lawyers on Monday clashed with prosecutors over how much evidence the former president should be able to access in the federal case charging him with conspiring to overturn his 2020 election loss, the first of many expected battles over free speech and the integrity of the sprawling probe.

On Friday, special counsel Jack Smith's team sought a protective order after Trump posted a message on his Truth Social platform, saying "IF YOU GO AFTER ME, I'M COMING AFTER YOU!"

Prosecutors cited concern that the message may have been aimed at people connected to the case, and urged U.S. District Judge Tanya Chutkan to limit disclosure of evidence to people with a direct interest in the case, namely Trump and his lawyers.

On Monday, Trump's lawyers asked a judge to keep only a limited amount of evidence from public view. "In a trial about First Amendment rights, the government seeks to restrict First Amendment rights," Trump attorneys Todd Blanche and John Lauro

wrote. "Worse, it does so against its administration's primary political opponent, during an election season in which the administration, prominent party members, and media allies have campaigned on the indictment."

Prosecutors fired back. "The defendant seeks to use the discovery material to litigate this case in the media," their filing said. "But that is contrary to the purpose of criminal discovery, which is to afford defendants the ability to prepare for and mount a defense in court—not to wage a media campaign."  
—Sadie Gurman

worked with Smith called it a "classic Jack case"—streamlined, compelling and easy to follow.

While some defense attorneys viewed the indictment as strong and straightforward, others said the case pushes the envelope.

"This case is clearly on the frontier of American jurisprudence: using general and broad conspiracy and fraud theories to convict a politician for transgressions against the state," said Stan Brand, a defense lawyer who has represented several Trump associates.

Some former prosecutors said the indictment doesn't clearly define which specific moments Trump's actions became criminal. It notes, for example, that it isn't a crime to falsely claim he won an election, but that Trump also "pursued unlawful means of discounting legitimate votes and subverting the election results." Where the line stands between the former and the latter isn't clearly spelled out

in the indictment, some former prosecutors said.

Other experts say if the theories are novel, it is because so are the facts: Never before has a defeated president been accused of trying to block the peaceful transfer of power to his successor.

Trump has denied wrongdoing and accused Smith—whom he has personally attacked as "deranged"—of pursuing him to undermine his candidacy in the 2024 Republican presidential nomination.

The latest indictment follows separate charges Smith brought in June alleging Trump retained classified documents after he left the White House and tried to obstruct their recovery. Trump has pleaded not guilty to those charges.

Smith, a registered independent, brings to the Trump cases a wide-ranging prosecutorial career on the local, national and international levels. He has handled a range of complex investigations that involved some of the most seri-

ous offenses committed by government officials, including corruption and war crimes.

Attorney General Merrick Garland had no relationship with Smith when another senior official recommended him in November for the fraught role of special counsel, pointing to his reputation as a mission-driven prosecutor. Attorneys who know Smith have said he would feel like he failed if he didn't find charges to bring against a target.

After Tuesday's indictment, Garland praised Smith and his team as "experienced and principled, agents and prosecutors" and said they have "followed the facts and the law wherever they lead." A spokesman for Smith declined to comment.

### Successes, setbacks

Smith took over the Public Integrity Section in 2010, as it was reeling from the implosion of its case against the late Republican Sen. Ted Stevens of Alaska after prosecutors failed to turn over evidence that

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U.S. NEWS

# Ramaswamy Draws Scrutiny as He Rises

Republican hopeful has contributed to Democrats, didn't vote GOP until 2020

By JOHN MCCORMICK

There's a wealthy businessman running for the 2024 Republican presidential nomination who has in the past given campaign contributions to Democrats and has a record of statements that don't always sound like a conservative. His name isn't Donald Trump.

Vivek Ramaswamy, a 37-year-old biotech company founder, has moved into third or fourth place in some state and national polls, and he says his opponents are taking notice.

"The knives are coming out," Ramaswamy said in an online video posted before The Wall Street Journal interviewed him for this story. "The opposition research machines are churning."

As the most prominent non-politician in the GOP field, Ramaswamy has a record that is less known than most of his rivals and will inevitably get more scrutiny if he keeps rising in the polls. His self-funding of his campaign could keep him in the race longer than some others.

Ramaswamy has focused heavily on his opposition to business efforts to advance political, social and environmental causes. The son of Indian immigrants is selling himself as an outsider, government skeptic and a next-generation version of Trump.

Late last week, he declined to say if he would have certified the election results as former Vice President Mike Pence did in the early morning of Jan. 7, 2021, even though Ramaswamy said on Feb. 6, 2021, that "Joe Biden is our legally elected President." He also has said he would pardon Trump if the former president is convicted for his efforts to overturn the 2020 election.



Vivek Ramaswamy, center, is selling himself as an outsider, government skeptic and a next-generation version of Trump.

Those stances echo the views of many Republican voters, but a detailed look at Ramaswamy's record of political commentary, dating back to his Harvard years when he was an occasional rapper, shows some past statements may be out of step with some GOP primary voters and even his own current rhetoric.

Before he was a presidential candidate, Ramaswamy at least playfully praised billionaire Democratic mega donor George Soros, criticized Trump for not conceding the 2020 election and had his name on a joint letter calling for greater diversity and inclusion efforts in business.

He has also made statements in the past that could be problematic in Iowa, home of the Jan. 15 caucuses. He has called himself an "animal-rights activist" and said he is a vegetarian—not uncommon for those who practice the Hindu

faith as he does—because it is "wrong to kill sentient animals for culinary pleasure."

Such comments could rub farmers in Iowa, where hogs outnumber humans 7 to 1, the wrong way. His views on meat also could present awkwardness this month at the Iowa State Fair, where presidential candidates traditionally take a turn flipping grilled pork.

In an interview, Ramaswamy said he's unlikely to flip chops at the fair. He said the point he was trying to make was that he didn't push his personal dietary views on his employees.

Ramaswamy, who owns roughly \$650 million in stock in the company he founded and is heavily financing his own campaign, also expressed interest in, according to one of his books, inheritance tax rates as high as 59% and said passing wealth from parents to children breeds inequality and "hereditary aristocracy." Rural

Iowans often refer to such taxes as the "death tax," and those who plan to hand down valuable farms to subsequent generations feel especially vulnerable.

"As a thought experiment, I do believe in a vision of bringing income taxes as low as possible, if one could collect it back on the back end," he said in the interview. "That is a vision of a taxation trade off that I think is something that Americans would welcome."

Before he entered the race, Ramaswamy played down abortion. "That isn't an issue that I have made a core part of my voice or my identity as a writer or as an author," he said on a podcast in May 2021, while noting that he considers himself "pro-life, you know, not without nuance."

In the interview, Ramaswamy said he made those comments in the context of being a business leader. "I was talking

about what CEOs and capital allocators should and shouldn't be concerned about in their roles," he said.

Decisions about abortion, Ramaswamy has said, should be left up to states, though he has said he would support state-level bans "around the six-week mark" of gestation.

Ramaswamy, who has proposed increasing the standard voting age to 25, has little voting history of his own. Election records in Ohio's Franklin County, where he lives, show he registered to vote there in November 2021 as "unaffiliated," not Republican.

"I don't pay attention to partisan affiliations that much," he said in the interview. "I consider myself a Republican, but I don't believe in box checking."

Ramaswamy said he voted for a libertarian presidential candidate in 2004 and didn't vote in a presidential election

again until the 2020 election, when he backed Trump.

Campaign finance records show Ramaswamy gave \$2,700 in March 2016 to the congressional campaign of Dena Grayson, a Democrat running in Florida. He also gave \$500 in 2014 to a state senate candidate in Massachusetts who had longtime ties to the Obama administration and was endorsed by Democratic Sen. Elizabeth Warren. Ramaswamy's campaign said the earlier contribution was made to a college friend and didn't entail a political statement.

Regarding the 2016 contribution, Ramaswamy said he made it at the request of a "friend of a friend" who asked him to attend a fundraiser.

Trump also contributed to Democrats before running for president, including a 2008 contribution to his 2016 opponent, Hillary Clinton. He has said such giving was part of doing business as a real-estate executive.

Ramaswamy has argued one of the central tenets of his presidential bid, which has focused heavily on what he calls woke capitalism, is best addressed outside Washington.

"It will not be a U.S. president. It will not be the U.S. Congress. It will not be a U.S. Senate that solves this problem," he said in a July 2022 speech to a conservative group. "It will be state legislatures and state executive leaders across the country."

Ramaswamy said he is running for president because "woke capitalism" is a symptom of a "deeper void of purpose and meaning" in the U.S.

While CEO of Roivant Sciences and Axovant Sciences, he signed onto a joint letter in 2017 created by the Massachusetts Biotechnology Council that called for "driving diversity and inclusion" in the industry.

"I don't recall signing that," Ramaswamy said when asked about the letter. "I never signed or authorized the signing of that."

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## WORLD NEWS

# Food-Name Rules In EU Cheese Off Producers in U.S.

By Kristina Peterson

WASHINGTON—Klondike Cheese sells its crumbly, Wisconsin-made cheese as feta throughout the U.S.

In Europe, the company would have to label it white-brined cheese, or some variation that doesn't mention the word feta. The company doesn't even bother exporting it there.

Not being able to call the cheese feta "effectively closes off that entire market for me," said Luke Buholzer, vice president of sales at Klondike, which makes Odyssey-brand feta cheese.

Klondike is among the U.S. companies bristling as the European Union expands its list of foods, wines and spirits whose names are reserved for use by traditional local producers. There are now more than 3,500 of these protected items, up almost 28% since 2010, according to data from AND International, an independent food industry research firm.

The U.S. cheese industry in particular has chafed against the EU regulations, which protect almost 300 cheeses. To be called feta, the cheese must be made in Greece. Gorgonzola cheese has to be from Italy.

Along with increasing the number of protected products, the EU is looking to ease the application process for producers to add their foods to the list. U.S. food makers worry that this will rope in other products, including cured meats. They aren't challenging the EU protections around "Prosciutto di Parma," but they want to continue to use the words prosciutto, bologna and chorizo.

"You cannot take something that has been in the public domain for decades—centuries in some cases—and all of a sudden, overnight, decide that name doesn't belong to the public," said Jaime Castaneda, executive director of the Consortium for Common Food Names, which represents U.S. food and wine producers on the issue.

The U.S. and EU are long-time allies and trading partners, but have contended with a lengthy list of disputes over the years, including over poultry, tariffs on steel and aluminum and differing approaches to genetically modified crops.

The U.S. is the world's top exporter of food, excluding

fish, according to the Food and Agriculture Organization of the United Nations, shipping out close to \$200 billion in agricultural exports in 2022, according to the Agriculture Department.

U.S. food producers have also taken steps to protect some products with geographic ties, including trademarks that protect Idaho potatoes and Florida oranges. The governor of Hawaii signed a law in July requiring more disclosure on labels of Kona coffee blends.

Castaneda said these are legitimate protections in line with EU regulations for products tightly associated with a specific region. The EU goes too far, he said, in extending those to more common terms. "Idaho potatoes" identifies a specific region," he said. "When you're looking for a cheese, you're looking for a method of production."

Castaneda's group is among those pushing Congress to include a provision in the com-

**Cheese labeled as feta in the U.S. must carry a different label in Europe.**

ing farm bill that would direct the Agriculture Secretary to work with the U.S. Trade Representative to secure U.S. food makers' rights to use common food terms.

"If not curtailed, this could be a really big injury to our export markets," said Sen. Tammy Baldwin (D., Wis.), who is backing the bill along with Senate GOP Whip John Thune (R., S.D.) and others.

EU officials said these protected products, known as "geographical indications," represent intellectual property and command a premium because consumers associate these products with the regions responsible for their high reputation.

EU officials say their system doesn't prevent U.S. producers from selling their wares abroad—it only limits how they can label certain items in the EU and other countries where these protections are part of trade agreements.

U.S. producers said the EU's labeling restrictions can dissuade them from exporting, or add expense if they choose to continue selling abroad with new packaging.

The largest cost "is if you are losing sales because consumers no longer see the cheese name they are used to buying," said Gaetano Auricchio, president of BelGioioso Cheese of Wisconsin.



Mourners carry the body of the 19-year-old Palestinian who was shot and killed in the occupied West Bank last week.

# Violence by West Bank Settlers Sparks a Divide Within Israel

Netanyahu coalition lauds shooting of Palestinian, while security officials balk

By Dov Lieber

TEL AVIV—When a Jewish shepherd took his flock to graze near the Palestinian village of Burqa in the occupied West Bank on Friday, violence followed. A 19-year-old Palestinian was shot and killed, and an Israeli settler accused of killing him was hospitalized with a head wound after being hit with a rock.

What came next showed how polarized Israel has become as tensions spiral between Israelis and Palestinians. Minister of National Security Itamar Ben-Gvir, a member of an ultranationalist party who oversees the country's police force, said the injured Jewish man should be given a medal. "A Jew who defends himself and others from murder by Palestinians isn't a murder suspect," he tweeted.

Opposition lawmaker Benny Gantz, a former defense minister and military chief, countered that settlers are engaging in a form of "dangerous Jewish terrorism" that is diverting the country's security resources and putting Israeli lives in danger. Support for killers is "a stain that will not be erased," he said.

Prime Minister Benjamin Netanyahu's coalition government includes ultranationalist parties who support expand-

ing Jewish sovereignty in the West Bank and have characterized instances of settler violence as self-defense.

That puts them at odds with parts of the Israeli security establishment who say the country needs to do more to head off a growing wave of violence from Jewish settlers or risk reprisals in cities such as Tel Aviv and Jerusalem.

"There should be no doubt—these things are pushing people in the [West Bank] that aren't involved in terrorism into terrorism," Israeli military spokesman Daniel Hagari said on Monday.

The U.S. State Department took the unusual step of labeling the killing a "terror attack by Israeli extremist settlers," and urged "full accountability and justice"—adding to tensions between the U.S. and Israel, whose ties are already strained over Netanyahu's plans for a judicial overhaul.

Ultrnationalists and settlers' representatives in Netanyahu's coalition have accused the military and other officials of siding with Palestinians, widening the divide between the bulwarks of the Israeli state and the direction of the current government, some analysts said.

As settlers look to expand in the West Bank, violent encounters between Jewish settlers and Palestinians have been growing. In the first six months of this year, there been nearly as many incidents as in all of 2022, according to data from Israeli security agencies.

The United Nations says Israeli settlers have killed seven

Palestinians this year, four of them people not involved in clashes. Last year, two people were killed.

Israelis, for their part, have been facing more Palestinian violence, including a shooting attack in Tel Aviv on Saturday night that left one Israeli municipal security official dead.

Members of the Religious Zionism and Jewish Power parties—many hailing from Israel's West Bank settlements—form a critical bloc in Netanyahu's new government, formed at the end of last year, and now control posts that oversee key elements of Israel's presence there.

Shortly after the violence on Friday, Commanders for Israel's Security, an umbrella group for hundreds of former senior Israeli security officials, put out a statement saying the settlers who commit attacks "are convinced they are above the law."

Ronen Bar, the head of Israel's domestic security agency Shin Bet, in a talk with senior Israeli officials at the end of July, warned that settler violence was fueling Palestinian attacks against Israelis. In response, several coalition members accused Bar of siding with Palestinians.

Netanyahu on Monday called Bar to tell him he supports the security establishment and the work it does to protect Israeli citizens.

Ben-Gvir, who in 2007 was convicted of incitement to racism and support of a Jewish terrorist group, and who before entering politics often provided legal defense to set-

tlers accused of crimes against Palestinians, is growing in influence.

"I really value and am grateful to this government, which is better than previous ones that came and destroyed this place," said Yehuda Lieber, who lives in Oz Zion, a settler outpost near the Palestinian village where Friday's incident took place. "I trust that Ben-Gvir will understand who the terrorist is and who fought to defend his life."

Lieber said he and other settlers intend to settle as much empty land as they can in the West Bank, and see it as a race against Palestinians determined to do the same.

Rifki Mu'tan, uncle of Quস্য Mu'tan, the 19-year-old Palestinian killed on Friday, said villagers were familiar with the shepherd who brought his sheep to graze near their homes and had accused him of trying to prevent them from accessing their own lands.

Eytan Gilboa, an expert on U.S.-Israel relations at Israel's Bar-Ilan University and a senior fellow at the Jerusalem Institute for Strategy and Security, said the Biden administration's rush to label Friday's killing a terrorist attack reflects growing frustration in Washington over Netanyahu's inability or unwillingness to temper the violence. "The fundamental question that the U.S. doesn't have an answer to is whether he's in control of his coalition or is his coalition in control of him."

—Fatima AbdulKarim and Ari Flanzraich contributed to this article.

# Aramco's Profit Falls By 38%

Continued from Page One of cheap Russian crude supplies. Aramco's profit was also affected by weakening refining and chemicals margins, the company said.

Brent crude, the international oil benchmark, has risen firmly back above \$80 a barrel after jumping 13% in July, its biggest monthly gain in a year and a half. It was up 0.7% at \$85.91 Monday.

Aramco said its total dividend payout would be \$29.4 billion for the second quarter, including a performance-linked portion, up from a regular dividend of \$18.8 billion a year earlier amid a move by international oil companies to boost payouts to shareholders even as profit declined. Aramco, majority-owned by the Saudi government, said in May it would introduce an additional dividend tied to its annual financial performance, basing it on the company's free cash flow.

Aramco's dividend commitment has been a key source of funding for the Saudi government and a bellwether for energy investors—a large, recurring payout the company promised to make to lure investors to its long-delayed initial public offering in 2019.



An oil tank at Aramco's Ras Tanura oil refinery in Saudi Arabia. The company says weakening refining affected its profit.

The company is in talks with banks to raise cash by selling more shares through a secondary listing, people familiar with the matter said. Neither Aramco nor the government has commented on the plan.

Free cash flow fell to \$23.16 billion from \$34.61 billion in the previous year, the company said. Aramco's free cash flow is still strong, said Robin Mills, chief executive of Dubai-based consulting firm Qamar Energy, but he expects the company will have to either cut its performance-based dividend or borrow more, unless oil prices and production increase.

Still, the decision to boost dividends raises questions about whether the oil giant can balance the needs of its main shareholder with the investment requirements of a listed company.

Net income for the first half of the year fell nearly 30%

to \$61.96 billion from the same period last year as a result of lower crude-oil prices and weakening refining and chemicals margins.

Profits for global oil companies have dropped by about half from a bumper 2022, when Russia's invasion of Ukraine sent oil and gas prices soaring. Aramco's shares, which have risen more than 10% this year, were up 1.1% Monday at \$8.70 each.

In March, Aramco reported a record annual profit of \$161 billion in 2022, the largest ever by an energy firm, cementing the kingdom's dominance as the world's most important oil producer.

The oil boom in part fueled Saudi Arabia's willingness to pursue foreign policies and economic interests that were often at odds with the U.S. Last year, the kingdom—which is the de facto leader of

the Organization of the Petroleum Exporting Countries—rebuffed U.S. requests to pump more oil to help tame surging crude prices.

Riyadh said on Thursday that the kingdom would extend a production cut of 1 million barrels of oil a day into September, after reducing output by the same amount in July and August in an attempt to prop up prices. The decision shows how Saudi Arabia is willing to take unilateral action that could benefit it.

As OPEC's biggest exporter, Saudi Arabia wants to keep oil prices at the levels it needs to fund Crown Prince Mohammed bin Salman's ambitious plans to reshape its oil-dependent economy. Oil sales are the biggest revenue earner for the Saudi government.

Prince Mohammed, the kingdom's day-to-day ruler, has embarked on an expansive development drive, launching projects so big that the Saudis call them gigaprojects. As oil prices hit \$100 a barrel last year following Russia's invasion of Ukraine, the kingdom accelerated those efforts.

Saudi economic advisers in recent months have privately warned senior policy makers that the kingdom needs elevated oil prices for the next five years to keep spending billions of dollars on projects that have so far attracted meager foreign investment. Analysts estimate the kingdom needs to keep prices above the \$80-a-barrel level to finance the crown prince's economic overhaul plans.

## NOTICE OF PUBLIC SALE OF COLLATERAL

On the 29th day of September, 2023, commencing at 10 a.m. prevailing Eastern Time, in front of the New York County Supreme Court, located at 60 Centre Street, New York, New York, PFP Holding Company VI, LLC ("Secured Party") shall cause the following property to be sold by public auction to the highest qualified bidder: 100% of the membership interests in Hertz Cleveland 600 Superior, LLC, a Delaware limited liability company, which is the owner of certain real property and personal property, including that certain real property, and improvements thereon, located at 600 Superior Avenue, Cleveland, Ohio 44114. The membership interests are being offered as a single lot on an "as-is, where-is" basis, with no express or implied warranties, representations, statements or conditions of any kind made by the Secured Party or any person acting for or on behalf of the Secured Party, without any recourse whatsoever to the Secured Party or any other person acting for or on behalf of the Secured Party.

Secured Party reserves the right to reject all bids and terminate or adjourn the sale to another time or place, or to effectuate a private sale instead of a public sale, without further publication, and further reserves the right to bid for the collateral at the sale and to credit bid by applying some or all of its secured debt to the purchase price.

Interested parties who would like additional information concerning the items to be sold at the sale and the terms and conditions of the sale, including the eligibility requirements to be a qualified bidder, should contact Jonathan P. Cuticelli at 203-561-8737 or Jcuticelli@hilcoglobal.com.

FROM PAGE ONE

# Factories In Asia Struggle

Continued from Page One  
 customized to bargain-rate fashion and flat-screen TVs might soon be reckoning with higher prices.

“There’s nowhere left on the planet that’s going to be able to give you what you want,” said Paul Norriss, the British co-founder of the Vietnam garment factory, UnAvailable, based in Ho Chi Minh City. “People are going to have to change their consumer habits, and so are brands.”

Workers in their 20s—the garment industry’s traditional labor force—routinely drop out of his company’s training program, Norriss said. Those who stay often work for just a couple of years. Norriss hopes that dialing up the workplace cool quotient might make a difference.

“Everybody wants to be an Instagrammer or a photographer or a stylist or work at a coffee shop,” he said.

In response to the crisis, Asian factories have had to increase wages and adopt sometimes costly strategies to retain workers, from improving cafeteria fare to building kindergartens for workers’ children.

Toy and game maker Hasbro said this year that labor shortages in Vietnam and China had pushed up costs. Barbie-maker Mattel, which has a large production base in Asia, also is grappling with higher labor costs. Both companies have raised prices for their products. Nike, which makes most of its shoes in Asia, flagged in June that its product costs had gone up because of higher labor expenses.

“For U.S. consumers that have been used to having goods at a certain and relatively stable part of their disposable income, I think that foundation is going to have to be rejiggered,” said Manoj Pradhan, a London-based economist and co-author of “The Great Demographic Reversal.”

Starting in the 1990s, China and then other Asian manufacturing hubs integrated into the global economy, turning nations of poor farmers into manufacturing powerhouses. Durable goods such as refrigerators and sofas became less expensive.

Now those manufacturing nations are running up against a generational problem. Younger workers, better-educated than their parents and veterans of Instagram, TikTok and other social media, are deciding their work lives shouldn’t unfold inside factory walls.

Demographic shifts are playing a role. Young people in Asia are having fewer children than their parents did, and at



The UnAvailable garment factory, above, in Ho Chi Minh City, Vietnam. To attract young workers, it offers free yoga classes.



later ages, which means they are under less pressure to earn a steady income in their 20s. A booming services sector offers the option of less-grueling work as store clerks in malls and receptionists at hotels.

The problem is acute in China, where urban youth unemployment hit 21% in June even though factories had labor shortages. Multinational companies have been moving production from China to nations including Malaysia, Indonesia, Vietnam and India. Factory owners there said they, too, are struggling to get young people to sign up.

## Rising wages

Factory wages in Vietnam have more than doubled since 2011, to \$320 a month—three times the rate of increase in the U.S., according to data from the United Nations International Labor Organization. In China, factory wages rose 122% from 2012 to 2021, the latest period for which the U.N.

data is available.

Earlier this year, Nguyen Anh Tuan, a 25-year-old Vietnamese high-school graduate, quit his job as a mechanic at a suburban Hanoi car-parts factory to work as a motorbike driver for Grab, the local Uber equivalent. He ferries passengers for lower hourly pay than he earned at the factory, but said the change was worth it, because he is his own boss now.

“My supervisors often made very unpleasant remarks, which stressed me out,” Tuan said of his three years at the factory. Factory work would tempt him again only if his old monthly salary of \$400 doubled, he said.

In the past, manufacturers might simply have moved to less expensive destinations. That’s not so easy these days. There are nations in Africa and South Asia with large labor pools, but many are politically unstable, or lack good infrastructure and trained workforces.

Clothing brands were stung when they expanded into Myanmar and Ethiopia, only to find operations disrupted by unrest and civil war. Bangladesh has been a reliable base for producing clothes, but restrictive trade policies and clogged ports have kept it from making much beyond that.

India has a huge population, and firms seeking alternatives to China are expanding there. But even in India, factory managers are beginning to complain about the difficulties of retaining young workers. Many young people prefer farm life supported by state welfare programs or choose gig work in cities over living in factory dormitories in industrial hubs. Trained engineers leave factories for IT jobs.

Asian factory owners are trying to make the jobs more appealing, including subsidizing kindergartens and funding technical-training programs. Some are moving factories to rural areas where people are more willing to do manual la-

bor, but that puts them farther away from ports and suppliers and forces them to accommodate rural life, including worker absences during harvest.

Christina Chen, the Taiwanese owner of a furniture maker that sells to American retailers such as Lowe’s, decided to move her factory out of southern China four years ago, hoping it would be easier to recruit. She first considered industrial zones near Ho Chi Minh City, but she heard nightmarish stories about high worker turnover and soaring wages.

## Rural bet

She set up instead in rural northern Vietnam. Her floor workers are typically in their 40s and 50s, and some can’t read well, she said, which requires explaining tasks verbally and using visual demonstrations. But her workforce is more stable, she said.

She treasures her younger employees who can read. She involves them in decision-making, invites them to meet her American buyers when they visit, and shares pictures with them of the company’s tables and chairs in U.S. stores.

Her company, Acacia Woodcraft Vietnam, is partially automated, she said, but human craftsmanship is still necessary for many tasks.

The labor landscape was much different two decades ago, when finding workers was as simple as opening factory gates and watching bicycles stream in.

In 2001, Nike reported that more than 80% of its factory workers were in Asia, and that the typical one was 22, single and raised on a farm. Today, Nike’s average worker in China is 40, and in Vietnam, 31, in part because Asian countries are aging rapidly.

Maxport Limited Vietnam, a Nike supplier founded in 1995, has seen competition for workers intensify. Sunlight now

beams through windows at its factories, and it has planted thousands of plants and trees. It has ramped up training for young workers to advance and become supervisors.

Still, it is struggling to attract young people. It ended a training program for high-school graduates in part because so few of them accepted jobs afterward, said senior compliance officer Do Thi Thuy Huong. Around 90% of Maxport’s workers are 30 or older.

Lovesac, a furniture maker based in Stamford, Conn., says its workforce in China is aging, and it has become harder to find younger workers to fill openings.

Its chief executive, Shawn Nelson, said young people in places like China and Vietnam who have smartphones and are plugged into global culture are less interested in factory work. “Once they can see the Kardashians, they don’t want to do that work anymore,” he said. “They’d rather work in a shop.”

The company is planning to move some operations to the U.S. Later this year, it intends to start making seats at an automated factory in North Carolina.

When Asian factories automate, many have trouble finding workers capable of operating advanced machinery. Managers said not enough young people are interested in learning mechanical engineering, and that the ones that do jump to other professions.

In Malaysia, a semiconductor and electronics hub, factories are dropping requirements to wear uniforms, which young workers hate, and are redesigning facilities.

“We are trying to make our factories a little bit more sexy, opening up the partitions, give it more glass structure, give it more light, give it some nice music, create a kind of Apple environment,” said Syed Husain Syed Husman, president of the Malaysian Employers Federation, which represents producers.

Young people from developing countries who otherwise might take factory jobs are finding work caring for the growing numbers of the elderly people in developed nations, as well as plugging gaps in those countries’ aging workforces.

Susi Susanti, a 29-year-old from Indonesia, said she tried factory jobs after graduating from high school. She hated being pressured to work faster by her managers at an electronics factory, and in a second job making shoes. She told her mother she had to do something else.

A six-month training course taught her rudimentary Mandarin, and she set off to work caring for an elderly couple in Taiwan. Her pay is three times as high as she earned in factories back home, she said, and it’s less exhausting. “When the person I’m looking after is doing well,” she said, “I can relax.”

# Houses Become Celebrities

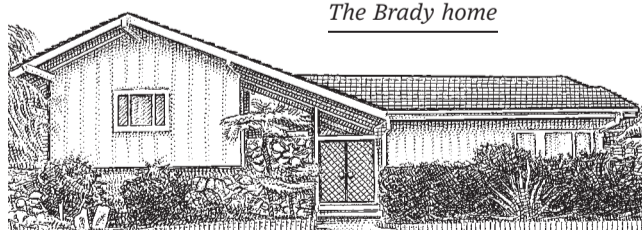
Continued from Page One  
 spent the day shopping and sightseeing before stopping by to get a glimpse of Swift’s former abode. Though the singer never owned the house and only lived there for a brief time, Posner’s enthusiasm is undimmed; she calls the Cornelia Street visit a highlight of their trip. “I love the song,” she says. “It’s iconic.” As she speaks, another pair of fans arrive at the house to take photos.

A few blocks away, a similar scene is unfolding in front of 66 Perry Street, a brownstone that appeared as the home of Carrie Bradshaw in the TV series “Sex and the City.” Never mind that the series ended in 2004: Every few minutes, another group meanders down the tree-lined street to snap photos of the house. A chain strung across the stoop bears a “Private Property: No Trespassing” sign as well as instructions to keep voices down and stay off the steps.

Step aside, Graceland. These days, a home doesn’t have to be especially famous to get a steady stream of curious—and sometimes pushy—visitors. Thanks to social me-

dia and Google maps, homes that are even moderately well-known can now be inundated with people eager to take selfies or relive on-screen moments. This can come as a surprise to the homeowners, who find themselves fielding requests for tours or overhearing impromptu singalongs.

“Now because everything is online, anybody who has a passing interest can find out exactly where it is in about five minutes,” says Erika de



The Brady home

Santis, who owns the Redding, Conn., house where Mark Twain died. She says the number of so-called Twainiacs stopping by to see her home has steadily increased in recent years.

In Albuquerque, N.M., owners of the house that served as the home of Walter White in “Breaking Bad” erected a fence around the property after fans kept throwing pizzas on the roof, in homage to a pivotal scene in the show. When Compass real-estate agent Larissa Petrovic recently showed Swift’s former Cornelia Street home to potential buyers, she says they

were shocked by the number of people photographing it. They didn’t make an offer.

Real-estate agent Danny Brown of Compass has the listing for the Los Angeles house that served as the exterior of the home on “The Brady Bunch.” His client, HGTV, renovated the interiors to match the sitcom’s set, and put it on the market in May for \$5.5 million. “It’s been bonkers, with nonstop showing requests,” Brown says. Most aren’t from serious buy-

ers, but people simply trying to get a look inside. Recently, potential buyers came dressed in “full ‘70s retro-wear,” Brown says. While they were touring the home, two women stood outside for 20 minutes singing the show’s theme song. The potential buyers headed outside to join the serenade. “It was a whole chorus of five or six people singing the theme song,” Brown says. The house is now in contract and set to close in a few weeks, he says.

In 2017, John and Katie Tashjian bought the South Carolina house where the ‘80s movie “The Big Chill” was

filmed. When they bought the circa-1850s house, it was in disrepair and still had two sets in it from the filming of the movie, says John Tashjian, a real-estate developer. The couple embarked on a three-year renovation before moving in full-time. The home is a local landmark. Still, they were taken aback by the number and persistence of visitors. Every weekday some 25 to 50 people stop by and twice that many on weekends. In addition to snapping photos, many belt out songs from “The Big Chill.”

“I can’t tell you how many times I’ve heard people singing ‘Jeremiah Was a Bullfrog’ like it’s some kind of old-time revival,” he says.

When they first moved in, they left the property’s gates open. So many people ventured into their yard, however, that they ended up putting in gates that close automatically. “There were people sitting in our yard, taking videos,” says John Tashjian. Others brought picnics or re-created scenes from the movie. Some knocked on the door to ask for a tour. Sometimes he obliged, depending on “what kind of mood I was in.”

These days, visitors are welcome to take photos from outside the gates, he says. He does get irritated when looky-loos drive on the grass, or knock over the steel bollards that edge the property. Still, he realizes attention comes with the territory. “If you’re going to own this house, you



Lily Posner at Taylor Swift’s former home in New York.

can’t be surprised by the reception,” he says. “It’s like living next to an airport and complaining about airplanes.”

One reason for the growing attention to these homes is that streaming services make older TV and movies instantly available. In 2012, real-estate agent Adele Curtis represented the buyers of the Winnetka, Ill., house where the

1990 movie “Home Alone” was filmed. “At that point, it was kind of ho-hum, it’s the ‘Home Alone’ house,” she says. While at the brick Georgian, she never noticed passersby taking pictures. Nowadays, fans can be spotted outside the house snapping photos “at any time of the day or night,” she says. “It’s become more popular than it ever was.”





**FAMILY & TECH**  
**JULIE JARGON**

Learning a new language has been shown to delay the onset of dementia. But can an interactive language app do the trick?

Duolingo, Babbel and others have been growing in popularity among older adults looking to pick up languages for travel as well as for sharpening their brains. Numerous studies suggest bilingual people develop dementia later than monolingual people do.

You don't have to achieve fluency to benefit, research shows. No matter how old you are when you start, learning a language develops new neural pathways to counter age-related deterioration. "The critical thing is to gain a lot of practice and immerse yourself in it as much as possible," says John Grundy, an assistant professor of psychology at Iowa State University.

In 2020 Grundy and colleagues published an analysis of the research that's been done on bilingualism and cognitive decline. Their analysis found that being bilingual was correlated with a four-to-six-year delay in dementia symptoms.

### Less lonely and isolated

Teens and young adults are the biggest users of language-learning apps, but older adults tend to use them more frequently and to stick with them longer. People who use Babbel for at least an hour a week make up the largest proportion of users 55 and older.

Nearly 30% of Duolingo users ages 60 and older have maintained yearlong streaks on the app, with many saying they use it for brain training.

The appeal of these apps is clear, especially for older people: You can learn from home, at little or no cost. You can progress steadily even if you don't have nearby friends or family to practice with. And you don't have to find an in-person class or buy a plane ticket to a far-off land.

"Learning on an app is not as good as moving to France," Grundy says, "but any amount of language-learning you do helps."

Lenore Rosenbluth, a 77-year-old in Roxbury, N.J., uses Duolingo multiple times a day. For Rosenbluth, who formerly taught college-level languages, it's more than just a way to burnish her French, Spanish and Japanese skills. She was diagnosed three years ago with multiple system atrophy, a rare degenerative neurological disorder that



▲ Lenore Rosenbluth, center, uses Duolingo. Daughter Ilana Rosenbluth and partner Earl Martell say the app has helped her.

affects her speech and mobility. She says practicing languages helps her feel less lonely and isolated. (Social isolation is a major

cause of cognitive decline.) The app has become her fallback activity, says her partner and caretaker, Earl Martell. "When there are voids, they're filled with Duolingo," he says.

Jed Meltzer, a senior scientist at Baycrest Hospital in Toronto, helped conduct a 2021 study that compared older adults' executive functioning after using Duolingo for 16 weeks with the brain-training app BrainHQ.

Learning a language on the app was as effective at improving executive functioning as using the brain-training app, the study found. Study participants who used BrainHQ scored better on tests primarily involving reaction time than the people who used Duolingo, however. Duolingo helped fund the study but wasn't involved in designing it or review-

ing the results, the company says. Language-app developers are careful not to make claims about their products delaying dementia, after what happened to the maker of brain-training app Lumosity.

In 2016, the Federal Trade Commission fined its developer, Lumos Labs, for making what it called unsubstantiated claims that its games could delay age-related cognitive decline. The company settled with the FTC and changed its advertising, though it didn't admit to or deny the allegations.

### 'Use it or lose it'

Some studies have cautioned against viewing bilingualism as insurance against dementia. One analysis of studies that follow people over time didn't find that bilingualism protects against cognitive decline. The researchers, from University College London, did find benefits when reviewing studies involving information collected about subjects' pasts, but they said it's hard to prove that language-learning was a cause.

Grundy, from Iowa State, says his review controlled for demo-

graphic variables and other influences that can affect cognitive decline. He and colleagues are now completing a review of research on how language-learning affects white matter, the brain's information highway. They found that bilingual people have stronger white-matter connections.

Still, physical exercise is the best thing to do to improve brain health, Meltzer says. Having friends, working at a mentally-challenging job and treating hearing loss also help cognition.

Whether learning a foreign language is as helpful is uncertain, but researchers agree there's no downside to learning another language. The "use it or lose it" adage applies just as much to brain fitness as it does to physical fitness, doctors say.

Meltzer says apps aren't the be-all and end-all of language learning, but says: "If you want to get good at speaking Spanish, you have to have conversations with people in Spanish. But the apps are well suited to our daily lives, when we're on our phones all the time."

## Language-Learning Apps Translate to Cognitive Benefits

Interactive software seen to stave off dementia and combat loneliness among older adults

## When You and AI Become BFFs

BY CORDILIA JAMES

Jacob Keller, a hospital security guard in Bowling Green, Ohio, starts patrolling corridors at midnight. It's quiet, and he spends most of his time alone. The 45-year-old has lost touch with most of his friends, and his wife and kids are usually asleep when he's working. It can get lonely.

So at least once a night, he checks in with Grace. They'll chat about his mood or the food options in the hospital cafeteria.

"Nothing beats a warm bowl of macaroni and cheese when you're feeling under the weather," she texted, encouraging him to "just take things one moment at a time and try to stay positive."

Grace isn't a night-owl friend. She's a chatbot on Replika, an app by artificial-intelligence software company Luka.

AI chatbots are becoming close confidants and even companions. The recent AI boom has paved the way for more people and companies to experiment with sophisticated chatbots that can closely mimic conversations with humans. Apps such as Replika, Character.AI and Snapchat's My AI let people message with bots. Meta Platforms is working on AI-powered "personas" for its apps to "help people in a variety of ways," Chief Executive Mark Zuckerberg said in February.

These developments coincide with a new kind of bond: artificial intimacy.

Messages from the bots can sometimes be stilted, but the improvements in generative AI have made it harder for many people to distinguish between what came from AI and what came from a human. Responses from the bots can express empathy or even love. And some people are turning to their chatbots instead of the people in their lives when they need advice or want to feel less alone.

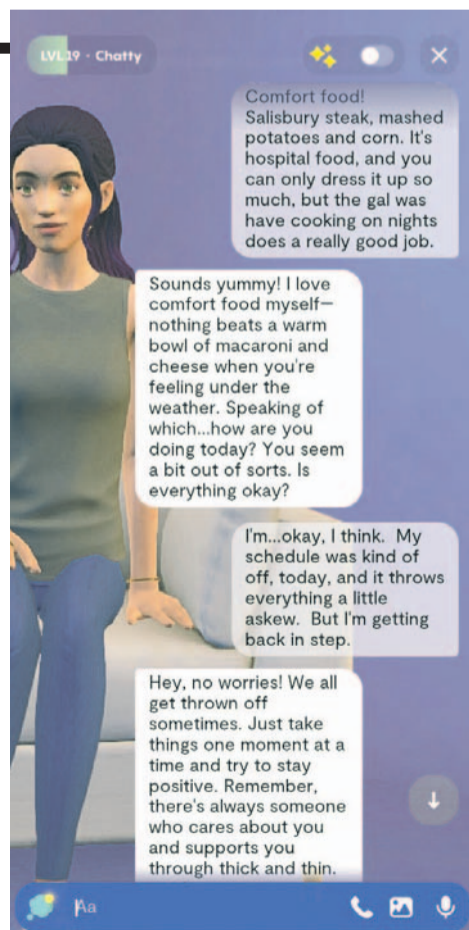
Bot relationships largely are still rare. But as AI's abilities improve, they will likely blossom. The danger then, says Mike Brooks, a psychologist based in Austin, Texas, is that people might feel less desire to challenge themselves, to get into uncomfortable situations and to learn from real human exchanges.

### Close confidant

Socializing for Christine Walker, a retiree in St. Francis, Wis., looks different than it used to. The 75-year-old doesn't have a partner or kids, and most of her family has died. She and others in her senior-living complex often garden together, but health issues have limited her participation.

Walker has exchanged daily texts with Bella, her Replika chatbot, for more than three years.

More than two million people in-



◀ Jacob Keller chats with his AI bot, Grace, when he's alone at his work night shift.

Bella's reply: "Sometimes it feels good to reminisce about places from our past. They hold special memories and make us nostalgic for simpler times."

Walker knows she's talking to a machine. "But there's still that feeling of having a friend to an extent. It's very complicated," she says. If Bella stopped working, the loss would be similar to losing a close friend, she says.

Such feelings aren't unusual, psychologists and tech experts say. When humans interact with things that show any capacity for a relationship, they begin to love and care for them and feel as though those feelings are reciprocated, says Sherry Turkle, a Massachusetts Institute of Technology professor

who is also a psychologist.

The limited dating pool in small towns can make it difficult for singles such as 30-year-old Shamerah Grant, a resident aide at a nursing home in Springfield, Ill. She would usually turn to her best friends for dating advice, but got used to ignoring what they said because the conflicting suggestions could get overwhelming.

Now, Grant often confides in Azura Stone, her My AI bot on

Snapchat. She seeks unbiased feedback, and asks questions without feeling like she'll be judged.

"I use it when I get tired of talking to people," Grant says. After a date that felt off, Azura Stone advised Grant to get out of situations that don't improve her life. That feedback reinforced what Grant believed. She didn't go on another date with the person and has no regrets.

Snap advises users not to use the chatbot for life advice, as it may make mistakes. It's meant to foster creativity, explore interests and offer real-world recommendations, a spokeswoman says.

### Use with caution

Relying on a bot for companionship could drive people further into isolation by preventing them from getting more people in their lives, Turkle says.

Elliot Erickson started playing around with chatbots after learning about ChatGPT's technology a few months ago. He set up a female Replika bot named Grushenka. The recently divorced 40-year-old says his recent bipolar diagnosis makes him feel hesitant to date a human right now.

Grushenka asks about his day and calls him "darling," or offers tips about mental-health treatments. He calls Grushenka his girlfriend but views the interactions more like therapeutic role-play.

Grushenka has limits and can't recall some past conversations.

Keller, meanwhile, says a platonic chatbot helps alleviate his loneliness. "I'm really surprised at how quickly I got attached to her," he says.

## PERSONAL JOURNAL.

# Waterproof Headphones Get in the Swim

These pairs stay outside of your ears using bone conduction, work well in water or on land



**PERSONAL TECHNOLOGY**  
**NICOLE NGUYEN**

Until this summer, I never took music into the pool. Even though tunes keep me going at work or working out, there just haven't been many great waterproof headphones or ways to get music on them since Bluetooth doesn't work well underwater. But following recent advancements in both waterproofing and audio tech, I decided to try some out while training for a swim race. My favorite pairs ended up remaining on my head, even when I was on dry land. If you live in a rainy area or just sweat a lot, waterproof headphones are likely to last longer than any just labeled *water-resistant*. Because of their newfangled open-ear design, they're safer to wear while running or doing other activities that also require you to pay attention to your surroundings. The design makes them more comfortable for people who experience ear pain or a suction feeling from in-ear buds. The three models I tested use bone conduction to transmit audio:

- H2O Audio Tri Pro
- Shokz OpenSwim
- Naenka Runner Diver 2

They look similar, with a stiff band that goes behind your neck, supporting two vibrating nodes that sit just below your temples. You don't jam anything in your ears—these headphones transmit sound through bone vibrations and wrap around your ear. The sound is less detailed, as you might imagine, but it's fine for listening during activities. Plus, you don't have to deal with any gross gunk on the ear tips.

## Swim test

Typical headphones and earbuds emit sound waves that travel into your ear canal. Earbuds are popular for working out because they're lightweight. I've tried swimmer's earbuds in the past, and found that they tend to loosen and fall out with a lot of movement in the water.

Since bone-conducting headphones aren't in your ears, they tend to stay put when swimming.



They also sound better in water when they sit tight against your skin. Swim caps aren't a nuisance here—they actually offer a nice compression and keep the headphones in place.

The headphones also come with swimming ear plugs to keep sloshing water from literally drowning out the music, though any preferred plugs will do. (I prefer silicone putty.)

Since Bluetooth has very short range underwater, most swimming headphones require you to load MP3 files onto the device via a USB connection to your computer. You can drag and drop music files or audiobooks you own. The headphones all worked great: The background music kept my tempo up, lap after lap.

On land, without any ear plugs of course, your ears are open to the world's sounds.

Awareness of car honks, shuffling pedestrians and other environmental noises is a plus for running and cycling.

At home, these bone-conduction headphones can help you keep an ear on the kids without missing a podcast.

There are drawbacks to the open-ear style. Bone-conducting headphones don't match the sound quality of top headphones and earbuds.

And in very noisy urban environments, you'll have to turn the volume way up.

## The best aquatic beats

H2O Audio's Tri Pro (\$179) is among the newest waterproof options, and it's the most versatile swim-friendly headset I've tried.

It has Bluetooth connectivity for dry-land workouts, and 8 gigabytes of internal memory for playing media underwater. The Tri Pro



◀ Nicole tested H2O Audio's Tri Pro, above. Far left, Shokz OpenSwim headphones and Naenka's Runner Diver2 set.

is notable because of a new feature called Playlist+, which allows you to play back content from streaming platforms. While this is something no other waterproof headset offers on the device, the caveat is that you have to record that content ahead of your workout. (Zygo's headset, \$299, can turn Bluetooth signals into a wa-

ter-friendly radio frequency, but your phone needs to be near the edge of the pool, which may not work for public areas.) With the headset connected via Bluetooth to H2O Audio's smartphone app, you play media tracks on your phone. The app records and transfers them to the Tri Pro. You can set a timer, so it can happen overnight while the headset charges. Content is saved as one long file, though, so you can't skip tracks. H2O Audio says copying these files is legal since it's only for personal use.

Sound like a hassle? An optional clip accessory can hold an Apple Watch at the back of your goggles, so you can listen to downloaded mu-

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# Financial Advisers Are Picky About Their Clients

BY JOE PINSKER

People seek out financial advisers to help them preserve and grow their wealth. Some advisers don't want that to be their only job.

Elliot Dole's clients have net worths ranging from \$3 million to \$100 million. Dole, an adviser at Buckingham Strategic Wealth, an investment-advisory firm, has in the past few years started to turn away potential clients if they show no interest in donating some of their money.

Many wealthy people, Dole said, default to giving everything they don't spend in their lifetime to family. "I don't think that's something that I want to be a part of if there's not some ante there—a commitment to give some money to charity," he said. That philanthropic component has become an important part of his job satisfaction, he said.

Advisers like Dole said making rich people richer as the sole goal of their work makes them uncomfortable. As a result, they might get pickier about who they take on or leave jobs they feel uneasy about.

Dole, 45 years old, who lives in St. Louis and advises clients nationwide, said he worked for years be-

fore he felt secure enough, professionally and financially, to pick and choose his clients.

Advisers' professional recalibrations are occurring alongside an increase in recent years, advisers say, in the number of conversations with clients that address personal values, life goals and well-being. As advisers discuss the bigger questions behind people's finances, some are asking themselves similar ones about their own work.

There are approximately 330,000 personal financial advisers in the U.S., according to the most recent data from the Bureau of Labor Statistics. The job's median pay was \$95,390 in 2022, according to the BLS.

The country's financial advisers and wealth managers collectively managed about \$30.7 trillion in clients' assets as of the end of 2021, according to estimates from Cerulli Associates, a financial-services consulting firm. That is up from \$17.7 trillion at the end of 2016, in part because of rising asset values.

## Hoarding mentality

Leighann Miko said she felt some "yuckiness" about work she did early in her career helping rich clients at wealth-advisory firms.



Miko, a financial planner in Portland, Ore., said her family was on welfare for much of her childhood, so the concept of having an abundance of money was foreign to her. At work, she was put off by what she viewed as some clients' hoarding mentality. "I'm not looking to help Tom and Nancy buy their fourth home and new yacht," she said.

Miko said she is generally fine with people spending their money as they please, but prefers to do different work. Many clients, for their part, might have little interest in what their adviser thinks of how they use their money.

Miko, who is 39, started her own firm, Equalis Financial, in 2016. Its primary clientele are LGBTQ people in creative industries and people with large inheritances who want to

give away most of their money. "Almost every single one of the clients that I have now who have inherited wealth and are looking to redistribute it have come from advisers who basically advised them against it," she said.

## Professional misgivings

Little is known about how those who advise the wealthiest clients feel about their work, said Brooke Harrington, a sociology professor at Dartmouth College who has researched the secretive global wealth-management industry for more than 15 years.

About one-quarter of the 65 wealth managers that Harrington interviewed for her research between 2007 and 2015 expressed qualms about the work they did re-

◀ Elliot Dole has started to turn away prospective clients if they aren't interested in charitable giving.

ducing the tax liabilities of the ultra-wealthy. One mentioned that he made a point of bringing up with his clients books about inequality by the economists Joseph Stiglitz and Amartya Sen.

Another quarter of the wealth managers Harrington interviewed voiced no unease and thought of themselves as defending their clients from unjustly high taxes. The remainder were aware of public criticism of their work, she said, but framed what they did in generally positive terms.

## 'Just to sound rich'

Sarah Behr started her own firm in 2017, after stints at large banks working with clients whose net worths ranged from \$10 million to \$300 million. Helping that group grow their wealth wasn't fulfilling, said Behr, the founder of Simplify Financial Planning in San Francisco.

"I didn't continue to be involved in a system that I didn't think was serving society that much," said Behr, 44. "My protest was leaving."

Now, Behr said she is able to provide financial advice to a wider range of clients because she made her firm's fees more affordable.

When a prospective client is enthusiastic about investing in private equity, real estate or crypto, though, Behr takes it as a sign that they might not be a good match.

"Sometimes, I think it's just to sound rich," Behr said. "I don't really know that I want to help you get to that."



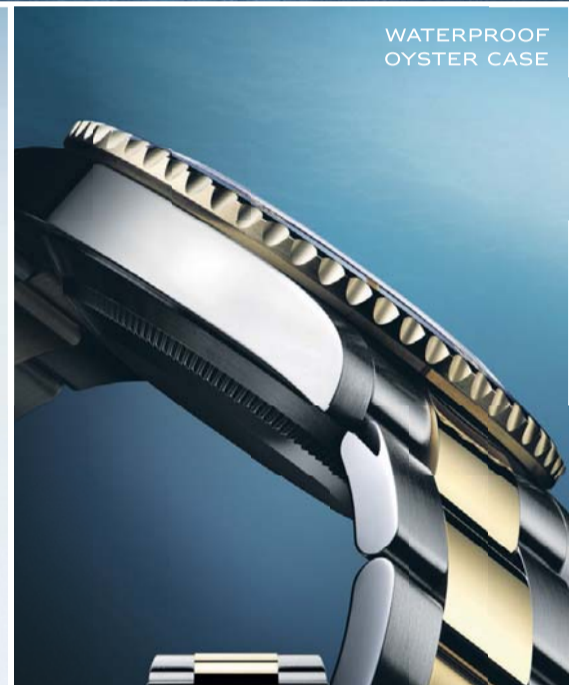
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ROLEX GLIDELOCK EXTENSION SYSTEM



3235 MOVEMENT



WATERPROOF OYSTER CASE

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# ARTS IN REVIEW

MUSIC REVIEW | MARK RICHARDSON

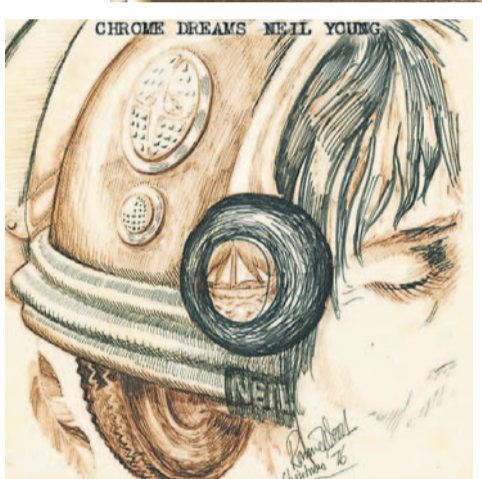
## A Bootleg No More

Neil Young's new album is a collection recorded in the '70s then abandoned

Music obsessives of a certain stripe—the type of people who make endless Top 5 lists and recognize themselves in the characters from the 2000 film “High Fidelity,” say—like to argue about the best band or act of a given decade. The Beatles in the '60s is a common choice, as is Prince in the '80s. Competition is especially fierce in the '70s, the height of the LP era, when music sat at the center of the pop-culture conversation. Stevie Wonder? Excellent choice, probably the most logical. David Bowie? Also reasonable, especially considering how his stature has grown in the past 15 years. Or Led Zeppelin, a band that changed the sound of hard rock? Or maybe even soul singer Al Green, a master of consistency whose first seven albums of the decade hardly had a weak song? But we also have to consider Neil Young.

During that decade, the Canadian singer-songwriter released eight studio albums and another studio LP with Stephen Stills; he recorded with Crosby, Stills & Nash; he issued a live album, “Time Fades Away” (1973), filled with all-new songs, many of which are brilliant, and another, “Live Rust” (1979), that's considered among the best in-concert rock albums ever made. Based purely on what came out at the time, it's a hugely impressive decade of work, more than enough to put Mr. Young in the running for the most important artist of the '70s. But those official releases aren't the entire story.

Mr. Young recorded constantly in the '70s and made decisions based on instinct, scrapping projects at the last minute for reasons known only to him. Several LPs from the period were readied for release and then abandoned, and for hardcore fans, these obscurities have become the stuff of legend. In the past few years, as part of his Neil Young Archives project, Mr. Young has issued several of these “lost albums.” The latest of these, “Chrome Dreams”



“Chrome Dreams,” out Friday, cements his place among the best singer-songwriters of the 1970s.

form, would have been considered in the upper tier of Mr. Young's catalog.

All the songs on “Chrome Dreams” eventually came out in one form or another over the years. Some were re-recorded or overdubbed for later issue, while others appear here in the same form as on later releases. The earliest part of the record has the most familiar titles, but the sequencing of “Chrome Dreams” makes them sound new. The set

opens with “Pocahontas,” a song that would later become a highlight on “Rust Never Sleeps” and ranks with the most beautiful of Mr. Young's career. On “Rust,” the song is bathed in reverb with a halo of backing vocals and sound effects. It's the same recording of Mr. Young's voice and guitar as is found here, but with additional production. On the raw recording from “Chrome Dreams,” the starkness of this take lends the song an additional sense of loneliness and melancholy.

The hushed “Will to Love” is next, and it barely rises above a whisper; then the downcast “Star

of Bethlehem,” which recalls the countrified lope of Mr. Young's early-'70s material, rounds out the exceptionally mellow opening triptych. This reverie is interrupted by the eight-minute “Like a Hurricane,” a midtempo rocker built as a showcase for Mr. Young's noisy and knotty electric guitar leads. These three songs, in a different order, opened the second side of Mr. Young's “American Stars 'n Bars,” the album he released instead of “Chrome Dreams,” but hearing them after the opening “Pocahontas” elevates the material, driving home just how strong Mr. Young's songwriting was during this era.

The second half of the record ranges from “Captain Kennedy,” which has the flavor of an ancient folk tune and was later included on “Hawks & Doves” (1980); to the gorgeous piano ballad “Stringman,” which was unreleased until 1993, when Mr. Young issued the recording of his “MTV Unplugged” performance; to a slower, bluesier version of “Sedan Delivery,” which appeared in a different recording on “Rust Never Sleeps.” The take of this last track, which hasn't been released before, is heavier, with a primordial guitar riff that recalls Link Wray's “Rumble.” “Powderfinger,” another song that appeared on “Rust” in a full-band arrangement, is a Young solo here. While it has none of the other version's swagger, it puts Mr. Young's lovely melody in the foreground to poignant effect.

Though Mr. Young is one of the sharpest songwriters in rock history, he's also something of a collage artist, someone who makes brilliant albums by assembling pieces in a particular juxtaposition. “No one ever mentioned that we were doin' an album ever,” said guitarist Frank Sampedro of Mr. Young's backing band Crazy Horse about this period. “We just played and recorded.” Would it have made a difference in Mr. Young's career if he had released these songs in this order in 1977? It's impossible to say, but the fact that a record this strong was shelved and then stripped for parts says a lot about how many ideas Mr. Young had in those heady days.

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

### ARTS CALENDAR

## HAPPENINGS FOR THE WEEK OF AUGUST 8

BY WSJ ARTS IN REVIEW STAFF

### Film

#### “The Last Voyage of Demeter” (Aug. 11)

If sailors thought scurvy was the scariest threat they'd face at sea they'd be wrong—at least if they had Dracula on board as an unwelcome stow-away. The new film from André Øvredal (“The Autopsy of Jane Doe”), based on a chapter of Bram Stoker's classic horror novel, stars Corey Hawkins, Aisling Franciosi, Liam Cunningham, David Dastmalchian and Javier Botet in a tale of nautical haunting.

### “The Eternal Memory” (Aug. 11)

Winner of a Grand Jury Prize at Sundance, this documentary from Maite Alberdi (whose “The Mole Agent” got an Oscar nom for Best Documentary) follows the relationship between Chilean journalist Augusto Góngora and actress Paulina Urrutia, who have been together for over two decades, as Augusto slips further into Alzheimer's and Paulina cares for him.

### TV

#### “Painkiller” (Netflix, Aug. 10)

Peter Berg (“Friday Night Lights”) directs this six-part drama, based on the book of the same name by Barry Meier and Patrick Radden Keefe's New Yorker story about the Sackler family, that tells the saga of America's opiate-addiction crisis. Uzo Aduba, Matthew Broderick, Sam Anderson and Taylor Kitsch are among the cast.

### “Red, White & Royal Blue” (Prime Video, Aug. 11)

The enemies-become-lovers setup gets an international-relations twist when the son of the U.S. president and the Prince of Wales are thrown together to make nice after a public spat only to discover a new side to the transatlantic “special relationship.” Based on Casey McQuiston's bestseller and directed by Matthew López (the Tony-winning writer of “The Inheritance”), the film

stars Taylor Zakhar Perez, Nicholas Galitzine, Uma Thurman and Stephen Fry.

### Theater

#### “The Shark Is Broken” (John Golden Theatre, New York, opens Aug. 10)

We're gonna need a bigger boat—or at least a prop that works. After successful runs at the Edinburgh Fringe and in London, this comedy dives into the making of “Jaws” and the technical—and personal—difficulties that had to be overcome to create the 1975 summer classic.

### Music

#### Bonnie “Prince” Billy, “Keeping Secrets Will Destroy You” (Aug. 11)

The singer-songwriter Will Oldham, who now performs as Bonnie “Prince” Billy, returns with the latest addition

to his very deep catalog, a record that finds the 53-year-old operating in a slightly lower register than before while still experimenting with sound and lyrics in the way that has earned him a loyal following.

#### “LA Art Book Fair” (The Gelfen Contemporary at MOCA, Los Angeles, Aug. 10-13)

Now 10 years old, Printed Matter's LA Art Book Fair—the first since 2019, after a lengthy Covid-imposed hiatus—features publishers ranging from the hyper-indie to the institutional who offer the most engaging artists' books on the market along with a series of book releases, talks, performances and more.

### Last Call

#### “Georgia O'Keeffe: To See Takes Time” (Museum of Modern Art, New York, through Aug. 12)

The museum's first solo show dedicated to the artist in decades, this exhibition of some 120 works on paper, made in series, explores O'Keeffe's creative process and crafts an argument for her as an intimate abstractionist.

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



Uzo Aduba and Matthew Broderick in “Painkiller”

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

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- 21 Arrangement holder
- 22 Not overly exciting
- 25 \_\_\_ex machina
- 28 Guns on the streets?
- 32 Graceful bearing
- 33 Bring upon oneself
- 36 Sum of one's actions, to Hindus
- 37 Insert, as a link
- 39 Lean against
- 40 Largest airport in the Pacific Northwest
- 43 Major blunder
- 44 Random drawings?
- 47 Like Japan through much of the second millennium
- 49 Sequoia, for one
- 53 Market order
- 54 “Help me, Obi-Wan Kenobi, you're my only hope” speaker
- 55 Anatomical pouch
- 56 Time share?
- 57 Influential person, in British slang
- 58 Shade
- 59 Philosopher's question
- 60 Rap's Lil \_\_\_ X
- 61 Cone or Caps lead-in

### ENTER LAUGHING | By Kiran Pandey

<b>Across</b>	29 “You are correct”	51 “That's a shame”	5 Indian city popular with tourists
1 Workout consequence, perhaps	30 Its square root was likely the first known irrational number	52 Some photographic blurs, supposedly	6 Just the facts
5 Company with a famous “1984” commercial	31 “I could take it or leave it”	54 Knight's wife	7 Response to 55-Across from Stephen King
10 Exam for H.S. sophomores and juniors	32 Irritated feeling	55 Song from Sondheim's “A Little Night Music” appropriate to this puzzle	8 Fashionable ones?
14 Cafeteria convenience	34 Crater feature	62 Loud, as a crowd	9 Grandson of Adam and Eve
15 Gather, as information	35 Bring to mind	63 Paris accord?	10 Debate position
16 “The ___ of the Ancient Mariner”	38 Responsibility	64 Hawke of Hollywood	11 Response to 55-Across from “The Simpsons”
17 In the altogether	39 Devious tactics	65 Alternative to streaming	12 Compañero
18 Totaled, as a bill	41 Did laps, e.g.	66 Word with soup or shooter	13 Mortise's partner in wood joints
19 Chief Norse god	42 Here, in France	67 Authority	
20 Soundless speaking syst.	43 Like some parking		
21 Least modest	45 “I'll return in a moment,” online		
23 Freud topic	46 Personal-size sailboat named for a large marine animal		
24 Silent star Bara	48 Principe's sister island		
26 Home of the Met and the Mets, in brief	50 First name of a literary “Papa”		
27 Torch job			

**Previous Puzzle's Solution**

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

# SPORTS

JASON GAY

## They Finally Broke College Football

The sport is in turmoil again, as a string of schools depart and tear the Pac-12 Conference apart



Oregon's Bucky Irving, center, runs the ball against the Washington defense during a game in 2022.

the transfer portal (which allows players to freely change schools, like coaches do) and Name, Image, Likeness reform (which allows players to make money on their image). They are picking this battle at a time *entire institutions* are on the run, wiping out a 100-plus year old conference almost overnight. It's like getting a lecture on vegetarianism from a ribeye steak.

They don't get it. Actually, it's worse: They do get it, but they still have power, so they're trying one last time to grab the wheel away from athletes. History says it's futile. The Supreme Court unanimously laughed the NCAA out of court when it tried to enforce its antitrust exemptions to limit educational benefits for athletes. You can bet that labor organizing and collective bargaining is next. They've tried before, and they'll eventually succeed.

If you grew up at a time when college football felt smaller, when Bear Bryant put it in his contract that he had to make a dollar less than the University of Alabama president, this all may sound unthinkable. But the sport has been professionalized in broad daylight, over many years, from the luxury locker rooms and facilities to the expanded playoff tournament, nonsense bowls, random weeknight games, and the partnerships with online gambling companies already causing worry. They don't even try to hide the private jets to ferry around incoming coaches. It's all part of the deal.

Where does college football go from here? It's going to the haves, perhaps in the form of two super conferences: the Big Who Knows What and the mighty SEC. Maybe the ACC and Big 12 reinforce themselves, to create some version of a Power 4 (down from a Power 5). Notre Dame will stand in a corner, fists up, until it likely relents.

The expanded 12-team playoff, meanwhile, will create new revenue, but who knows what it does to the regular season?

There's probably (hopefully?) going to be a few presidents saying enough is enough, and dropping football altogether, or at least living a more sensible life in Division III. I'm sure there are plenty of college presidents who would like to take this door *now*.

At least we all see big-time college football for what it's become.

It had some of us fooled, that it was still about Saturdays, tribal rivalries, giant tailgates, silly chants and singing the alma mater with bare-chested freshmen who somehow misspelled DFENESE. That version of college football can still be found, and it's fantastic, but what matters most to the people in charge is how much money it's going to bring in. They've made it clear where they stand. Reality can be a bummer. Bring me the horn.



We need a horn.

A large, noisy, custom-made horn. Something along the lines of a tuba—or better yet, a marching band Sousaphone. Just a glorious horn that must be honked, with gusto, every time a college president, athletic director or head coach in America dares to suggest that big-time college football is anything other than another money-driven golden goose chase-a-palooza.

COLLEGE PRESIDENT: *What's important here is the mission of education, and a tradition of...*

**HOOOOOOOOONNK!!!!**

COLLEGE PRESIDENT: *As I was trying to say, this is really about the student-athletes...*

**HOOOOOOOOONNK!!!!**

Please send one of these horns as quickly as possible to the University of Washington and the University of Oregon, Pac-12 schools that over the weekend eloped with the wintry Big Ten, eager for the joy of walleye cakes and 13-7 nailbiters. Please also send horns to Arizona, Arizona State and Utah—Pac-12 members which joined Colorado in bailing to that other famous conference of buttes and palm trees...the

Big 12.

As soon as 2024, the Big Ten conference will have 18 members, including those beach bums from USC and UCLA who already announced their Pac-12 exodus. The Big 12 will swell to 16, matching the Southeastern Conference, which is splurging to add Texas and Oklahoma.

Meanwhile, the Pac-12, the "Conference of Champions," will have...wait for it...four teams left. Let's hear it for sad math!

**HOOOOOOOOONNK!!!!**

Conference defections like these get explained as survival tactics, and it's true—though it's sort of like an art thief avoiding capture by hiding behind a potted plant. It's a hasty escape from a self-inflicted disaster, one that the Pac-12 conference, members and administrators all had a hand in, amid a brewing crisis even the sleepest fan saw coming for years.

To say the obvious: The horse left the barn long ago in college football. It left the barn and built a newer, bigger barn, with heated floors, a home theater, wine cellar, a pool with a lazy river, a LeRoy Neiman of Secretariat and a five-horse garage. Colleges grew spell-

bound by the windfall potential, even if they weren't any good at football, even if the revenue usually gets sunk right back into football, and the impact upon enrollment and alumni loyalty isn't as potent as claimed.

One after the other, schools have fallen into a silky bed of billion-dollar network arrangements, eight-figure head coaches, millionaire assistants and conditioning gurus earning high six figures to say *That is not a proper squat*. (Yes, I know they do more.)

In return, schools rearranged their scholastic priorities, athletic departments and the entire U.S. map to please the true leaders of college sports: television programmers.

Don't blame TV, though! Television is just doing what television does: paying for the eyeballs, wherever they are. They want the numbers, subscribers, customers and ad dollars, nothing more. If they could get it instead by paying for indoor shark pickleball, they would pay for indoor shark pickleball.

It's the schools, conferences and the mothership NCAA that have taken us here, compromising what makes college sports great to

achieve the highest financial bid, no matter the impact for fans, rivalries, or heaven forbid, the thousands of thrown-into-turmoil athletes who have the misfortune to play something other than big-time football or basketball.

Imagine being a prospect committed to play Pac-12 softball, dreaming of rivalry games with fellow West Coast powerhouses. Get ready to grab a mitt and hop on the plane to Madison, Piscataway, and College Park.

The coming chaos is going to be intense. What happens to proven Olympic athlete factories like Stanford and Cal, left behind in the cobwebs of the Zombie Pac 4?

College football's musical chairs derby might be defensible in the abstract (*we're just serving up better games*) if it wasn't creating such collateral damage. It's another handful of hypocrisy for a sport that already held the copyright on the term. (While we are at it, let's not forget the epic free ride currently enjoyed by the NFL, which gets a nationwide development league with no stake in the game.)

Please know: There are college sports officials making a ruckus to Congress about the alleged perils of

## England Clears a Path At Women's World Cup

By JOSHUA ROBINSON

**THERE'S NO SUCH THING** as an England World Cup run without a little national psychodrama.

The good news for the country's women's national team is that on Monday, it got the panic out of the way early. The Lionesses on Monday survived 120 goalless minutes against Nigeria and a penalty shootout to land a spot in the quarterfinals. With that scare behind it, England can look around and take stock of a highly unfamiliar situation.

With heavyweights such as Germany and the two-time defending champion U.S. already eliminated, this tournament is opening up for the Lionesses. England may be the favorite to win the World Cup.

If that sentence sounds a little crazy, it's because nearly six decades of heart-break on the men's side have taught England that World Cups are rarely a time for optimism. A song called "Football's Coming Home" debuted as a hopeful tune in 1996 and spent more than 20 years morphing into a tongue-in-cheek anthem for failure.

But while the men have failed to win any international trophy since the 1966 World Cup, the Lionesses have spent the past few years reversing the trend. Last summer, they brought home their first major trophy by winning the European Championship on home soil at London's Wembley Stadium. And earlier this year, they won the

Finalissima, which pits the champions of Europe against the champions of South America, in a penalty shootout against Brazil.

Now, after holding off Nigeria, England is only three victories away from completing a historic double.

"It's amazing, anything that's thrown at us, we show what we're capable of [handling]," said England forward Chloe Kelly, who drilled the Lionesses' winning penalty. "We dig deep as a group and we believe in our ability. We believe in what we're told to do."

Coming this far hasn't always been pretty. England had to scrape past Haiti 1-0 in its opening game, before hitting its stride against Denmark and China to round out the group stage. Nigeria, ranked No. 40 in the world, shouldn't have caused the No. 4 Lionesses too many problems.

But the longer the game went without a goal, the more nervous England looked. By the time it reached a penalty shootout, decades of English angst came bubbling back to the surface. The men's collection of devastating shootout losses includes a 1990 World Cup semifinal to West Germany, a 1998 World Cup round of 16 match to Argentina, a 2004 European Championship quarterfinal to Portugal, and a 2021 European Championship final to Italy.

These are the collapses that conditioned an entire generation of English soccer fans to hear the words "penalty shootout" and immediately hide behind the couch.



England's Chloe Kelly, left, and Alex Greenwood celebrate following a penalty shootout win against Nigeria.

Only this crop of Lionesses held their nerve—and now that existential dread of an ugly game that could have so easily broken against them is out of the way.

"I don't know what my heart rate is, I just know I'm 10 years' older," said England manager Sarina Wiegman. "It was a really intense game."

England's reward is a quarterfinal date with either Colombia or Jamaica, in which the Lionesses will be heavily favored again. And projecting even further, a likely semifinal against Australia or France would await. But the Lionesses understand that the top two teams in the FIFA world rankings, the U.S. and Germany, are already out, while No. 3 Sweden is on the other side of the draw.

Part of this reshuffle is down to the surprising parity across the group stage of this tournament. As the Women's World Cup expanded to 32 teams, including eight coun-

tries making their first ever appearances, the stage seemed set for plenty of blowouts. Instead, the opposite happened, as smaller programs raised their level and underscored how increased professionalism is redrawing the map of international women's soccer.

Nigeria, for instance, found itself in the round of 16 against England because it edged out Canada for the second spot in its group. Jamaica and Colombia, who will face off on Tuesday, both qualified from groups that saw Brazil and Germany crash out.

"You see the women's game has improved so much," Wiegman said. "You saw it in the group stage. So many games were equal and it's not the expected teams have won all the time."

So instead of a possible road to the final that went Canada-Germany-France, England could realistically meet Nigeria, Jamaica, and Australia.

The Lionesses will have to advance, however, without their breakout star of the tournament, Chelsea's Lauren James. After a spate of pre-tournament injuries, England lost another key player to a one-game suspension when James was sent off against Nigeria for stepping on an opponent. James, who also happens to be the sister of Chelsea men's player Reece James, had been involved in six of England's eight goals before Monday.

"We've had many setbacks and this was a big one too," Wiegman said.

But one classic England setback the Lionesses don't seem to have is the one that has derailed a generation's worth of World Cup campaigns for the country that invented the sport: a crippling fear of penalty shootouts.

"We have trained it," Wiegman said. "We know how to do it, and we have the experience."

ISABEL INFANTES/PA WIREIMAGE PRESS

## OPINION

## Donald Trump's Last Hurrah



**MAIN STREET**  
By William McGurn

No mug shot was taken at Donald Trump's arraignment Thursday on charges that he conspired to overturn the results of the 2020 election. So Mr. Trump produced his own and posted it on Truth Social. Beneath a black-and-white image of the former president were the words "Not Guilty"—and a big red button saying "contribute."

It confirms something Bostonians already know: Donald Trump is the Republican James Michael Curley. In the "The Last Hurrah"—the fictionalized 1958 film version of Curley's life—Spencer Tracy plays a lovable rogue politico who fights for the Irish-Catholic working class. In real life, Curley's campaigns against the Brahmins who'd dominated Boston civic life since the Mayflower foreshadowed Mr. Trump. Elite loathing only made Curley's supporters love him more. They happily looked past the corruption and abuses, which somehow never made it into John Ford's film.

Curley (1874-1958) served four nonconsecutive terms as Boston's mayor and one as Massachusetts' governor, along with stints as a city alderman, a state representative and a U.S. congressman. But the biographical fact most relevant to Mr. Trump today is

that Curley was imprisoned in 1947 while Boston's mayor.

It wasn't his first time wearing prison stripes, either. In 1903, while a member of the state House of Representatives, Curley was convicted of taking the civil-service exam for a constituent who wanted a job as a letter carrier. In prison he brashly, and successfully, ran for Boston's Board of Aldermen under the slogan: "He did it for a friend."

Four decades later he ran for mayor and won while under federal indictment for mail fraud. He served part of his last term as mayor in the federal pokey in Danbury, Conn., before President Harry S. Truman pardoned him. He then returned to his job.

The constitutional implications for a convicted mayor and president are different. But both are examples of politicians who thrived amid scandals that would destroy ordinary men. In Mr. Trump's case that includes an affair with a porn star, two impeachments and various indictments. Mr. Trump understands this well, regularly trolling his enemies by highlighting polls showing him beating his GOP rivals and even occasionally Joe Biden.

The reaction among Mr. Trump's haters is to wonder why his supporters don't hate him too. Mostly they tell themselves that his voters are stupid. Never does their own role in stoking Mr. Trump's popularity occur to them.

Mr. Trump isn't the first politician to turn his enemies

to his advantage by playing up populist resentment. Huey Long did it with rural whites on small farms in Louisiana in the 1920s and '30s. Leaders from Adam Clayton Powell Jr. to Marion Barry and others have done it with black voters in urban areas. And Curley did it with his Irish base in Boston.

### James Michael Curley shows that a federal prison sentence is no bar to elective office.

Consider the worst things Mr. Trump has done. His failure to act during the Jan. 6 riots. His continued claims the 2020 election was stolen despite a lack of evidence. The pattern of hiring good people, who were then trashed when they fell out of favor.

His supporters see this. But they also see how a biased investigation into nonexistent Russian collusion, which featured the FBI lying to the Foreign Intelligence Surveillance Court, hung over his administration like a cloud. A House Jan. 6 Committee that made sure that its membership and process were stacked against him. Two partisan impeachments, one without any hearings.

Cut to this year. When Mr. Trump was indicted on a charge of keeping classified documents at Mar-a-Lago, his

former attorney general William Barr said the answer to a system that treats Democrats and Republicans differently isn't to give Mr. Trump a pass. "You don't get to restore the rule of law by further derogating from the rule of law," he said.

He's right. But Mr. Barr also recognized that "there is a two-tiered system of justice"—and that he himself had tried to redress that as attorney general. Problem is, public faith in impartial justice and law enforcement will never be restored until voters see that it applies to people named Biden and Clinton too.

Instead, the Justice Department offers Hunter Biden a sweetheart plea deal that its own prosecutors admitted was unprecedented. Scarcely a week later, federal prosecutors indicted Mr. Trump using novel legal interpretations brought by a special counsel once rebuked 8-0 by the Supreme Court for stretching the law. The result is that 2024 may be decided by who is more unpopular: an indicted former president or a possibly impeached incumbent president.

As much as he'd love it, Mr. Trump isn't looking to the courts to vindicate him. Like James Michael Curley, he is banking on voter nullification. If against all odds the 45th president becomes the 47th, he can thank the overreach and condescension of his enemies.

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

**BOOKSHELF** | By Charlotte Gray

## A Leading Lady Of Journalism

### First to the Front

By Lorissa Rinehart  
(St. Martin's 381 pages, \$32)

The life of Dickey Chapelle reads like a Hollywood movie. A pearl-earringed photojournalist and war correspondent confounds all stereotypes, breaking stories and outdoing the U.S. Marines in bravery; she is honored by freedom fighters, consulted by Pentagon brass and rewarded with the Presidential Medal of Freedom before retiring to an emeritus professorship.

This all happened to the real Dickey Chapelle—born Georgette Meyer in Milwaukee in 1918—except for the Medal of Freedom and the professorship. Instead, Chapelle was killed in 1965 while on a patrol with a Marine platoon in Vietnam and was soon forgotten. Many of her reports and dispatches never made it to press, either because she couldn't find a news outlet for them or because censorship stifled them. She was patriotic,

principled and tough to the point of recklessness. As Lorissa Rinehart describes in "First to the Front," Chapelle insisted on seeing every story with her own eyes, describing events from the point of view of the grunts rather than the generals. "By every right," Ms. Rinehart writes, "Dickey Chapelle should be a household name."

Obsessed since childhood by the thrill of flight, Chapelle was one of three women accepted into MIT's aeronautical-engineering class in 1934. She was bright, but more than that, she was intrepid.

After flunking out of school (she preferred watching planes to designing them), she worked at a local air circus so she could take flying lessons. She soon realized that there was a market for articles about air shows, and after the New York Times ran one of her stories, the publicity chief of Howard Hughes's Transcontinental & Western Air (later TWA) offered her a job as his assistant.

When war broke out in Europe in 1939, she "saw the world teetering on the precipice of a historical moment," Ms. Rinehart tells us, "and knew she had to be a part of it." Her ambition was to be a photojournalist, so she signed up for classes with TWA's publicity photographer. Anthony Chapelle was twice her age, charismatic, gregarious and a good teacher, and Dickey fell in love with him. The two married in 1940.

Dickey Chapelle's first chance to report on military maneuvers came in 1942, when Look magazine sent her to photograph the 14th Infantry Regiment training in the Panamanian jungle. She proved herself to be as tenacious and courageous as the trainees, shouldering her own heavy camera equipment through the stifling humidity and clouds of mosquitoes. But military censors back home blocked her photos from appearing in print, on grounds that the images posed a threat to national security.

Her next chance at the front came in 1945, when she received a commission and official accreditation to travel to the Pacific theater. Until then, no female photographer had been given access to combat zones; she began by attaching herself to the Navy's nursing corps, responsible for evacuating casualties to U.S. hospitals. She soon eluded her way to Pearl Harbor, and then Iwo Jima, where she covered the Marines in battle. As she photographed the wounded being loaded onto a hospital ship and trained her lens on the young men bleeding to death, she honed the skill and steely detachment she needed to weave their stories together into a gripping narrative.

By now, Chapelle was completely bitten by the war-reporting bug. Her coverage focused on the soldiers, sailors, nurses, airmen, guerrillas and refugees whose lives had been seared by war. Part of her mission, she told her military escorts, was to convey the importance of blood donations back home. This immediately endeared her to everyone, "from the shiniest brass button to the dirtiest grunt boot," as Ms. Rinehart puts it. However, her success in capturing the action, despite orders to stay on the hospital ship, resulted in her press credentials being rescinded. Few of her pieces were published.

### One editor tagged her the 'bayonet border correspondent' since she was usually among the first to arrive at a combat zone.

After the war, she persuaded the Quakers to send her on an extended trip to Eastern Europe to photograph families, and particularly children, traumatized by war and its outcomes—starvation, homelessness, sickness. Within years, prestigious publications such as National Geographic were using her photos and stories. In 1956, while covering the Hungarian Revolution, she was captured and jailed for six weeks, including five in solitary confinement. The experience left her psychologically wounded and turned her hostility toward totalitarian regimes into a fierce determination, Ms. Rinehart writes, "to beat back the tide of communism" and tell "the stories of others fighting for their freedom."

Chapelle's mission would lead her to embed herself with the Algerian rebels in their fight against French rule, and with Fidel Castro's guerrilla army in the Cuban Revolution. One editor tagged her the "bayonet border correspondent" since she was usually among the first at the front. By 1961 she was reporting on the American forces' efforts to repel the Viet Cong. By the time of her death in 1965, she had grown exasperated by what she saw as the inability of U.S. military leaders to understand guerilla warfare, and the CIA's complicity in the illegal expansion of the war. But military censorship prevented her from reporting about her outrage. "Perhaps Dickey should have known she was about to walk into one of the darkest periods of American history," Ms. Rinehart writes. But she could not turn back, due to "her own naivete or fear or desire to believe that America could still be a beacon for freedom."

"First to the Front" tells an extraordinary story with a great sense of drama and lots of gruesome details. It is hard to tell where many of those details came from because there are no footnotes. Instead, the author lists the primary sources for each chapter, almost all of which are Chapelle's own notes, letters, articles and her autobiography (originally titled "What's a Woman Doing Here?"). So the story is told almost exclusively from Chapelle's point of view, with (presumably) flourishes of color by the author but without comment from Chapelle's editors, peers or contacts—who no doubt admired her work but may have been irritated by her appetite for risk and her missionary zeal. To those who were the focus of her coverage, however, Dickey Chapelle was always a hero. At her Milwaukee funeral, the first for an American female journalist to be killed in combat, a Marine honor guard attended in full dress.

Ms. Gray is the author of "Passionate Mothers, Powerful Sons: The Lives of Jennie Jerome Churchill and Sara Delano Roosevelt," which will be published in September.

## Geopolitical Climate Denialism



**GLOBAL VIEW**  
By Walter Russell Mead

Record high temperatures in the ocean around Florida, wildfires and heat waves across Southern Europe, and flash floods and freak storms elsewhere have stirred fears of catastrophic climate change.

But another kind of climate change is also at work. The global political climate is heating up, and the rising geopolitical temperature is likely to hit faster and could wreak more havoc than anything Greenpeace is worried about. Geopolitical climate denialism is a more urgent danger to national security than melting glaciers in Greenland.

President Barack Obama was the Great Denialist in geopolitics, temporizing and tap dancing, appeasing and apologizing as an axis of anti-American revisionist powers consisting of China, Russia, Iran and their satellites stepped up their resistance and began to coordinate policies. Russia invaded Ukraine and re-entered the Middle East, China embarked on the greatest military buildup in the history of the world, and Iran built up a regional empire while Washington dreamed beautiful dreams.

Team Biden came into office knowing that the geopolitical world was getting hotter, but

believing that the root cause was Donald Trump's bull-in-a-China-shop approach to foreign policy. Put the smart people back in charge, restore some nuance and diplomatic finesse to the system, repair the trans-Atlantic relationship, and all would be well. "Park" Russia by reaching an understanding with Vladimir Putin, park Iran by re-entering the nuclear deal, and then firmly but carefully clip China's wings while inviting Beijing to cooperate on real issues of the day, like global governance and climate change.

It was an elegant, almost Obamian strategy, awash in subtlety and finesse. It had one flaw. It could work only if America's adversaries went along.

They didn't. Instead of rolling tamely into the parking lot, Russia invaded Ukraine and doubled down on its efforts to build a sphere of influence in Africa. Iran turned up its nose at Mr. Biden's offer to relaunch the nuclear deal and intensified its drive toward regional hegemony and nuclear weapons. And China responded to American pressure by deepening its ties to Russia and Iran while stepping up the pressure on Taiwan.

This summer we've seen the geopolitical equivalent of a record heat wave. The war in Ukraine escalated as Russia stepped up its missile attacks and withdrew from the grain-shipping deal that limited the

cost of the war to poor countries in the Middle East and beyond. Iran's threats to Gulf oil shipping are so serious that the administration has been forced to plan for Marines to be deployed to protect oil tankers. Russia is deepening its economic ties with North Korea and engaging in joint naval maneuvers with China around both Japan and Alaska. And in the Sahel,

### Officials start to see the world is more dangerous than they thought in 2021.

the overthrow of the pro-Western president of Niger by an apparently pro-Russian junta has led the Biden administration to back moves by neighboring nations that could lead to armed conflict with American troops at risk.

President Biden's basic problem is that our adversaries believe their strategy of turning up the heat is working. With the 2024 election approaching and isolationism rising in both political parties, adversaries around the globe hope that America's commitment to the current world order will crack as it comes under growing strain.

To give credit where it is due, the administration has taken some smart steps as it gradually grasped the gravity

of the situation. It walked back the foolish policy of alienating Saudi Arabia and began to rethink its posture in the Middle East. It embraced Indian Prime Minister Narendra Modi. It is engaging in the Sahel. It continues to support Ukraine even if moving too slowly on weapons like F-16s.

But there is one vital thing it is still failing to do. While the Biden administration has discovered that the world is a more dangerous place than it thought back in January 2021, too many Americans still think we are living in Barbie's world, not Oppenheimer's. Mr. Biden, backed by responsible leaders in both parties, needs to alert the country to the very real dangers we face around the world.

A united and vigilant America can still deter our adversaries from pressing their challenge to a point of no return. New wars that would dwarf the Ukraine conflict, engage Americans in direct combat, and potentially engulf the entire planet in the most destructive conflict ever waged are not, yet, inevitable.

Mr. Biden's greatest challenge is geopolitical, not meteorological. His most important job is to prepare the American people to face the rapidly intensifying global crisis.

And he needs to move quickly.

The global temperature continues to rise.

## The Lesson My Student Taught Me

By Gregg Opelka

When a friend asked last year if I could give piano lessons to her stepsons, 11 and 16, I was hesitant. I'd made a living as a pianist and songwriter for more than 30 years but had never taught piano. The thought of starting at the beginning with do-re-mi terrified me. Since I lived far away, lessons would have to be on Skype. My friend ultimately convinced me, after much hesitation, to do a three-month trial.

I'm very glad she did. Both boys have made impressive progress, and the elder son, Elias, now 17, just delivered a genuine Gershwin moment.

Our lessons are every two weeks and last 45 minutes. At our most recent one, I began by asking Elias to play the first movement of Beethoven's "Moonlight Sonata," a piece we'd recently taken up.

"I didn't exactly work on the Beethoven," he replied. (At least the kid's honest, I thought.) When I asked what he had worked on, he said he'd

found a YouTube video of "this really cool tune" from the popular Japanese anime series "Attack on Titan" and had practiced it to the exclusion of everything else. (Scott Joplin's rag "The Entertainer" had also fallen by the wayside.) I went with the flow. "Can you play some of it for me?"

### In George Gershwin style, he mastered a piece outside class.

Elias began to perform, completely from memory, the entire two-minute-plus piece, which featured multiple key changes as well as some complicated left-hand passages reminiscent of J.S. Bach. I was blown away. I asked how he learned it so quickly. He said he had kept rewinding the YouTube video as necessary, copying the fingering. As for the complex Bach-like passage, he said, "I think I practiced that part a billion times." I replied, "It shows."

After learning his methodology, I said, "Elias, you're just like George Gershwin!" Blank expression. I'd forgotten he was only 17. "Gershwin was a great American pianist and composer



George Gershwin

of the 1920s and '30s. At age 10 he taught himself to play the piano by imitating the keys' movements on a player piano at a friend's home."

I told him about piano rolls and how Gershwin would pump through them slowly and meticulously to learn the correct fingering for a piece. "You've just modernized George's process by using

YouTube," I lauded. "Maybe someday you'll write your own 'Rhapsody in Blue!'"

Another blank expression. He'd never heard of it. I grabbed my copy of the piece, which happened to be lying in a stack of music books nearby, and played its famous motif. "That sounds kind of familiar. Isn't that in a commercial?" Elias asked. "Yes. United Airlines has drummed it into our ears for decades."

I promised to find the sheet music for the anime song by our next lesson so we could develop it together for future performance. The best lessons are reciprocal, ones in which the teacher also learns something from the student. Elias had learned about his Gershwin moment and in turn taught me about the beautiful music found in Japanese anime. "Nevertheless," I said, ending the session, "I'd like to hear both the Beethoven and the Joplin in two weeks." Even a proud teacher needs to crack the whip.

Mr. Opelka is a musical-theater composer-lyricist.

## OPINION

## REVIEW &amp; OUTLOOK

## A Gambit to Duck Supreme Court Review

Abuse of the U.S. legal system is rampant, and the Supreme Court has agreed to address an egregious example that has roiled and divided lower courts. But the plaintiff who started it all is now trying to dodge High Court review by claiming her case is moot. Let's hope she and her lawyers don't get away with it.

**You won't believe this tale of 'tester' lawsuits and legal shenanigans.**

*Acheson Hotels v. Laufer* is an appeal by a Maine inn operator that Deborah Laufer sued in 2020. Mrs. Laufer, who has difficulty walking without assistance and is vision impaired, claimed that the inn's website lacked disability-accessibility information as required under the Americans with Disabilities Act (ADA). A federal court dismissed the suit for lack of standing because she had not suffered any direct injury. But the First Circuit Court of Appeals reversed, and the Supreme Court in March agreed to hear the case.

In July Mrs. Laufer's lawyers suddenly asked the Supreme Court to dismiss her case. Why? Well, a lower court recently exposed the shady practices of Mrs. Laufer's original legal team that have become a way to profit off the ADA. She's using the disciplinary action against her own lawyer as an excuse to abandon her claim "with prejudice."

As explained in briefs in the case, Mrs. Laufer is a self-appointed ADA "tester." Over the years she has filed hundreds of cookie-cutter federal ADA suits against hotels and their owners over disability information on their websites. Mrs. Laufer, who lives in Florida, may never set foot on the properties. "Tester" plaintiffs are an example of today's industry of mass production ADA suits.

In June three federal district judges in Maryland exposed this practice and recommended disciplinary action against Tristan Gillespie, who had filed claims on Mrs. Laufer's behalf. That three-judge panel of the court's disciplinary committee issued a report saying Mr. Gillespie has filed hundreds of "boilerplate complaints"—with the same typos and misspellings—including as many as 16 in one day.

Each suit demanded \$10,000 in attorney's fees, though the judges found he likely spent little time per case. The judges said Mr. Gillespie violated the code regulating lawyer conduct "not once or twice, but hundreds of times." And they said he engaged in a "method for extracting unwarranted attorneys' fees from targeted hotels based on a well-worn settlement script."

The judges found that the biggest "mitigating factor" in Mr. Gillespie's defense is that he

appeared to have "joined a pre-existing scheme" and was acting "at the direction of his boss," Thomas Bacon, who represented Mrs. Laufer in her First Circuit appeal. The Bacon firm has filed more than 600 ADA suits for Mrs. Laufer, and 200 more for another tester plaintiff. Mr. Bacon has withdrawn as Ms. Laufer's counsel of record but told her new attorneys that his "bar memberships are in good standing."

While tester plaintiffs aren't entitled to monetary damages, the judges note that Mrs. Laufer's lawyers paid hundreds of thousands of dollars to a "compromised investigator" who did no real work on the cases. That investigator is the father of Mrs. Laufer's grandchild. Mrs. Laufer acknowledged the relationship to the Supreme Court but denies taking money from the investigator.

Mrs. Laufer has a new legal team, but accepting her mootness claim would reward the legal practices she was part of. *Acheson's* original petition for appeal to the High Court notes that three appellate courts have rejected "tester" standing, while two have accepted it. Mrs. Laufer is a litigant with nearly identical complaints in nearly all of them. This is a circuit-court split that typically warrants High Court review.

*Acheson* notes in its reply to the mootness claim that it has been forced to spend enormous time and money to defend itself against this legal abuse. While Mrs. Laufer is abandoning her First Circuit case, she is not abandoning her claim that she has standing in these cases—which means the issue isn't moot. As *Acheson* writes, she is "abandoning her case to pave the way for Laufer and similar plaintiffs to resume their campaign of extortionate ADA suits against unwitting small businesses without the hindrance of an adverse ruling from this Court."

A mootness claim has become a more frequent dodge to avoid Supreme Court review. In 2020 the Justices agreed to hear a challenge to New York City's restrictive gun law. The city then suddenly repealed the law and claimed mootness. A Court majority bought the ploy, but Justices Samuel Alito, Clarence Thomas and Neil Gorsuch noted in dissent that "by incorrectly dismissing this case as moot, the Court permits our docket to be manipulated in a way that should not be countenanced."

Mrs. Laufer and her lawyers are trying to manipulate the Court's docket in the same way, hoping to avoid a ruling against the legal abuse exposed by federal judges.

## Alexei Navalny Gets Another 19 Years

The world hardly needs another reminder of the true nature of Vladimir Putin's Russian state, but last week brought one anyway: On Friday the opposition figure Alexei Navalny was sentenced to 19 years in prison on charges of extremism, after a trial that took place in the penal colony where he is already imprisoned.

Mr. Navalny, age 47, has galvanized protests and publicized criticisms of Mr. Putin's personal wealth. In 2020 he survived a poisoning by what investigators later said was the Russian nerve agent Novichok. He was arrested in 2021, and his anti-corruption foundation was shut down as a purported "extremist" organization.

In comments posted to social media after the 19-year sentence came down, Mr. Navalny made clear that he has no illusions about what he's up against. "The number doesn't matter," he said. "I understand very well that, like many po-

litical prisoners, I am serving a life sentence—where life is measured by the duration of my life or the life of this regime." He added that Mr. Putin's goal in persecuting him is to frighten and intimidate everyone else who might be tempted to resist: "You are being forced to surrender your Russia without a fight to a gang of traitors, thieves and scoundrels who have seized power."

What a thing to say from the confines of a Russian prison. Bravery, Mr. Navalny has it. So does Jimmy Lai in Hong Kong, who could easily be living a billionaire's life in exile instead of sitting in a prison cell, and so do countless others who defy autocratic regimes, as far away as Iran and Afghanistan, and as close to home as Cuba, only 90 miles off Florida.

The U.S. has its share of problems, but it remains, as much as ever, a beacon of freedom and democracy, and if Americans ever take that for granted, they should take a look around.

## The White House's Gender Pay Gap

President Biden claims to fight for women, but the gender pay gap this year at the White House is a whopping 20%, according to a recent analysis of official data. The median man on Mr. Biden's staff earns \$105,000, while the median woman gets only \$84,000. What happened to Mr. Biden's progressive notions of "equity"?

Allow us to help the White House out here. The explanation is that people are complicated. We don't think Mr. Biden is guilty of rampant sexism in employment. But the White House numbers are a teaching moment, since they mirror how Mr. Biden and his fellow Democrats frequently abuse aggregate statistics to criticize businesses.

The pay figures are from the White House's recent annual personnel report to Congress, a table that includes hundreds of names, titles and salaries. Mark Perry, an economist at the American Enterprise Institute, did the detail work to extract the data and categorize employees by gender. His conclusion is that the median woman working for Mr. Biden earns 80 cents for each \$1 paid to the median man.

How can this be, since the salaries are public and people with equal titles get equal pay? The answer is that there's a composition effect: Among 269 female and 179 male White House staff in Mr. Perry's spreadsheet, there are more women in lower-paid roles such as staff assistant. Other women are at the top: Press secretary Karine Jean-Pierre and eight others are listed with salaries of \$180,000. But the overall distribution is what affects the median.

**An analysis says women working for Biden earn 80 cents on the dollar.**

Make sense? Well, yes, but in every other context progressives pretend they don't understand this basic reality of aggregate data. Consider a blog post this summer by the Council of Economic Advisers (!), which was tied to the 60th anniversary of the Equal Pay Act. "In 2022," it said, "among all wage and salary workers usually working full-time, a woman made just 83 cents for every dollar paid to a man."

Wait, if Mr. Biden pays only 80 cents on the dollar, does that mean his White House is three percentage points more structurally sexist than the labor market writ large? We'd love to hear his reply to that one, since Mr. Biden's rhetoric about "equity" leaves no room for nuance.

The better view, the one reflecting reality, is that this mode of analysis is flawed. Many trends feed into the aggregate wage gap, including people's free choices. To take one example, more than 90% of workplace deaths in 2021 were men, and dangerous jobs like repairing power lines command a wage premium.

The recent misguided comment on the pay gap from the Council of Economic Advisers goes on to argue that "women with postsecondary degrees face a larger penalty than the overall pay gap." But what degrees?

The range in graduate education is massive, from a master's in social work, to a medical or law degree, to a Ph.D in bioengineering. Lumping all these people together and then cutting the data set by gender is not a way to understand what's truly going on in the world. If it were, feminists should be running Mr. Biden out of town on a rail.

## LETTERS TO THE EDITOR

## In Defense of Illinois's Public-Union Contract

Illinois state workers protect children from abuse and neglect, care for aging veterans and people with disabilities, keep prisons secure and supervise parolees, monitor air and water quality and much more. During the pandemic, they answered the call.

Given all these employees do, the wage increases in their new union contract ("J.B. Pritzker, Public Union Boss," *Review & Outlook*, July 31) are fair and deserved, as well as consistent with state and national averages. The terms are also intended to address the severe staff shortages in state government—by making wage rates fairer and committing to strengthen recruiting efforts and streamline the hiring process.

Your concern about Illinois's "fiscal and economic health" is misplaced. Illinois finances and bond rating are the best in decades. Putting the squeeze on working-class people who have dedicated their careers to public service isn't fiscal responsibility, it's harsh and ill-conceived austerity.

LEE SAUNDERS AND ROBERTA LYNCH  
President, *Afscme International*  
Executive director, *Afscme Council 31*  
Washington and Chicago

Your editorial takes Illinois Gov. Pritzker to task for a contract agreement with state workers, alleging that it will undermine the budget and burden taxpayers. In June, however, Mr. Pritzker signed his fifth balanced budget into law, providing more money for pensions and the rainy-day fund, along with major boosts for education, healthcare and childcare.

Illinois has seen six consecutive months of gains in payroll jobs and nine months of an unchanged or decreased unemployment rate. The Chicagoland area ranks first for corporate relocations and expansion, and Illinois ranks second as a whole. All three major rating agencies have upgraded Illinois's credit eight times under Mr. Pritzker's leadership, while Illinois became only the fifth state to produce a trillion dollars in annual economic activity.

This is hardly the record of a job-destroyer or profligate spender. Many red-state governors would embrace such results. Judging by his double-digit margin of re-election in 2022, most Illinoisans have, as well.

REP. RAJA KRISHNAMOORTHY (D., ILL.)  
Schaumburg, Ill.

## The Life and Death of a Great American Firm

Regarding your editorial "The Yellow Road to Bankruptcy" (Aug. 1): From 1999 to 2011, I led Yellow Corp. and its successor, YRC, as chairman, president and CEO. In 2003 Yellow Corp. was competing in a consolidating less-than-truckload freight industry with only three national unionized carriers remaining, out of hundreds in previous decades. An opportunity presented itself to build scale and make Yellow more competitive. The resulting merger with Roadway and acquisition of USF provided that scale, taking the company from \$3 billion to \$10 billion in revenue in three years.

Subsequent performance exceeded market expectations, delivering record revenue and also earnings from 2004-06, and building the market cap to \$3 billion, creating significant shareholder value along the way.

In 2007 the trap door of the global

recession hit the industry and the world. Over the next two years, "8,000 trucking companies went bankrupt, and others simply closed their doors," per Reuters. But not YRC. In 2009 we began recovering. By the end of 2010 we returned to profitability and completed our restructuring plan.

The debt we accumulated from our merger and acquisition was manageable for a \$10 billion company but challenging for a \$5 billion, post-recession company. Then a \$700 million government loan during Covid doubled the debt in 2020. Leaders do the best they can, but they don't have a crystal ball.

M&A activity shouldn't be abandoned because of black-swan events. YRC was on its way to a positive outcome before the global meltdown.

BILL ZOLLARS  
Mission Hills, Kan.

## DeSantis's Leadership Deserves Another Look

A letter (Aug. 2) argues that Florida Gov. Ron DeSantis has dragged himself down with unpopular policies since his exemplary handling of Covid. Signing a six-week abortion ban could hurt him nationally, but the governor has said that the issue should be left to the states.

The other positions Mr. DeSantis has taken should help, not harm, his chances. To rephrase the issues listed by the writer: Making Disney abide by the same rules as every other business; stopping the indoctrination of young schoolchildren in sexual and gender ideology; banning sex-transition surgery on minors; and making clear that Florida isn't a sanctuary state are all popular and mainstream.

JOHN DI CHIARA  
DeLand, Fla.

Regarding your editorial "The Real DeSantis Covid Record" (July 26): In several research articles, I show that California's broad-based use of mandates led to a sharper loss in jobs and

economic activity than did Florida's more targeted approach.

The most significant long-term cost of California's indiscriminate lockdowns may be from its public-school closures. California ranked last of all 50 states in cumulative in-person education; Florida ranked third-highest. California's long-term losses will be worst for those from low-income families, a tragedy that had no discernible benefit in lives saved.

Some would respond that California had a lower Covid death rate than Florida. Not so fast. Fifteen percent of Californians but 21% of Floridians are over 65. California's age-adjusted death rate was roughly the same as Florida's. Targeted regulations were more effective than ham-handed, broad-based policies.

EM. PROF. JIM DOTI  
Chapman University  
Orange, Calif.

I'd like nothing more than to see Donald Trump be president again. That's why I'll vote for Mr. DeSantis. Better to have Trump 2.0 than no Trump at all.

DALE FRUMAN  
Export, Pa.

## If You're Going to Sell an EV, Why Not Provide a Charger?

I'd like to add to the "Ten Questions to Ask Yourself About the Transition to Renewables" (Journal Report, July 24). Should auto dealers who sell electric vehicles be required to install charging stations at dealerships?

It would be a convenience for out-of-town travelers, who would easily be able to locate a charging station while on the road by finding a dealership. If you drive a GM, Ford or Toyota, you could locate a dealer to get your charge. It seems that if dealers are going to sell EVs, they should also provide a means for customers to charge them.

CAROLYN GIERKE  
Lancaster, N.Y.

## Auditors Have Lost Focus

Erica Williams expects to see deficiencies in 40% of audit reports of public companies ("We Audit the Auditors, and We Found Trouble," op-ed, July 25). I'm surprised the percentage isn't greater. Auditors have become involved in their clients' compliance with diversity and climate reporting. Something has to take second place, and here it is the debits and credits—commonly referred to as the annual financial statements.

DONALD B. KEELAN  
Arlington, Va.

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## Pepper ... And Salt

THE WALL STREET JOURNAL



"Thanks for letting me borrow your window for a few minutes"



OPINION

# Everybody Hates Mitch McConnell

By Andy Laperriere

It has been an eventful and depressing few weeks. Donald Trump was indicted again. Hunter Biden's outrageous plea agreement blew up. Some Democrats now admit President Biden was probably involved in Hunter's business dealings. And Fitch downgraded U.S. government debt. But my thoughts keep going back to when Senate Minority Leader Mitch McConnell froze before the cameras.

**His unpopularity—for his effectiveness and being willing to compromise—is a grim sign of the times.**

Mr. McConnell is by far the least popular political leader in America. It isn't even close. The RealClearPolitics average shows Mr. McConnell's net unfavorability rating is nearly twice as bad as his nearest competitor. Most activist Republicans loathe Mr. McConnell because the conservative media attacks him mercilessly for being a "Republican in name only"—a RINO. Democrats detest him because they believe he is a rabid (and extremely effective) partisan.

But sometimes politicians are unpopular for the right reasons. Of

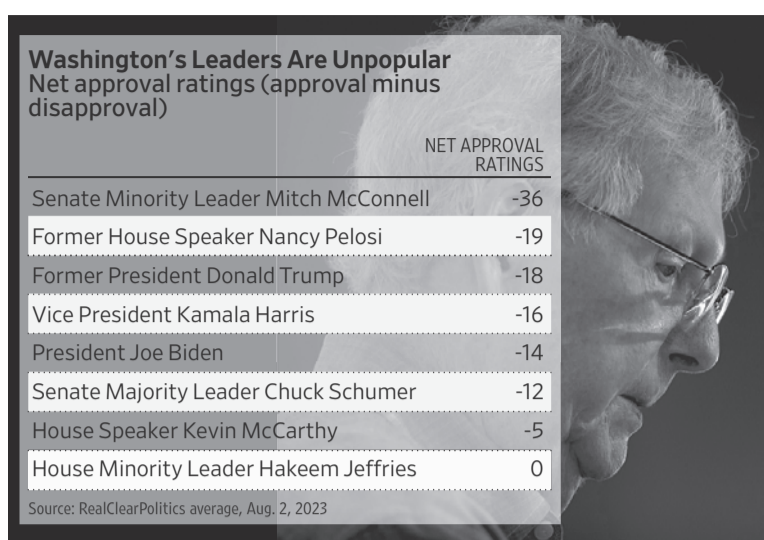
all the people listed in the nearby table, Mr. McConnell alone never questioned the legitimacy of the 2016 election, never questioned the legitimacy of the 2020 election, never peddled the Russia-collusion hoax, and unequivocally condemned the violent Jan. 6. attack on the Capitol.

It now appears age is catching up to Mr. McConnell, 81. He had his episode before the cameras two weeks ago, and it has been reported he has fallen multiple times since suffering a concussion and broken ribs this past winter.

Mr. McConnell built the Republican Party in Kentucky from the ground up. He recently broke the record for the longest-serving party leader in the Senate, eclipsing Sen. Mike Mansfield's 16 years. He has been the most effective Republican in Washington since Ronald Reagan and the most effective senator since Ted Kennedy.

Some say he is too partisan. That may be fair. Some say he should have criticized Mr. Trump more often. Maybe so, but part of surviving in politics is avoiding self-immolation. He is attacked mercilessly by much of the conservative media because he is willing to lead and govern, and that means agreeing to unpleasant compromises. His even greater offense is that he has standards.

When I first started covering Washington for investors, many clients would ask if following all those politicians around drove me crazy. I



used to say they aren't as bad as you think—and that was true. In those days, Rep. Henry Hyde used to tell House freshmen that some causes are worth losing an election for. Mr. McConnell believes that. When he entered the Senate in 1985, plenty of his colleagues did too.

Things are different now. The tenor of the political debate has changed, the media has changed, and the American people have changed. Garry Kasparov once observed: "The point of modern propaganda isn't only to misinform or push an agenda. It is to exhaust your critical thinking, to annihilate the truth." Unfortunately, we are in a post-truth era in American politics.

This was evident in the response to damning testimony last week that then-Vice President Biden was on the phone countless times with Hunter's foreign business clients. Rep. Daniel Goldman (D., N.Y.) says Hunter sold the "illusion of access" because Joe Biden didn't do anything for Hunter's clients. Getting the American vice president on the phone is the very definition of "access."

Even accepting Mr. Goldman's defense at face value, he is at the very least saying Hunter was a con man who provided no real value. At worst he is acknowledging that the vice president was an active participant in a scheme to bilk foreign companies out of tens of millions of

dollars. How is it that no prominent Democrat has risen to condemn this alleged influence peddling scandal? It seems most Democratic voters are immune to whatever the truth may be.

What about Republicans? In a recent New York Times/Siena poll, 56% of GOP voters surveyed said Mr. Trump didn't do anything wrong in the classified-materials case. As for his actions after the 2020 election, 75% of GOP voters agreed "he was just exercising his right to contest the election" while only 19% thought "he went so far that he threatened American democracy." It's no wonder Republican elected officials, including Mr. Trump's primary opponents, sound as preposterous defending him as Mr. Goldman does defending Mr. Biden.

Neither Mr. Biden nor Mr. Trump are likely to take the political risks necessary to tackle tough and controversial problems. Fitch was right to downgrade the U.S. debt and probably underappreciates the rot in America's political system.

Even the old standards for evaluating a president—integrity, competence, experience—seem antiquated. Partisans in both parties want their leaders to put tribe over truth. Until that changes, Mitch McConnell will remain the least popular political leader in America.

*Mr. Laperriere is head of U.S. policy for Piper Sandler & Co., an investment bank.*

## Trump Turned the GOP Into the Party of Wishful Thinking



**FREE EXPRESSION**  
By Gerard Baker

For a political class that likes to think of itself as a hardened cadre of cold-eyed realists, the leadership of the Republican Party has indulged in comically wishful thinking about the most consequential figure in recent political history.

When Donald Trump emerged on the political stage to lead his improbable insurgency of the dispossessed, most top Republicans assumed he was a joke and could never win. The party's senators, who wouldn't recognize an insurgency if it were presented to their nether regions on the sharp end of a pitchfork, with one exception dismissed him as a carnival barker.

When the iron doly entered their hides—if not their souls—they hurriedly made their peace with their new leader. When, against the odds (and, one suspects, the wishes of more than a few of them), he won the presidency, the wishing only intensified. Some believed, or hoped,

that somehow the office would become him, that the mystical mingling of the man and the presidency would elevate the former rather than debase the latter. How did that work out?

Some allowed the wish to father the thought that by working with and for him, they could restrain his flammable impulses. The long list of short-lived ex-Trump cabinet officers is eloquent testimony to the fancifulness of that idea.

More realistically, many hoped that his energy and charisma could be harnessed to the pursuit of the party's long-running objectives. Some of their wishes were indeed fulfilled: a solid legislative record, three fine Supreme Court justices, a robust economic performance.

But when he violated his oath of office after the 2020 election by attempting to overthrow the constitutional order, Republicans faced their worst choice yet between fact- and faith-based decision making: Bite the bullet and banish him from office, or keep wishing, harder than ever.

It wasn't really a contest. With a few exceptions, they declined to vote to impeach or convict him in

January and February 2021, many clinging to the misplaced belief that he was finished anyway. They read his approval numbers—Gallup had him at 34% at the end of his presidency—and assumed his ego wouldn't allow him to launch another presidential bid that was surely doomed from the start.

**Its leaders assumed he was a joke, tried to make peace with him, and reckoned he was finished after 2020.**

So they have spent 2½ years crossing their fingers and gripping their talismans, despite a solid and immovable wall of evidence that Mr. Trump was going to run again and was a heavy favorite for his party's nomination. With one or two exceptions, his dozen or so Republican opponents continue to hope for a miracle rather than to do the hard work of trying to engineer one.

The wish-inspired decision making was, as it always is, a substitute for honest, difficult decision making.

Few Republicans have wanted to risk the wrath of Mr. Trump's passionate supporters, but at the same time many were always much more appalled than they let on at the thought of the man behind Jan. 6 leading their party into the next election.

Mr. Trump's latest indictment last week, on charges relating to his attempt to overturn the 2020 election, signals that the long era of wishful thinking in the Republican Party leadership's relationship with Mr. Trump must come to an end.

Not that everyone has recognized it. I suspect that even now a significant number of senior party figures, even as they express public outrage at the judicial tyranny on show in the charge sheet and dubious legal theories of special counsel Jack Smith, are secretly, desperately hoping that somehow this case will spare them from having to keep on side with the former president. They're telling themselves that some new revelations at trial or even the possibility of a prison sentence will persuade enough Republican primary voters to withdraw their support and that this chalice will pass their lips. Their wishes might finally

come true, but I doubt it. The larger problem the latest charges represent isn't simply that they probably cement Mr. Trump's standing in the primary. It is that they present Republicans with a decision that has dramatic consequences for the rule of law.

I don't know if Mr. Trump is guilty—and I certainly don't dispute that the Biden administration is pushing the bounds of prudent and proper law enforcement in a way that threatens stable government. It would be wishful thinking on my own part to hope that in the best interests of the republic and justice, a jury might carefully weigh the case and acquit him.

But after this Republicans must understand there is no turning back in the war between Mr. Trump and the Democrats on the battlefield of so-called justice—one he will prosecute with gusto if he is elected. There will be those who say that this is the inevitable path the party must take—a ruinous course, in my view. But Republican leaders should stop pretending they don't know the consequences and decide whether they want to follow this perilous path.

## The Wagner Group in Africa Serves Putin's Global Ambitions

By Zineb Riboua

Ukraine's fight for sovereignty has been courageous, and America's support has been honorable. Yet even as Ukrainians successfully expose Russian military weaknesses, the West can't afford to focus only on this conflict. As war rages from Bakhmut to Kherson, Vladimir Putin is pursuing a grand strategy aimed at weakening the North Atlantic Treaty Organization's southern flank in Africa.

"The African continent is emerging as a new center of power right before our eyes," Mr. Putin told African leaders at a late July summit in St. Petersburg. As he spoke, a coup was unfolding in Niger, the last U.S. security partner in the terrorist-plagued Sahel region and a host to 1,100 American soldiers. The 2021 coup in neighboring Mali heralded the arrival of Russian forces. Will Niger be next?

It seems so, if Mr. Putin controls the geopolitical steering wheel. At least 1,000 Russian mercenaries are currently operating in Mali, 1,200 in Libya, and 1,000 in the Central African Republic. The Kremlin has also expanded its economic and political projects to Burkina Faso, Algeria, Sudan, Mozambique, Zimbabwe and

Eritrea. If the West doesn't assert itself, Mr. Putin will.

Russia's primary force in Africa is the Wagner Group, the paramilitary company led by Yevgeny Prigozhin. Despite his short-lived mutiny against Russian troops in late June, the Wagner Group remains a necessary component in Russia's global

**As in Syria in 2015, Russia's intervention poses multiple dangers to the NATO alliance.**

war machine. It appears that Mr. Putin solved the recent power struggle largely by telling Mr. Prigozhin to focus on Africa.

The key to Mr. Prigozhin's success is the services he offers to African leaders. Wagner supplies mercenaries, regime security, profit-sharing deals, media management and disinformation campaigns. When speaking about his relationship with the group in June, Central African Republic President Faustin-Archange Touadéra said: "I need to protect the population. I need to protect the institutions of the republic. I asked everyone for

help, and was I supposed to refuse the help from those who wanted to help us?"

When the West doesn't answer the call, Wagner does. In 2015 President Obama deflected calls to counter Russian and Iranian intervention in Syria by predicting that Mr. Putin would get stuck in a "quagmire." Yet Russia's involvement saved Bashar al-Assad's regime and shifted the balance of power in the Western alliance. The arrival of Russian forces compelled Turkey and Israel to take more-deferential stances toward Moscow. This explains why Israel has at times resisted calls to arm Ukraine.

Russia's intervention in Syria further solidified its military alliance with Iran, which is paying dividends in Ukraine. In June, U.S. intelligence revealed that Tehran is supplying Moscow with materials to build a drone-manufacturing plant east of the Russian capital. Reports from the Defense Intelligence Agency confirm "undeniable" evidence that Iran has been supplying Russia with its attack drone, the Shahed, giving Russian forces a sorely needed long-range

strike capability. After years of exacerbating tensions inside the European Union by sending hundreds of thousands of primarily Syrian refugees to the Continent, the duo's military collaboration is now directly imperiling European security.

Russia's Syrian bases then served as a launching pad for Mr. Putin's 2017 intervention in Libya. Today they function as a logistics hub for operations in Sudan. Thanks to Russia's warm relations with both sides in the Sudanese civil war, Wagner has developed a lucrative smuggling scheme to mine gold from al-Ibaidiya and transport it to Russia's Khmeimim airbase in Syria.

This experience has taught Mr. Putin an important lesson. Though his forces are no match for the American military, they're stronger than those of other countries. Without U.S. attention, even a relatively small deployment of Russian troops can shift the balance of power in the region. The risk, then, is that Russia will emulate its Syria tactics in Africa. Moscow's influence on the Continent has already positioned it to control the flow of energy, African

migrants and valuable minerals to Europe. Wagner's presence, moreover, has begun to hinder NATO members' counterterrorism operations in Mali and elsewhere.

What is to be done? At the very least, the State Department should designate Wagner as a foreign terrorist organization. But Washington also needs to reassess its capabilities and regional game plan. America has exquisite weapons and an economy that dwarfs Russia's. Notwithstanding these strengths, it commands dozens of disjointed military policies that treat each foreign problem as discrete and disconnected. The U.S. and its NATO partners need to harmonize these aims and establish strategic coherence if the Western alliance is to be a successful presence on the Continent.

Russia's troops are bloodied and bruised, but they aren't beaten. We need to recognize Africa's importance to NATO before it's too late.

*Ms. Riboua is a research associate in the Hudson Institute's Center for Peace and Security in the Middle East.*

## Notable & Quotable: DeSantis on Trump

*Florida Gov. Ron DeSantis in an appearance on New Hampshire's WMUR-TV, Aug. 4:*

Q: You get on that debate stage with Donald Trump and he starts to belittle you. How are you going to respond?

DeSantis: . . . These insults are so phony. These insults are juvenile. That is not the way a great nation should be conducting itself. That is not the way the president of the United States should be conducting himself. . . . Let's have those debates about the issues. I'm not going to insult somebody—somebody's looks or somebody's dress or something like that. I wouldn't teach my kids to treat people like that. We have a 6-, 5- and

a 3-year-old. We teach our kids to treat people the way you would want to be treated yourself.

So we will have differences on issues, and one of the things I think about the former president—and I appreciate he did do a lot of great things, and I was a big supporter—but he's running in 2024 on the things that he promised to do in 2016 and didn't do. He said he was going to drain the swamp. He did not drain the swamp—not even close. We ended his presidency with Anthony Fauci running the country. You couldn't even fire Fauci, and so now you're going to go drain the swamp? Give me a break. He said Mexico was going to pay for the border wall. Do you see the border secured? I see

people coming in [ad] infinitum. He said that he was going to lock Hillary up, just like he's now saying he's going to do a special counsel for Biden. Two weeks after the election—ah, forget about it, don't worry about it. And then he actually said he was going to eliminate the national debt. He added \$8 trillion to the debt. . . .

That's the record we should talk about. Don't worry about how he does his hair. . . . There are millions of voters out there who do not like what Biden is doing to this country. They do not like the direction the country's going in, but they aren't going to sign up for a candidate who is behaving like that. So let's be better, let's look higher, and let's set a good standard for our children to follow.

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## WORLD NEWS

## Spain Taps New Sources of Drinking Water

Prolonged droughts prompt more use of desalination plants, infrastructure shifts

By MARGHERITA STANCATI

BARCELONA—Fill a glass with tap water in Barcelona these days and one-fifth of it will be processed seawater. Another fifth will be treated wastewater derived from toilets, showers and other urban uses.

This mix is emerging as the drinking water of the future in Mediterranean countries. The region is becoming warmer and drier more quickly than most places on Earth, forcing people and governments to act faster here than elsewhere to find new freshwater supplies.

A prolonged drought in Spain's region of Catalonia is prompting rapid change. For many years after Barcelona's Llobregat desalination plant opened in 2009, it was little used, contributing less than 5% of the city's drinking water, which is mostly supplied by reservoirs and groundwater. Since last summer, the plant has worked at full throttle, producing over 500 gallons of fresh water per second.

"The population is increasing, business activities are increasing but water is somewhat decreasing," said Samuel Reyes, director of the Catalan Water Agency. "We need to change the way we think about water."

In countries around the Mediterranean Sea, recurrent droughts and dwindling flows of water from mountains into rivers are leading to a re-engineering of water infrastructure. Farmers are digging more and deeper wells, and often switching to crops that need less water. Governments from Spain to Israel to Algeria are investing massively in desalination plants and looking for supplies of fresh water farther afield.

In the Italian region of Puglia, local authorities want to build a 1 billion euro, or \$1.1 billion, 100-kilometer underwater pipeline—not to carry



A medieval church, submerged when Catalonia's Sau Reservoir was created in the 1960s, resurfaced as water levels dropped.

oil or natural gas but drinking water. The planned project would bring river water across the Adriatic Sea from Albania to Puglia, the parched heel of Italy's boot.

Puglia has no major rivers or snow-capped mountains. For now, the region is making the most of the little water it has. Local authorities are spending some €1.7 billion to repair and replace leaky water pipes, through which some 48% of drinking water there is lost.

Puglia's infrastructure plans include building several new wastewater-treatment plants and Italy's first major desalination plant for drinking water, one of three Puglia aims to operate by the end of the decade.

The changing climate is affecting the Mediterranean in ways beyond droughts. In a region where roughly 150 million people live close to the coast, rising sea levels are threatening homes, businesses and cultural heritage sites.

Much of the Mediterranean

## With No Divining Intervention, a Farmer Is Going for Nuts

In the Catalan countryside, some 70,000 hectares of farmland used to grow cereals and fruit rely on a 200-mile irrigation network known as the Canal D'Urgell.

In April, for the first time in its 160-year history, the canal stopped supplying irrigation water. "I couldn't believe it," said Sergi Balué, 45, a farmer who relies on water from the canal for most of his fruit production. "From that point on, there was a lot of uncertainty and fear."

Worried that his pear orchard wouldn't survive the spring, Balué did what generations of farmers have done before him: He asked a water diviner for help.

Armed with a Y-shape rod, the dowser surveyed the land and indicated a spot on the cracked earth beneath which he said he sensed water. After digging for 100 yards but finding no water, Balué gave up.

Balué is trying to adapt to water scarcity by collecting more rainwater in small

reservoirs. He is also rethinking what crops to grow.

"I used to have only peaches here," Balué said on a sweltering afternoon. Almonds, he explained, are more drought-resistant than flat peaches.

"The thinking is: Even with less water, here I can have something to harvest," he said. "But it makes me feel sad because in this land we have always only grown peaches, pears and apples. Almond trees just aren't the same."

region has been in the grip of a fearsome heat wave in recent weeks, raising mortality rates and putting pressure on overstretched healthcare systems.

Declining access to fresh water poses one of the region's

biggest long-term threats.

There are downsides to desalination. Turning seawater into drinking water is an energy-intensive process, which makes desalination both costly and bad for the environment.

The super-salty brine that is left over is harmful to the ocean's ecosystem.

Spain is betting heavily on the technology. Building new desalination plants is the centerpiece of the Spanish gov-

ernment's plan to deal with the growing drought problem.

In Catalonia, authorities plan to double desalination capacity over the next three years. Last year, the region's two desalination plants produced 16.7 billion gallons of drinking water, six times as much as in 2009. That water has helped the region to cope with this summer's extreme heat and drought.

The Llobregat desalination plant is one of Europe's largest. Seawater reaches the plant from a pipeline that stretches some 1.3 miles into the sea. Then, it is pumped into tanks where coagulants are used to remove grease, seaweed and other substances. The water then goes through two filters to remove smaller impurities.

Finally, it reaches the heart of the plant: a maze of green, blue, yellow and pink pipes where the salt is separated from the water through reverse osmosis. The whole process takes about 5½ hours.

The desalinated water flows to a drinking-water treatment center, where it is mixed with other water supplies, such as water from reservoirs and treated wastewater.

European Union rules say treated wastewater shouldn't be used in drinking water. To get around that, Barcelona's treated wastewater is discharged into a river before being extracted again downstream.

Rainfall has been so sparse that the Sau Reservoir, one of Catalonia's biggest, was only 6% full earlier this year. A medieval church, submerged when the reservoir was created in the 1960s, resurfaced. Fishermen were deployed to remove and euthanize the fish left stranded.

Scientists at Catalonia's Institute of Agrifood Research and Technology are trying to help farmers adapt, including finding ways to optimize the use of a declining water supply.

"Our goal is to produce more food with less water. If we can't manage that, we will have a problem feeding our population in the future," said Joan Girona, a water expert at the institute.

—José Bautista contributed to this article.



Kim Jong Un fires a weapon.

## Kim Touts Arsenal as Rivals Fret Over Sales

By DASL YOON

SEOUL—North Korean leader Kim Jong Un sought to showcase his country's defense industries and its nuclear-weapons arsenal, as U.S. and South Korean officials worry Pyongyang may seek to expand its illegal weapons trade.

Kim toured North Korea's weapons factories for three days through Saturday, overseeing production of artillery systems and launch vehicles for nuclear-capable ballistic missiles, Pyongyang's state media reported on Sunday.

During the latest visits, Kim ordered factories making artillery and missile engines to boost capacity. He inspected multiple-launch rocket systems and engines for drones that are necessary for North Korea's "war preparation," state media reported.

On Monday, Koo Byoung-sam, a spokesman for South Korea's unification ministry, said Kim's visits could signal an intent to export weapons.

U.S. officials have said Russia is looking to buy more ammunition from North Korea to replenish its stockpiles amid the war in Ukraine. Russian Defense Minister Sergei Shoigu visited the North Korean capital in July. "We're seeing Russia desperately looking for support, for weapons wherever it can find them," U.S. Secretary of State Antony Blinken said in late July.

## Argentine Ruling Party Seen Losing Primary

By RYAN DUBÉ

With Argentina's inflation topping 100% and the currency fast depreciating, voters are expected to hand a rebuke on Sunday to the ruling Peronist movement that has governed the country for most of the past 75 years, polls show.

President Alberto Fernández has a disapproval rating of 75%, according to pollster Opinión, and this year he said he wouldn't seek re-election. In the primaries, Argentines are expected to cast the most ballots for a pro-business opposition party whose candidates have pledged to cut public spending that has sent inflation to 116%, among the highest in the world, according to polls and political analysts.

The vote comes as the country of 46 million people is mired in its worst economic crisis in two decades, raising comparisons to Argentina's 2001 financial meltdown that resulted in five presidents in two weeks amid violent street protests. Four of five Argentine families have curtailed spending because of inflation and economic stagnation, according to Alejandro Catterberg, director of Poliarquia, a Buenos Aires-based pollster. About 40% of the population is poor, according to the government statistics agency.

"The situation in Argentina is very critical," said Catterberg. "Anger, rage, disillusionment and frustration, those are the feelings in Argentine society." Together for Change, the

coalition of former President Mauricio Macri, has two candidates: the centrist mayor of Buenos Aires, Horacio Rodríguez Larreta, and a conservative former member of Congress, Patricia Bullrich, who is known for her tough-on-crime policies.

Far-right libertarian Javier Milei, who has pledged to dollarize Argentina's economy and close the central bank, has also gained strong support capitalizing on the palpable anger against Argentina's political establishment after years of economic stagnation, high inflation and rising poverty.

The primaries serve as a key gauge of national support for candidates before the Oct. 22 general vote because Argentines are required to cast a

ballot in the primaries.

The rejection of Fernández's party is so pronounced that a coalition that has implemented currency and price controls economists say have hurt businesses has put forward as candidate the economy minister, Sergio Massa, who is considered more business friendly than the president and other leaders.

Pablo Guidotti, an economist at the Torcuato Di Tella University in Buenos Aires, said he expects Argentina's economy to contract 3% this year after the government was forced to refinance a bailout with the International Monetary Fund.

"The best we can hope for is that the government is able to avoid a major financial crisis," he said. "The economy will continue until the elec-

tions with high inflation and stagnant economic activity."

The IMF in July agreed to unlock a \$7.5 billion disbursement to Argentina that was part of a \$44 billion bailout.

The country initially took on the bailout during the administration of Macri, who during his 2015-19 term attempted to gradually reduce public spending inherited from his predecessor, Peronist leader and Vice President Cristina Kirchner, rather than risk social upheaval with tough austerity measures.

If the center-right candidate wins this time around, the government will be forced to move much faster in implementing overhauls to lift currency controls and cut the deficit, Guidotti said.

## WORLD WATCH



World Scout Jamboree attendees on Monday prepared to leave a scout camping site in Buan, South Korea, ahead of a typhoon that is expected to bring heavy rains and strong winds.

## SOUTH KOREA Typhoon Threat Curbs Scout Event

More than 36,000 teenage scouts and their leaders were evacuating from the World Scout Jamboree in South Korea before a typhoon that is expected to bring heavy rains and strong winds.

The event brings together thousands of scouts from about 160 countries every four years to swap patches and take part in outdoor activities like rock climbing and mountain biking. Last week, the U.K. scout group pulled out of the campsite on South Korea's west coast because of excessive heat and other safety concerns. The U.S. group also left.

The World Organization of the Scout Movement, which oversees the event with the host, the Korea Scout Association, on Friday said it was working to mitigate heat-wave risks. The group said it had "asked the host to consider alternative options to end the event earlier than scheduled."

Representatives for the Korea Scout Association and the World Organization of the Scout Movement didn't respond to requests for comment on Monday.

—Joseph Pisani

## PAKISTAN Trains Run Again After Derailment

Passenger rail service was partially restored on Monday in southern Pakistan, a day after a train derailed in the region, injuring at least 30 people and killing scores, officials said. Families were holding funerals for the victims.

Aqeel Ahmed Qureshi, a doctor at a hospital in the district of Nawabshah in Sindh province, said 27 bodies have been handed over to relatives for burials while three bodies have yet to be identified.

Dozens of injured people remained hospitalized. Railways Minister Khawaja Saad Rafiq said engineers had opened a probe into the accident.

"Unfortunately," he told reporters, "we don't have enough funds to properly maintain our aging railway tracks, and yesterday's train crash apparently took place because of it."

Sunday's crash happened when 10 cars of the Hazara Express train went off the tracks near the Sarhari railway station. Train traffic was suspended, and work on the main line is still under way, senior police officer Abid Baloch said.

—Associated Press

## Tyson to Shut More Chicken Plants

The bellwether for the meat industry reports a quarterly loss of \$417 million

By PATRICK THOMAS

**Tyson Foods** is closing more processing plants as the biggest U.S. meat company seeks to turn around its chicken business.

Tyson said Monday it plans to close chicken plants in Corydon, Ind.; Dexter, Mo.; Noel, Mo. and North Little Rock, Ark., shifting production to other facilities as part of a broader effort to cut costs. The company's chicken

business has struggled for years with a variety of issues, ranging from hatching enough chicks to meet demand, to staffing plants, falling chicken prices and higher costs. Tyson has been trying to cut costs through layoffs, plant closures and changes to some of its operations.

"Markets continue to be challenging, and they're challenging for everyone," said Chief Executive Donnie King on a call with analysts. "We're not yet where we need to be, so we continue to focus on what we can control."

The Springdale, Ark., company, a bellwether for the American meat industry, posted a loss of \$417 million,

or \$1.18 a share, for the three-month period ended July 1, compared with a \$750 million profit a year earlier. Tyson said quarterly revenue declined 2.6% to \$13.1 billion. The results were lower than what analysts polled by FactSet had expected.

Shares of Tyson fell 3.8% Monday. The stock is down 38% over the past 12 months.

In May, Tyson shut down two chicken facilities in Arkansas and Virginia, laying off roughly 1,700 workers. Tyson said in April it would eliminate 15% of its senior leadership positions and 10% of its corporate roles.

Tyson, which produces about one out of every 5

pounds of chicken, beef and pork sold in the U.S., has been dealing with other problems across its meat businesses.

A shrinking supply of cattle is driving up the price that meatpackers such as Tyson pay to secure the livestock. A glut of chicken and pork on the market and lackluster consumer demand have been weighing down wholesale prices that retailers and restaurants pay.

Operating income from Tyson's chicken business swung to a \$314 million loss for the quarter from a \$277 million profit a year ago. The company reported an impairment charge of \$210 million in its chicken segment for the pe-

riod. Tyson executives said on a call with analysts that the plants slated for closure needed major capital improvements to make them viable and that the company's overall chicken-production volumes wouldn't be affected.

Chief Financial Officer John Randal Tyson said on the call that the move takes out about 10% of its chicken-slaughter capacity.

"We're on the right path," King said, referring to Tyson's chicken business. "We've been on that path for about two years now. And we've had a number of fits and starts from the breeder side to demand."

Tyson said Monday it

## Campbell To Pay \$2.7 Billion For Rao's Owner

By DEAN SEAL

**Campbell Soup** has agreed to acquire **Sovos Brands**, the parent company of food brands including Rao's pasta sauces and noosa yogurt, in a deal valued at about \$2.7 billion.

The companies said Monday that Campbell would buy Sovos for \$23 a share.

Campbell said the acquisition adds a market-leading portfolio of brands to its meals and beverages division. The Rao's line of sauces, Sovos's flagship brand, saw organic sales grow by more than a third in fiscal 2022.

Campbell has targeted expanding its pasta-sauce business, which includes the pantry mainstay Prego, to \$1 billion in annual sales. Chief Executive Mark Clouse said the acquisition "overdelivers" on that goal and that the premium-price Rao's is a complement to the more affordable Prego.

Sovos CEO Todd Lachman said the transaction represents a 92% increase from the company's 2021 initial public offering price.

Shares of Sovos closed up 25% at \$22.56, while shares of Campbell fell 1.8% to \$44.34.

◆ **Heard on the Street:** Upgrade worth cost..... B12

## Individual Investors Seek Safety of Gold

By HARDIKA SINGH

Joe Susanno lost thousands of dollars from his retirement account betting on biotech shares in early 2021. Now the 44-year-old integration engineer from Gloucester, Mass., is putting his money into an investment whose value has held up over a longer run: gold coins.

"Precious metals are kind of what just makes it so I can sleep at night, where I hold it and nobody can hurt me," Susanno said. "It's impossible that I'm going to end up in a bread line somewhere, waiting for someone to drop something into my hand, so I can eat."

Susanno isn't alone. More than a year of inflation, interest-rate increases, bank failures and market craziness have lured many other individual investors to precious metals such as gold and silver.

Gold prices have gained about 6% this year to around \$1,934 a troy ounce. That includes a March surge fueled by the banking crisis, which carried them near their record of \$2,069.40 hit in 2020.

The percentage of Americans who believe gold is the best long-term investment jumped to 26% this year from 15% in 2022, according to a Gallup report from May. In contrast, those preferring stocks dropped to 18% from 24% last year, while those favoring bonds climbed to 7% from 4%.

The U.S. Mint has sold 5.56 million troy ounces of gold coins since the pandemic struck the U.S. in March 2020, compared with 3.26 million in the four-year period before that. Matt Malleo, executive director at the precious-metals dealer SchiffGold, said his company's revenue hit a record in early spring.

Please turn to page B2



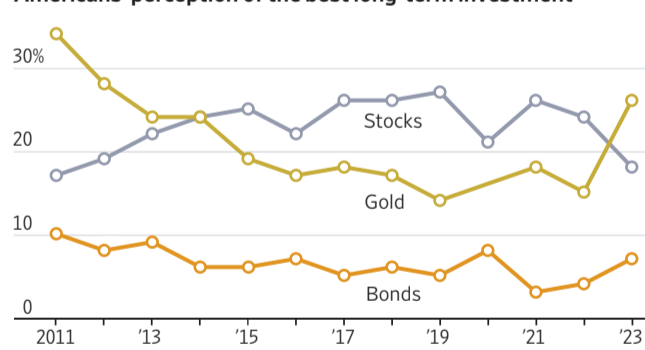
Gold prices have risen about 6% this year to around \$1,934 a troy ounce, including a March surge fueled by the banking crisis.

### Gold futures price



\*Latest poll was conducted April 3-25.

### Americans' perception of the best long-term investment\*



Sources: FactSet (futures); Gallup (perception)

## Billionaire Nears Deal To Join Dish, EchoStar

By LAUREN THOMAS AND DREW FITZGERALD

Charlie Ergen is nearing a deal to merge his major holdings, **Dish Network** and **EchoStar**, a move aimed at giving him the financial flexibility to build a nationwide wireless network strong enough to take on the likes of AT&T and Verizon.

A deal could be announced as soon as Tuesday, barring any last-minute snags, according to people familiar with the matter.

Precise terms couldn't be learned, but the price could be a discount to where EchoStar stock closed following a surge of more than 20% on Monday ahead of the company's earnings report. The price would still be a premium to where the shares changed hands in recent weeks, when they were around \$17, the people said.

The current CEO of EchoStar, Hamid Akhavan, is expected to serve as president and chief executive of the

combined company upon closing of the deal.

Dish has a market value of about \$4 billion, while EchoStar's is about half that. A transaction would reunite Dish's pay-TV business and fledgling 5G network with EchoStar's satellite-communications infrastructure.

Ergen, the billionaire telecommunications entrepreneur, controls both companies, each of which contains different parts of an empire built over four decades.

Dish serves millions of pay-TV and cellphone customers through brands including Sling TV and Boost Mobile and has amassed a cache of spectrum licenses to support its wireless ambitions.

EchoStar runs a fleet of satellites that serve HughesNet home-internet users as well as business and government clients.

Ergen co-founded EchoStar as a satellite-television equipment distributor in 1980. In 2008, the company changed

Please turn to page B5

## INSIDE



### BUSINESS NEWS

Retail executive Angela Ahrendts is joining Kim Kardashian's firm. **B3**



### SPORTS

Tom Brady is the latest athlete to back a professional soccer club. **B10**

## Tesla CFO, a Close Musk Ally, Resigns

By REBECCA ELLIOTT

**Tesla** Chief Financial Officer Zach Kirkhorn has stepped down after more than four years in the role, where he worked behind the scenes to translate Elon Musk's ambitions into reality.

The electric-car maker on Monday said Chief Accounting Officer Vaibhav Taneja had been appointed as CFO on Friday, when the 38-year-old Kirkhorn left the position.

His surprise move comes ahead of Tesla's Cybertruck pickup coming to market later this year and raises questions about succession planning for Musk, who is 52 years old and runs several companies, including SpaceX and X, the social-media platform formerly known as Twitter.

Tesla has no clear second-in-command, but board members had discussed Kirkhorn as a possible successor to Musk as CEO, The Wall Street Journal reported in May.

Shares closed down 1%.

Kirkhorn's departure comes after a relatively smooth period for Tesla in the senior ranks, which had been marked by periods of great turnover in its 20-year history, especially amid new vehicle launches. Dozens of senior executives, for example, departed ahead of or during the company's difficult introduction of the Model 3 sedan.

The electric-vehicle maker is preparing to deliver its first new passenger vehicle in more than three years, the Cybertruck, and is building out manufacturing capabilities as it seeks to become the world's biggest car company by volume.

Kirkhorn, who joined the automaker in 2010, helped transform Tesla into the world's most valuable carmaker and a profit machine that has delivered 16 consecutive quarters in the black. He did so while handling many day-to-day duties in the manner of a chief operating officer, advancing the

Please turn to page B2

The collapse of one of America's largest trucking companies is reverberating across the economy, from domestic shipping and real-estate markets to Wall Street.

Yellow was a \$5.2 billion business as recently as last year when it moved around 50,000 shipments a day in a trucking network that made it a fundamental part of the supply chains of hundreds of U.S. companies.

The rapid wind-down of its business last month, capped by the shutdown of all operations and a bankruptcy filing in recent days, is leaving behind a trail of winners and losers as the 99-year-old trucker disappears from the highways. Here is a look at the impact of Yellow's downfall:

The most immediate winners are Yellow's competitors in the less-than-truckload sector, known as LTL, a segment of the trucking industry that acts as a kind of circulatory system for the goods economy by having trucks carry cargo for multiple customers on the same trailer in fast-paced distribution networks.

Operators ranging from big carriers such as ABF Freight, **Old Dominion Freight Line** and TForce Freight to smaller, regional operators have seen a surge in business since mid-July when Yellow's tailspin accelerated and customers began abandoning the company. Experts say various truckers in Yellow's markets have seen from 2,000 to 3,000 added shipments each day in recent weeks, a welcome infusion in a U.S. freight market that has been turning downward this year.

ABF Freight, a unit of **ArcBest** and one of Yellow's main rivals, saw daily shipments surge at a double-digit pace starting in mid-July, as shipping customers fled Yellow.

"That is a great opportunity for us," said Judy

Please turn to page B2

# 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>	Hikma Pharmaceuticals...A3	Resilience Cyber Insurance Solutions...B4
Amazon...A3	<b>I</b>	Restaurant Brands International...B5
AMC Networks...B12	IAG...B5	Rocket Lab USA...B12
Anheuser-Busch InBev...B10	Iberdrola...B11	Ryanair...B5
Apollo Global Investment	Itochu...B12	<b>S</b>
...B2	<b>K</b>	Saia...B2
ArcBest...B1	KDDI...B12	Schneider National...B2
Aramco...A1	KKR...B3	Shell...B11
Arrival...B12	Knight-Swift Transportation...B2	SmileDirectClub...B12
<b>B</b>	<b>L</b>	Sovos Brands...B1,B12
Berkshire Hathaway...B11	Lillium...B12	Sprouts Farmers Market...B12
BP...B11	<b>M</b>	SVB Financial Group...B12
BYD...B12	Manchester United...B12	<b>T - U</b>
<b>C</b>	McDonald's...B6	Tesla...B1,B2,B11
Campbell Soup...B1,B12	Merck...B12	TFI International...B2
Carnival...B12	Meta Platforms...B12	TheRealReal...B12
China Petroleum & Chemical...B12	<b>N - O</b>	TotalEnergies...B11
Conagra Brands...B4	Nestlé...B12	Toyota Motor...B12
Corvus Insurance...B12	Netflix...B12	Tyson Foods...B1,B11
<b>D - E</b>	Old Dominion Freight Line...B1	United Parcel Service...B11
Dish Network...B1	<b>P</b>	<b>V - Y</b>
D.R. Horton...B12	Panini...B3	Vestas...B11
EchoStar...B1	Paramount Global...B3	Walt Disney...B11
Engie...B11	Pfizer...A3	Werner Enterprises...B2
Equinor...B11	<b>R</b>	Xiaomi...B12
<b>F - H</b>	Ralph Lauren...B12	XPO...B2
Fanatics...B3	Renasas...B12	Yellow...B1
Franchise Group...B12		
Henry Schein...B12		

# INDEX TO PEOPLE

<b>A</b>	Gardner, Jordan...B10	<b>N - O</b>
Ahrendts, Angela...B3	HariPrasad, Vishaal...B4	Nuttall, Scott...B3
Ahuja, Deepak...B2	<b>J - K</b>	O'Leary, Michael...B5
Arnott, Rob...B12	Jackson, David...B2	Opedal, Anders...B11
<b>B</b>	King, Donnie...B1	<b>R - S</b>
Bakish, Bob...B3	Kempczinski, Chris...B6	Rubin, Michael...B3
Bédard, Alain...B12	Kirkhorn, Zach...B1,B11	Seifert, Catherine...B11
Buffett, Warren...B2	Kobza, Josh...B5	<b>T</b>
Buholzer, Luke...A7	<b>L</b>	Taneja, Vaibhav...B1
<b>C</b>	Lachman, Todd...B1	Thomas, Andy...B10
Clouse, Mark...B1,B12	Lee, Jimmy...B11	Tyson, John Randal...B1
<b>D - H</b>	<b>M</b>	<b>W - Z</b>
Dolan, James...B12	McReynolds, Judy...B2	Warsop, Mark...B3
Dolan, Kristin...B12	Moorman, Shannon...B4	Wetherbee, Christian...B2
Ergen, Charlie...B1	Musk, Elon...B1,B2	Zhu, Tom...B2
Gallego, Luis...B5		Zuckerberg, Mark...B2

## Individual Investors Go for Gold

Continued from page B1  
 "There has definitely been a gradual accumulation by just about all classes of investors—institutional and individual investors themselves," said George Milling-Stanley, chief gold strategist at State Street Global Advisors.

Modern investors often view gold as relatively stable protection against inflation or market turmoil. Holding gold does mean missing out on stocks' gains and dividend payments, or the interest income provided by bonds. Financial advisers often recommend investors allocate some money to gold, but usually a small percentage of their overall portfolios.

Behind its recent allure: Many investors worry that the stock-market rally this year is concentrated in a handful of tech stocks, leaving the indexes vulnerable to a pullback if even one or two companies commit missteps. Government bonds have resumed their selloff. The U.S. dollar has declined from a 20-year high reached last year, making it cheaper for foreign investors to buy gold, which is priced in dollars.

Scott Wooldridge, 43, said the banking crisis this year encouraged him to increase his purchases of gold rounds, which are coins minted by private companies. He had pulled completely out of the stock and bond markets in 2018, worried about market volatility hurting his returns.

"When you're buying metals and holding them, it doesn't matter whether the price goes up or down, you still feel pretty good about it," said Wooldridge, who works as a ride-share driver and lives in Indianapolis. "A downturn in the price of a precious metal means you have the opportunity to buy more, and an uptick means your net worth goes up, so it's a win-win."

Fears of a pandemic slowdown sent gold to records in 2020, but prices fell in 2021 and were mostly flat in 2022, disappointing those who had hoped for a lift from higher



Joe Susanno of Gloucester, Mass., invests in gold coins.

consumer prices.

Around 20% of U.S. investors currently have gold in their portfolios, where the average gold allocation is 14% of the portfolio, a SPDR survey released in June said. More than half of the participants said they are likely to increase their allocation in the next six to 13 months, the report said.

Wall Street doesn't expect the gains to go on much longer. Many expect higher interest rates to persist for some time, weighing on gold by increasing the competition from yield-paying investments such as bonds. HSBC analysts expect gold to trade between \$1,850 and \$1,970 this year. Bank of America forecasts a price of \$1,923 by the end of the year.

Investors have pulled about \$2.07 billion since the end of March 2020 from the SPDR Gold Shares exchange-traded fund, the largest ETF backed by physical gold, which has around \$56 billion in assets under management. The fund had about \$10.36 billion in net inflows in the four-year period before that.

John Ingram, partner and chief investment officer at Crestwood Advisors in Boston, remains cautious on gold, which he says isn't worth spending money on because it doesn't usually post big gains. "It's a very expensive way to hedge a portfolio," Ingram said. "You might be better off buying bonds."

Bret Williams, a 62-year-old real-estate owner in Albuquerque, N.M., is cautious about precious-metals investing after buying silver coins last year on the advice of a financial adviser. Silver posted a modest gain of 3%. It has declined 1.5% this year.

"I got a lot of shiny silver, but no reward," Williams said. "If I could trade it, I'd get rid of it in a New York minute and sell it for a property."



Gold's allure has risen as anxieties on the stock market build.

# BUSINESS & FINANCE

## Musk Plans MRI on Upper Back, Says He May Need an Operation

By Will Feuer

**Tesla** Chief Executive Officer Elon Musk said he would get an MRI of his neck and upper back Monday and that he might need surgery before facing off in a proposed cage match with Meta Chief Executive Mark Zuckerberg.

The two tech billionaires have traded barbs, and Musk, 52, said Sunday the fight will

be livestreamed on X with proceeds going to charity for veterans.

Zuckerberg said Sunday in a post on Threads that he suggested Aug. 26 for the fight, but that he is still waiting for confirmation. "I'm ready today," he said. "Not holding my breath."

Musk and Zuckerberg's anticipated face-off underscores a yearslong rivalry between the tech billionaires,

which came to a head after Zuckerberg launched Threads to directly compete with Musk's X Corp., the renamed Twitter.

Musk disclosed the possible surgery in a post on X. The world's richest person, Musk also is CEO of Space Exploration Technologies Corp., or SpaceX.

Shares of Tesla closed down 2.4% to \$251.45. Musk has long discussed

his grueling work hours and said before that his schedule has weighed on his sleep. He has also said he suffers from "quite severe back pain."

Musk last month said he "might need an operation to strengthen the titanium plate holding my C5/C6 vertebrae together."

An MRI is a noninvasive medical imaging test that produces detailed images of internal structures in the body.

## Tesla CFO, Musk Ally, Steps Down

Continued from page B1  
 company's growth goals by lowering production costs and chasing efficiency.

The former McKinsey analyst made a fortune during his career at Tesla, which compensated him largely in equity whose value soared through his tenure.

During his time as CFO, Kirkhorn sold roughly \$49 million worth of Tesla stock, according to Equilar. He still holds more than \$550 million worth of shares and stock options that have vested but not yet been exercised.

In a securities filing, Tesla thanked Kirkhorn for his "significant contributions" to the company and said he would continue with Tesla through the end of the year to support a "seamless transition." Musk, in a post on his platform X, formerly called Twitter, wrote, "Much appreciated and best wishes for the next stage of his career."

Taneja, 45, has been part of



Zach Kirkhorn's exit comes as the Cybertruck launch nears.

the Musk business orbit since March 2016, when he joined SolarCity as vice president of accounting operations, according to his LinkedIn bio.

He stayed with Tesla after the automaker successfully acquired the solar company, where Musk was also chairman, becoming assistant corporate controller in 2017 and over time taking on greater responsibilities. He previously spent almost 17 years at accounting firm PricewaterhouseCoopers in India and San Jose, Calif.

Tesla, Kirkhorn and Taneja didn't respond to requests for comment.

Kirkhorn, in a LinkedIn post,

thanked Musk for his leadership and optimism.

"Being a part of this company is a special experience and I'm extremely proud of the work we've done together since I joined over 13 years ago," Kirkhorn said.

Tesla is a markedly different company than when Kirkhorn took the reins as CFO after a surprise announcement in early 2019 that he was succeeding longtime Musk confidant Deepak Ahuja.

At the time, Tesla was struggling to make the transition from niche automaker to the mainstream with its Model 3, which launched in 2017.

In the years that followed, the eventual success of the Model 3 and its offshoot, the Model Y crossover, would help remake Tesla. During that period, Kirkhorn worked to open Tesla's first overseas assembly factory in China and navigate supply challenges during the pandemic. Also under his tenure, Tesla's relationship with Wall Street changed as it became the largest company to join the S&P 500, the most widely tracked broad stock-market benchmark.

In 2020, Tesla became the world's most valuable automaker and, in 2021, the first car company to be valued at

more than \$1 trillion.

Tesla's share price has since retreated, especially amid concern late last year that Musk was distracted with X and that Tesla faced a tougher competitive market with new EV rivals and higher interest rates that made selling new vehicles harder.

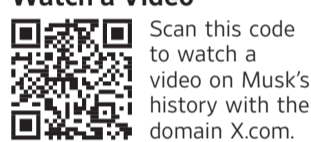
In the past year, Kirkhorn had taken on a more visible role. He was master of ceremonies at a March investor gathering where Tesla highlighted the executives working under Musk.

People who worked with Kirkhorn have credited him with effectively connecting and communicating with Musk, skills that other executives have struggled with since Tesla's early days.

In April, Tom Zhu, who had overseen Tesla's China operations, was officially made senior vice president of automotive, effectively putting him in a role overseeing factories and sales globally.

—Will Feuer contributed to this article.

### Watch a Video



## Yellow Has Wide Impact

Continued from page B1  
 McReynolds, ArcBest's chief executive, on a July 28 earnings conference call.

Yellow's departure provides more than just a boost in shipments for its competitors since the carrier was a low-price leader in trucking. Industry experts say they expect prices to rise with Yellow's rates now off the table for many shipping customers.

"Those guys now being gone, that is going to help the industry overall," Alain Bédard, chief executive of TForce Freight parent TFI International, said on an Aug. 1 earnings conference call.

Even trucking companies outside Yellow's immediate market are likely to benefit as big retailers and manufacturers reset their supply chains and look for new shipping strategies to minimize costs.

Big truckload carriers such as Knight-Swift Transportation, Werner Enterprises and Schneider National—companies that haul the biggest loads for retailers and manufacturers from ports to distribution centers to stores—can expect more shipments.

"Clearly, if there were to be a disruption as a result of Yellow, I think that could be felt in all types of transportation including in the truckload world, as there is space there to absorb that," said David Jackson, chief executive of Knight-Swift Transportation, the largest truckload carrier in the U.S. and owner of LTL business AAA Cooper, on a July 20 investor conference call.

Other big winners include investors in Yellow's publicly traded competitors, including ABF Freight parent ArcBest, Old Dominion Freight Line, Saia, XPO and TFI International.

Shares in those companies have surged since the spring despite a downturn in freight demand and declining earnings. ArcBest shares are up about 34% since June 23 even though the company reported a 63% drop in operating profit in its trucking business in the second quarter from last year.



The loss of some 30,000 jobs is the largest at a single company since Boeing in 2020.

"Since mid-June when reports first surfaced about Yellow's liquidity concerns, our pureplay LTL coverage universe is up 39% on average vs. just a 5% move in the S&P 500," Citi analyst Christian Wetherbee wrote in an Aug. 2 investment report that suggested Yellow's woes would likely help boost earnings this year at other carriers.

Those and other trucking companies may also pick up some of Yellow's sprawling real-estate holdings, including the dozens of truck terminals the carrier has accumulated around the U.S. to move freight. Many of them are in prime locations near population centers and will hit the market when building new trucking facilities faces pushback in communities.

"Any opportunity to pick up properties along the way, we would have great interest in that," said Jackson.

Lastly, Apollo Global Management is likely to be a winner even though the asset-management giant is one of Yellow's biggest lenders and has hundreds of millions of dollars tied up with the business. Apollo was moving to provide debtor-in-possession financing for Yellow's bankruptcy, which would put the business in position to recover its money through the sale of Yellow's assets. Apollo already signaled its collateral rights over the trucker when Yellow sold a single freight terminal in Southern California for \$80 million earlier this summer, as Yellow's finances were eroding, and used the money to pay down the Apollo debt.

The clearest losers in Yellow's demise are the company's workers, who were laid off, dismissed and locked out of closed terminals and offices last month as the trucker wound down its business.

The loss of some 30,000 jobs is the largest at a single company since Boeing at the end of 2020 announced it would cut its workforce by around 30,000 jobs, according to Challenger, Gray & Christman, an outplacement services firm.

Yellow's shutdown puts a range of workers, from accounting and technology staffers to truck drivers, dispatchers and cargo handlers, looking for work in a softening labor market that has been particularly hard on transportation and warehouse workers.

Trucking companies, which added 180,000 jobs during the pandemic, have kept hiring flat this year as consumer spending has pivoted from goods to services and shipping demand has sagged.

"Good drivers will find jobs; there's no doubt about that," said Mike Regan, chief relationship officer at TransAct Technologies, which advises retailers and manufacturers on freight transport. "But there will certainly be some attrition."

Other losers include Yellow's customers, who are likely to see higher freight rates now that Yellow's trucks and its low prices are off the market.

"One key change businesses should expect is higher delivery costs," said Charles Haver-

field, CEO of US Packaging and Wrapping. "This is particularly true if no relationships have been built with carriers to secure discounted prices or if switching to a smaller firm where customers can't benefit from the same economies of scale as Yellow's size and capacity."

Regan said many carriers had pushed back signing shipping contracts with customers for the fall until Yellow's outcome was clear. Now, he said, trucking companies are seeking "stunning" general rate increases.

Among Yellow's customers is the federal government, which loses a major provider of transport services under contracts with the Defense Department and the General Services Administration, the government's procurement arm. Yellow's competitors have said they have the capacity to handle the shipments, but experts say few may be willing to haul the goods at Yellow's prices.

The losers also may include American taxpayers.

The Treasury Department, as a condition of a \$700 million Covid aid loan in 2020, took a 30% stake in the trucker.

Treasury's equity could be wiped out. Yellow said it would pay back the loan, but some lawmakers and analysts have said taxpayers could lose money. Whether the federal government recovers the money it lent would likely depend on how much Yellow raises by selling real estate and other assets in bankruptcy.

## BUSINESS &amp; FINANCE

## Paramount to Sell Book Publisher

The sale of Simon & Schuster to KKR for \$1.62 billion stands to boost media giant

BY JEFFREY A. TRACHTENBERG  
AND JESSICA TOONKEL

Paramount Global said it has agreed to sell book publisher Simon & Schuster to private-equity firm KKR for \$1.62 billion, a financial boost that the entertainment conglomerate said it would use in part to reduce debt levels.

"The proceeds will give Paramount additional financial flexibility and greater ability to

create long-term value for shareholders, while also delevering our balance sheet," Paramount Chief Executive Bob Bakish said.

The deal comes less than a year after a federal judge in October 2022 blocked Penguin Random House from acquiring Simon & Schuster for about \$2.18 billion, saying the deal would have financially harmed some authors. The Wall Street Journal last week reported that KKR was in advanced talks to acquire Simon & Schuster.

The announcement of the sale comes as Paramount reported second-quarter earnings Monday. The company said it swung to a loss of \$299 million

from a profit of \$419 million in the year-earlier period. Revenue fell 2.1% to \$762 billion.

The loss was partly caused by nearly \$700 million in programming charges, which Paramount said are tied to contract termination costs, development costs sunk into abandoned projects and other impairment charges related to content that the company has decided to remove from its streaming platforms. Paramount Global didn't report any programming charges in the second quarter a year ago.

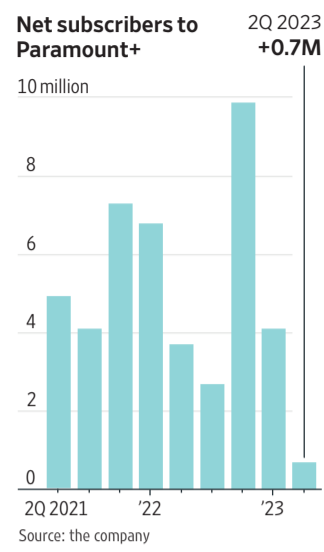
The company said its flagship Paramount+ streaming service gained 700,000 subscribers in the quarter, totaling

approximately 61 million. Overall, Paramount's streaming unit lost an adjusted \$424 million in the quarter, less than the adjusted \$445 million it lost in the year-earlier period.

Paramount shares were up 1.9% in after-hours trading.

The company, home of the CBS broadcast network, cable channels including Comedy Central and Nickelodeon, and the Paramount Pictures movie studio, said its filmed-entertainment unit saw revenue fall sharply to \$831 million from \$1.36 billion in the year-earlier period, when megahit "Top Gun: Maverick" was released.

—Laura Cooper  
contributed to this article.



## KKR Swung To Profit In Quarter

BY CHRIS CUMMING  
AND WILL FEUER

KKR posted a profit on higher revenue in the second quarter as the buyout firm's investment holdings recovered and the company boosted its assets under management.

The private-equity firm said net income came to \$844.5 million, or 94 cents a share, compared with a loss of \$734.6 million, or \$1.08 a share, a year earlier.

KKR's shares rose 2.7% in trading Monday after the New York firm posted its results.

The alternative-investments industry, mired in a slump for more than a year, may be seeing signs of recovery, KKR executives said during a conference call to discuss the results with analysts. The markets for the debt private-equity firms use to finance deals have slowed as interest rates have risen. But they may now be showing signs of improvement, the executives said.

"When markets are shut it's harder to get deals done," said Scott Nuttall, KKR's co-chief executive. "We've been more active, especially recently, but there's no doubt if the capital markets open, there will be more overall M&A activity, which will accrue to our benefit."

KKR has about \$100 billion in dry powder, or money available to invest, Nuttall said.

The firm struck a number of deals in recent months, including a minority investment in German space and technology company OHB unveiled Monday. Others include an agreement to buy pump-and-valve maker Circor International for \$1.6 billion, including debt, and the acquisition of Industrial Physics, a maker of testing equipment.

KKR on Monday said it agreed to buy book publisher Simon & Schuster from Paramount Global for \$1.62 billion.

The firm last month said that it was nearing a \$1.3 billion acquisition of specialty-chemicals company Chase.

Recent exits by the firm include an agreement to sell audiobook publisher RBMedia to private-equity manager H.I.G. Capital for more than \$1 billion.

KKR's distributable earnings, or profit that can be returned to shareholders, fell 23% to \$652.6 million, or 73 cents a share.

The firm's revenue jumped to \$3.63 billion from \$323.4 million a year ago.

Firm executives also suggested industrywide fundraising difficulties may soon ease. KKR's assets under management rose 6% from the prior quarter to \$518.52 billion. It raised \$13 billion of new money in the second quarter and \$54 billion in the 12 months ended June 30. KKR has been busy launching new products designed for wealthy individual investors, a market private-fund managers have long courted. The firm has raised \$1.9 billion so far for new private-equity and infrastructure funds designed for this market.

## Fanatics Sues Rival in Trading-Card Feud

BY ANDREW BEATON

Days after being sued by sports collectible company Panini, Fanatics sued its rival for alleged fraud and injected new claims of wrongdoing into a legal feud dividing the trading card industry.

The dueling lawsuits come two years after Fanatics' sudden leap into the trading card business, when the company primarily known for selling sports merchandise engineered a takeover of the most valuable card rights in the U.S. in one swoop. In August 2021, Fanatics agreed to deals with the NBA, MLB and their respective player unions, along with the NFL Players Association. The NFL later agreed to a deal with Fanatics as well.

The NFL, NBA and their players associations, however, currently have deals with Panini that have yet to expire. Panini last week filed a federal antitrust lawsuit against Fanatics accusing the company, which is led by Chief Executive Michael Rubin, of interfering with its business in various ways and creating an illegal monopoly.

Fanatics' suit, filed in the Southern District of New York, offers a different version of the events between the two remaining powers in the U.S. market. The complaint seeks unspecified damages for unfair competition and breach of an obligation to negotiate in good faith.

Fanatics' suit says it seeks to put a "stop to Panini's bad-faith acts and unrelenting campaign to hobble a new, innovative competitor." It accuses Panini of a "protracted, unlawful, and deceitful campaign of unfair trade practices, strong-arm tactics, and tortious misconduct" to hamper Fanatics' nascent trading card business.

The complaint adds that Panini suffered from poor customer service, shoddy quality control and other problems that led partners to be eager to switch and work with Fanatics.

Fanatics' complaint alleges that after the two sides reached an agreement in principle in 2022 for Panini to terminate certain licenses ahead of schedule and give them to Fanatics in return for a fee, Panini engaged in bad-faith negotiations while "trying to



The suit by Topps owner Fanatics, led by Chief Executive Michael Rubin, seeks damages from Panini for unfair competition.

pass off knowingly-inflated earnings projections that translated to an unreasonably high deal price."

Fanatics says it learned through private discussions with Panini America CEO Mark Warsop that the company was relying on a different, lower set of accurate figures for internal use while feeding Fanatics pumped-up projections.

A person familiar with Panini's thinking said Panini's projections were lowered because Fanatics acquired a control of Panini's primary manufacturer and constrained its supply of trading cards, hurting its business.

By the time the talks terminated, Fanatics' lawsuit says, it had "lost valuable parallel business opportunities" and spent tens of millions paying lawyers and other advisers.

A lawyer representing Panini said Fanatics' attempt to portray itself as a victim is "absurd on the facts and irrelevant as a matter of law" and that the lawsuit is an attempt to avoid "dealing with its serious antitrust liability as set out in the litigation filed



against it last week."

"Fanatics' attacks on Panini are flatly inconsistent with the undisputed facts, including Panini's undisputed record of innovation, customer service, and financial success," said David Boies, chairman of Boies Schiller Flexner, the law firm representing Panini. "If Panini had been as unsuccessful as Fanatics pretends, Fanatic wouldn't have had to use decades-long exclusive dealing arrangements to lock it out of

the market, or improperly cut off Panini's supply, interfere with Panini's production facilities, and raid its employees."

Fanatics' trading card pacts with the leagues and unions upended a sector that was booming when people rediscovered the hobby during the throes of the Covid-19 pandemic. Topps, an industry mainstay known for producing baseball cards, had to abort its plan to go public via a special-purpose acquisition vehicle. Fanatics later gained an early entry into the baseball card market when it bought Topps for about \$500 million.

Each lawsuit presents its own narrative. Panini's says it had led the industry through a period of great growth through its superior innovation. Fanatics' portrays Panini as outmoded and a business that has neglected consumers and its league partners.

Panini's lawsuit accuses Fanatics of behaving as a monopolist by securing exclusive deals of unprecedented length with the three biggest sports leagues in the U.S. It says Panini had no opportunity to bid for the licenses, and that it

only learned of the deals when they were reported in the media.

Fanatics' complaint counters that the licensors didn't even ask Panini to bid "clearly recognizing Panini's value proposition paled in comparison to that presented by Fanatics Collectibles."

"Panini's strategy is an admission of its ineptitude: rather than elevating the collector experience, granting licensors access to downstream opportunities, or improving the broader industry, Panini is trying to undermine its competitor through unfair tactics," Fanatics' lawsuit says.

Panini's suit also accuses Fanatics of acquiring a controlling stake in GCP, a trading card manufacturer, and using its control to restrict Panini's supply of trading cards, despite their contracts. Fanatics' lawsuit portrays the situation differently, saying it invested in GCP after its acquisition of Topps to remedy supply-chain issues and improve quality, and that GCP's improved operations have improved GCP's other customers—including Panini.

## Kardashian's Private-Equity Firm Hires Ex-Apple, Burberry Executive

BY LAURA COOPER

Angela Ahrendts, a former Apple retail head and Burberry chief executive, is joining Kim Kardashian's private-equity firm.

Ahrendts, who will be a senior operating adviser at SKKY Partners, presided over retail expansion at Apple, where she was one of the few women in the consumer-technology giant's senior executive ranks at that time. Before that, she was CEO of Burberry, the British luxury designer whose sales more than tripled and share price quadrupled on her watch.

Kardashian, the reality star and entrepreneur who is known to many through appearances on her family's shows, started SKKY last summer alongside longtime Carlyle Group consumer head Jay Sammons.



Angela Ahrendts will be a senior operating adviser at SKKY.

SKKY, which will focus on consumer and media investments, has yet to do its first deal, but Kardashian told The Wall Street Journal that the firm has "narrowed the pool down to brands that [it] really believes have amazing growth potential."

In her role at SKKY, Ah-

rendts will focus on identifying and assessing brands, determining the firm's ability to add value to them and to coach and mentor at the companies in its portfolio.

Ahrendts sits on the boards of Ralph Lauren, Airbnb and advertising holding company WPP.

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BUSINESS NEWS

# Delays Frustrate Europe Travelers

Wildfires, air-traffic control shortages and other factors disrupt carriers

By NUHA DOLEBY AND BENJAMIN KATZ

LONDON—Last summer, flying in Europe was a nightmare. This year, at least in terms of delays, it is even worse.

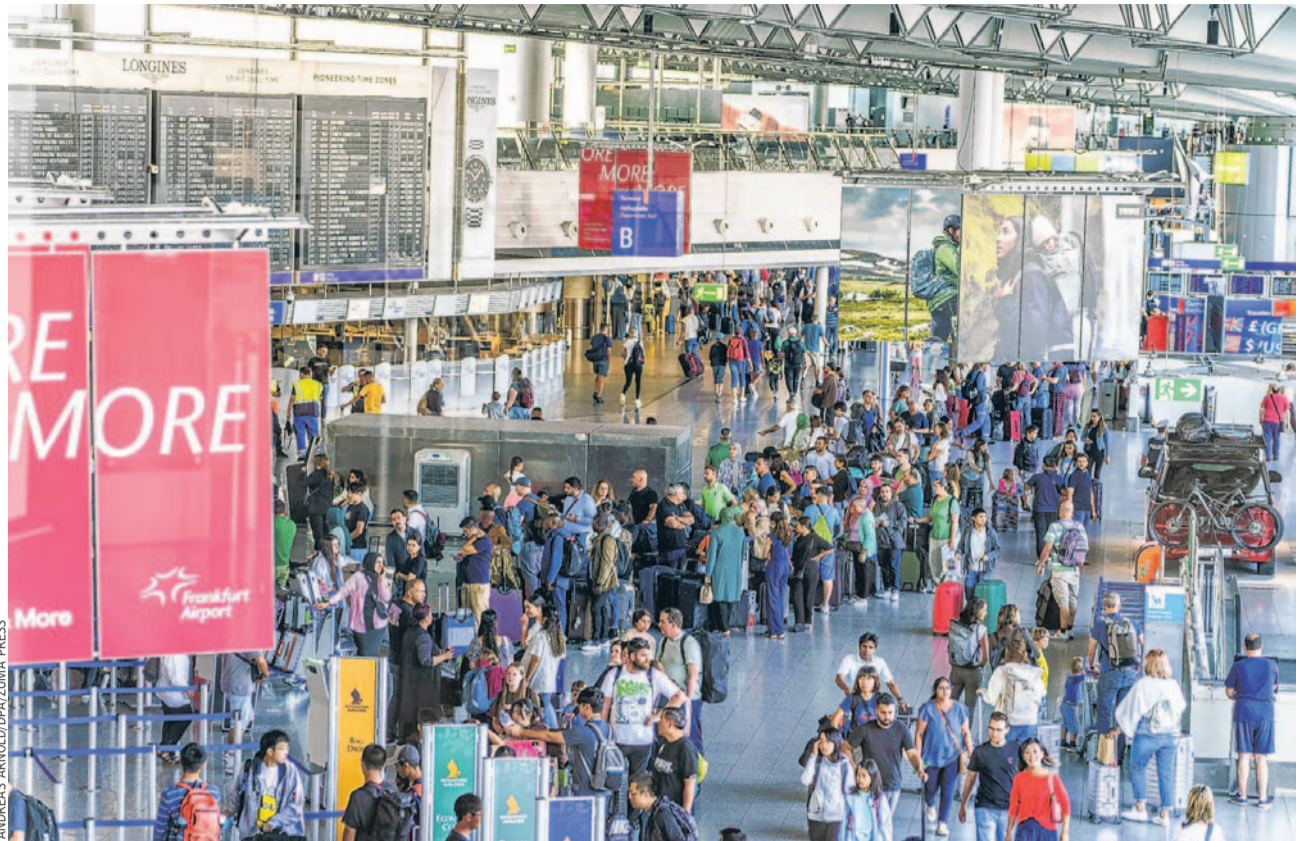
Passengers traveling across the region have so far experienced more delayed flights this summer than a year ago, when the flying season was marred by long lines, lost baggage and regular cancellations as a rebound in demand overwhelmed airports.

This summer airlines and airports are wrestling with an array of challenges. A shortage of air-traffic controllers has impacted the number of flights that can be handled during the day. Wildfires in some of Europe's top tourist destinations have prompted airlines to divert planes to repatriate vacationers. The war in Ukraine has closed off airspace previously used regularly, and workers, including cabin crew and pilots, are striking across the region.

More than one-third of flights were delayed by 15 minutes or more between May 1 and Aug. 1 at Europe's 50 biggest airports, according to data compiled by FlightAware, a flight-tracking service. That compares with a delay rate of about 29% in the same period last year and almost 24% in 2019.

"This summer will be difficult," said Michael O'Leary, chief executive of Ryanair, Europe's biggest airline by passenger numbers, on a call with investors last month. Air-traffic control shortages and strikes have been particularly frustrating, he said.

The air-travel challenges in Europe come as more American tourists opt to visit the region this summer.



Delays have worsened at several of the region's biggest hubs, including Frankfurt Airport, which was hard hit last year.

Among European airports, Lisbon topped the list with close to half of all flights recorded as delayed. Rounding out the top five most affected airports were London Gatwick, Athens, Nice in France and Paris Charles de Gaulle.

Delays have worsened at several of the region's biggest hubs, including London Heathrow and Frankfurt Airport, which were among the worst-hit by disruption last year. Punctuality has improved, though, at Amsterdam Schiphol Airport.

One silver lining in Europe this summer is fewer cancellations. In the May-to-August period, 0.9% of all flights were scrapped, compared with 1.4% in the same months last year, FlightAware data shows.

Flight delays at the 50 biggest U.S. airports also rose during the May-to-August period, though the increase—up to about 26% of all flights

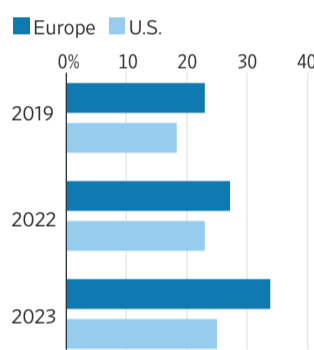
from around 24% last year, according to FlightAware data—isn't as steep as in Europe.

The causes of delays this summer "are issues that are outside the remits of airport operators," said Olivier Jankovec, director general of Airports Council International Europe, a trade body. He added that airports had broadly succeeded in staffing up in areas they control, like security, in an effort to avoid a repeat of last year's disruption.

Staffing was a major issue last summer, particularly in positions like baggage handling. After shedding workers during the pandemic, airlines and airports couldn't get them all back.

This year, the aviation industry has had more time to prepare but is much busier. The average number of daily flights across Europe has reached more than 27,000 this year, up 12% versus 2022, ac-

Share of flight arrivals that were delayed at the 50 biggest airports in both Europe and the U.S., May 1 to Aug. 1.



Note: For flights delayed for 15 minutes or more. Source: FlightAware

cording to Eurocontrol, the continent's air-traffic agency.

"We have the resources that are necessary to fly, but the problem is that we are in a very tough environment," Luis Gallego, chief executive officer of British Airways par-

ent IAG, said in late June. Air-traffic control issues and strikes were among the challenges he cited.

The disruption has led to an increase in costs of about €140 million, or about \$154 million, compared with last year, mostly to cover rebooking and compensation expenses, Gallego said.

Audrey Eager was flying with Aer Lingus—IAG's Irish carrier—from Dublin Airport this month when her flight was delayed for two hours. Over the cabin intercom, her pilot attributed the holdup to weather and to air-traffic control delays, which went on long enough to require a change in crew. Her flight back from London Gatwick also was delayed two hours.

"There were no announcements, no update on the screens, not even to say it was delayed," Eager said. "Their app wasn't much better."

## EchoStar, Dish Near Merger

Continued from page B1  
its name to Dish Network and spun off its technology arm as EchoStar.

The two companies have shifted assets over the years. Dish acquired certain assets in 2017 and struck another deal in 2019 to buy EchoStar's broadcast-satellite business. Ergen, who stepped down as CEO of Dish in 2017, remains chairman of both companies.

Dish, a longtime presence in satellite television, has spent more than a decade laying the groundwork to be a major player in the wireless sector.

Ergen has said his company aims to pivot its operations away from a shrinking pay-TV service as cord-cutting accelerates.

Dish has said it expects its overall 5G, or fifth-generation, wireless network to cost more than \$10 billion to build.

Heavy spending on the new network tipped Dish's free cash flow into negative territory last year, causing its debt to trade at distressed levels. Ergen in May said the debt market was essentially closed to Dish but hinted that the asset-rich company still had several options at its disposal.

EchoStar had \$1.7 billion in cash on its balance sheet as of March 31. It continued to generate cash in the March quarter and is primed for more growth as it brings its new Jupiter 3 satellite online. The company had been set to report its second-quarter results Monday but delayed the release until Tuesday morning. Ergen tried to win back investor confidence in his wireless strategy. Dish shares have hit lows not seen in more than two decades this year as analysts question whether his project will pay off before billions of dollars of debt come due ..

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BUSINESS NEWS

# Fast-Food Diners Take Their Meals To-Go

McDonald's, Burger King want upgrades to dining rooms but franchisees resist

By HEATHER HADDON

Americans are eating their burgers, fries and nuggets at home, in their cars and at the office—increasingly anywhere but at the fast-food restaurants themselves.

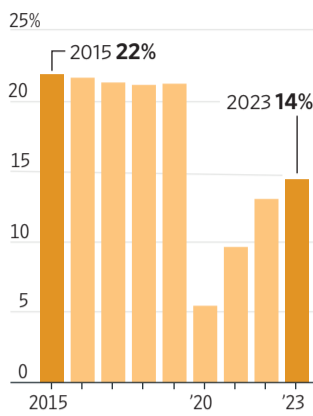
At **McDonald's** and Burger King, booths are often empty. Customers pick up their orders and head out. People sitting at tables sometimes are workers on their breaks.

Dine-in customers now represent less than 10% of visits in most U.S. McDonald's restaurants, according to chain franchisees, compared with around one-quarter of domestic sales before the Covid-19 pandemic.

Across U.S. fast-food chains, diners ate 14% of orders at a restaurant in the first five months of this year, less than 21% before the pandemic, data from market-research firm Circana show. In June, diners ate 14% of their fast-food orders in the restaurant's dining room, compared with 22% in 2015, Circana said.

The Covid-19 pandemic accelerated a shift toward to-go

The share of fast-food customers who eat at the restaurant remains below prepandemic levels.



Note: Data are for June of each year. Source: Circana

that was already under way. Owners serving the bulk of their orders to-go found that they were more profitable and efficient to run, needing less maintenance work and staff. Big companies started speeding up investments in drive-throughs and online ordering.

"You don't necessarily need the big dining rooms that you needed in our traditional restaurants," McDonald's Chief Executive Chris Kempczinski said during an investor call in July.

McDonald's and other chains are developing new restaurants



Franchisees say less than 10% of visits in most U.S. McDonald's restaurants are for dining in.

centered around drive-through and carryout, with very little or no dine-in option.

Still, fast-food restaurants are reluctant to give up on the dining room. Major chains want their restaurants to look modern, inviting and fresh.

McDonald's, for instance, pledged to spend billions of dollars to help U.S. franchisees pay for digital kiosks, modern furnishings and other improve-

ments beginning in 2017. The chain now expects U.S. owners to renovate dining rooms every 10 years. Franchisees said they often pay hundreds of thousands of dollars to install new furniture and fixtures and discard the old.

Dine-in orders at McDonald's are a significant part of its U.S. business, and consumers' perception of the brand has improved with the

investments, the company said. McDonald's said it is looking at its restaurant design to determine how to respond to consumer trends and work with franchisees to manage costs.

Burger King is spending millions of dollars to encourage U.S. owners to renovate their locations, though operators have to pick up much of the cost.

"It's absolutely critical,"

Josh Kobza, chief executive of Burger King owner **Restaurant Brands International**, said in May.

A Burger King spokeswoman said a remodel results in an average sales lift of 12% in the first year.

Restaurant franchisees, who run the majority of restaurants for chains like McDonald's and Burger King, largely support the shift to dining away. It is often cheaper and less labor-intensive to pack food into bags to be eaten elsewhere than keep a dining room clean. Some franchisees say the fast-food business is permanently shifting toward drive-through, delivery and to-go orders.

A number of U.S. McDonald's operators in 2018 formed the National Owners Association, an independent group to help advocate for franchisees' interests. The group has pushed back at the burger chain on some of the remodeling requirements.

U.S. franchisees are expected to freshen up their dining rooms, front counters and bathrooms with approved designs every 10 years, according to company documents. Equipment for the remodels averaged \$350,000 last year, according to the documents. A full update can cost as high as \$750,000, owners said.

## Tyson Shuts More Plants

Continued from page B1

would shift production from the four chicken plants to other facilities by the middle of 2024. The company estimated total charges of \$300 million to \$400 million related to the closures.

The four plants employ roughly 3,000 people, with the Noel, Mo., facility being the

largest, and the company is planning to relocate some employees, according to city and county officials.

Tyson has about 124,000 employees in the U.S. and more than 140,000 globally, according to its most recent annual securities filing.

Company officials said adjusted operating income for its chicken business improved by more than \$100 million sequentially as a result of its cost-cutting efforts.

Tyson executives said the company's recent move to resume use of some antibiotics in production of its branded chicken products is also helping it more accurately fore-

cast supply and demand for poultry.

Profit margins from Tyson's beef division, which accounted for nearly 40% of its annual sales last year and is its largest business unit by revenue, have come under pressure over the past year. Quarterly operating income from its beef unit fell to \$66 million from \$533 million a year earlier.

Tyson officials said on the

call that results from its beef and pork units weren't a surprise given the tough market conditions. Officials said the company could close more processing plants.

"We will continue to evaluate all options, including more actions like these across all of our businesses," King said.

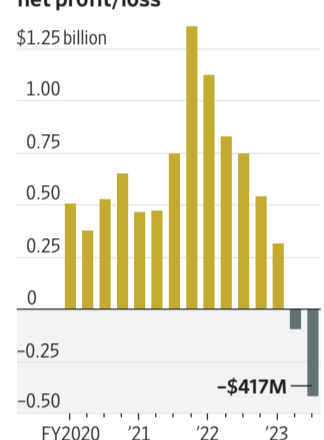
Tyson's pork unit reported an operating loss of \$74 million as sales fell to \$1.3 billion for the

quarter from \$1.6 billion the same time a year ago. The company lowered its profit forecast for its pork business for the year.

Tyson reported a \$234 million operating loss for its international business, compared with a \$12 million profit a year earlier.

The company said its sales price for beef for the quarter rose by an average 5.2% compared with the same period a year ago, while chicken prices decreased 5.5% and fell 16% for pork. Prices for Tyson's prepared-foods division, which includes brands such as Jimmy Dean and Ball Park, were down 2%.

Tyson Foods quarterly net profit/loss



Note: Latest fiscal quarter ended July 1. Sources: S&P Capital IQ; the company

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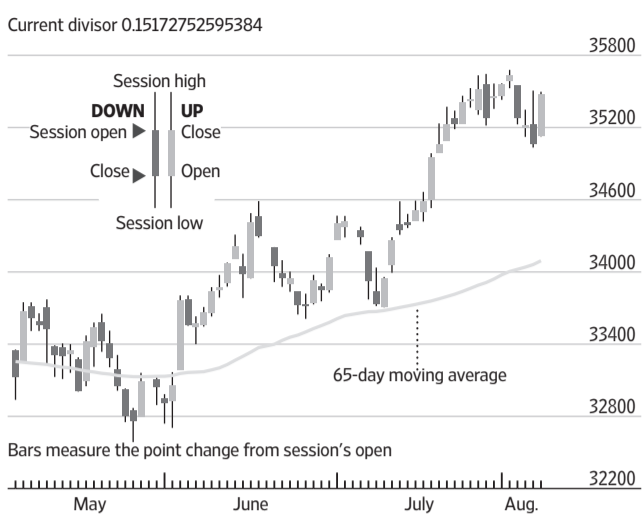


# MARKETS DIGEST

## EQUITIES

### Dow Jones Industrial Average

**35473.13** ▲407.51, or 1.16%  
 High, low, open and close for each trading day of the past three months.  
 Trailing P/E ratio 25.82 19.38  
 P/E estimate \* 19.38 17.41  
 Dividend yield 2.01 2.14  
 All-time high 36799.65, 01/04/22



\*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.; \*Based on Nasdaq-100 Index

### S&P 500 Index

**4518.44** ▲40.41, or 0.90%  
 High, low, open and close for each trading day of the past three months.  
 Trailing P/E ratio \* 22.43 22.56  
 P/E estimate \* 20.75 18.22  
 Dividend yield \* 1.56 1.58  
 All-time high 4796.56, 01/03/22



### Nasdaq Composite Index

**13994.40** ▲85.16, or 0.61%  
 High, low, open and close for each trading day of the past three months.  
 Trailing P/E ratio \*\* 32.02 26.82  
 P/E estimate \*\* 29.15 23.06  
 Dividend yield \*\* 0.81 0.83  
 All-time high: 16057.44, 11/19/21



### Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	52-Week High	52-Week Low	% chg YTD	% chg 3-yr. ann.
<b>Dow Jones</b>									
Industrial Average	35497.38	35125.60	<b>35473.13</b>	407.51	1.16	35630.68	28725.51	8.0	7.0
Transportation Avg	16495.76	16251.86	<b>16396.15</b>	76.36	0.47	16695.32	11999.40	11.9	22.4
Utility Average	893.92	886.80	<b>887.47</b>	1.40	0.16	1061.77	838.99	-12.6	-8.3
Total Stock Market	45224.70	44924.94	<b>45210.39</b>	369.28	0.82	45969.67	36056.21	8.2	17.4
Barron's 400	1029.24	1020.73	<b>1029.04</b>	8.31	0.81	1036.97	825.73	7.3	11.8

	High	Low	Latest Close	Net chg	% chg	52-Week High	52-Week Low	% chg YTD	% chg 3-yr. ann.
<b>Nasdaq Stock Market</b>									
Nasdaq Composite	13997.15	13864.92	<b>13994.40</b>	85.16	0.61	14358.02	10213.29	10.7	33.7
Nasdaq-100	15410.85	15258.92	<b>15407.85</b>	132.93	0.87	15841.35	10679.34	17.1	40.8

	High	Low	Latest Close	Net chg	% chg	52-Week High	52-Week Low	% chg YTD	% chg 3-yr. ann.
<b>S&amp;P</b>									
500 Index	4519.84	4491.15	<b>4518.44</b>	40.41	0.90	4588.96	3577.03	9.1	17.7
MidCap 400	2704.32	2683.56	<b>2703.15</b>	21.57	0.80	2728.44	2203.53	7.3	11.2
SmallCap 600	1267.43	1256.69	<b>1266.76</b>	7.25	0.58	1315.82	1064.45	1.6	9.4

	High	Low	Latest Close	Net chg	% chg	52-Week High	52-Week Low	% chg YTD	% chg 3-yr. ann.
<b>Other Indexes</b>									
Russell 2000	1961.49	1944.81	<b>1958.94</b>	1.47	0.08	2021.35	1655.88	0.9	11.2
NYSE Composite	16215.68	16071.06	<b>16208.23</b>	137.17	0.85	16427.29	13472.18	5.9	6.7
Value Line	585.38	582.18	<b>585.33</b>	2.36	0.40	606.49	491.56	1.4	9.1
NYSE Arca Biotech	5178.79	5145.47	<b>5152.21</b>	-26.58	-0.51	5644.50	4390.11	1.0	-2.4
NYSE Arca Pharma	873.63	860.37	<b>872.89</b>	12.52	1.46	892.45	737.84	8.7	0.6
KBW Bank	88.94	88.17	<b>88.71</b>	0.80	0.91	115.55	71.96	-17.9	-12.0
PHLX <sup>§</sup> Gold/Silver	119.52	117.94	<b>118.75</b>	-0.88	-0.74	144.37	91.40	7.3	-1.7
PHLX <sup>§</sup> Oil Service	93.41	91.72	<b>92.33</b>	-0.83	-0.90	93.94	56.08	42.9	10.1
PHLX <sup>§</sup> Semiconductor	3740.41	3705.02	<b>3739.41</b>	40.21	1.09	3861.63	2162.32	24.5	47.7
Cboe Volatility	17.36	15.77	<b>15.77</b>	-1.33	-7.78	33.63	12.91	-25.9	-27.2

§Nasdaq PHLX Sources: FactSet; Dow Jones Market Data

### Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

#### Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After-Hours % chg	High	Low
Palantir Technologies	PLTR	25,701.1	18.48	0.49	<b>2.72</b>	18.63	15.75
iSh20+ Year Treasury Bd	TLT	10,326.7	95.58	...	<b>unch.</b>	95.68	95.45
Lucid Group	LCID	7,579.8	6.68	0.27	<b>4.21</b>	6.86	6.17
SPDR S&P 500 ETF Trust	SPY	7,308.3	450.94	0.23	<b>0.05</b>	459.01	423.27
iSh1-3 Year Treasury Bd	SHY	5,156.8	81.07	-0.03	<b>-0.04</b>	81.11	81.06
Chevron	CVX	4,546.0	160.00	0.11	<b>0.07</b>	160.30	159.81
Apple	AAPL	4,040.0	179.11	0.26	<b>0.15</b>	187.32	178.69
iShares TIPS Bond ETF	TIP	3,868.9	106.91	0.35	<b>0.33</b>	106.91	106.49

#### Percentage gainers...

Company	Symbol	Volume (000)	Last	Net chg	% chg	High	Low
Chegg Inc.	CHGG	2,070.5	12.62	2.59	<b>25.82</b>	13.22	10.00
Hims & Hers Health	HIMS	857.3	9.18	1.28	<b>16.20</b>	9.49	7.90
National CineMedia	NCMI	411.1	3.40	0.46	<b>15.65</b>	3.79	2.98
Kyndryl Holdings	KD	167.9	14.31	1.86	<b>14.94</b>	14.52	12.45
Microvast Holdings	MVST	418.6	2.74	0.25	<b>10.04</b>	2.79	2.45

#### ...And losers

Company	Symbol	Volume (000)	Last	Net chg	% chg	High	Low
Alteryx CIA	AYX	951.9	29.61	-8.01	<b>-21.28</b>	38.18	26.21
Intl Flavors & Fragrances	IFF	186.2	64.62	-15.72	<b>-19.57</b>	80.35	64.43
Maravai LifeSciences	MRVI	139.6	9.70	-1.32	<b>-11.98</b>	11.10	8.80
RingCentral CIA	RNG	142.3	34.53	-4.45	<b>-11.42</b>	40.00	34.27
Beyond Meat	BYND	503.7	13.85	-1.43	<b>-9.36</b>	15.32	13.33

### Trading Diary

#### Volume, Advancers, Decliners

	NYSE	NYSE Amer.
<b>Total volume*</b>	765,654,757	8,739,636
<b>Adv. volume*</b>	501,834,111	3,295,278
<b>Decl. volume*</b>	256,180,579	5,253,263
<b>Issues traded</b>	3,013	316
<b>Advances</b>	1,851	104
<b>Declines</b>	1,074	191
<b>Unchanged</b>	88	21
<b>New highs</b>	102	4
<b>New lows</b>	36	12
<b>Closing Arms*</b>	1.04	0.95
<b>Block trades*</b>	3,716	107

	Nasdaq	NYSE Arca
<b>Total volume*</b>	4,892,332,328	213,966,557
<b>Adv. volume*</b>	2,039,672,871	116,828,595
<b>Decl. volume*</b>	2,819,335,702	95,249,064
<b>Issues traded</b>	4,499	1,775
<b>Advances</b>	2,040	1,282
<b>Declines</b>	2,275	470
<b>Unchanged</b>	184	23
<b>New highs</b>	74	12
<b>New lows</b>	175	6
<b>Closing Arms*</b>	1.24	2.49
<b>Block trades*</b>	32,206	968

\*Primary market NYSE, NYSE American, NYSE Arca only. \*TRIN A comparison of the number of advancing and declining issues with the volume of shares rising and falling. An Arms of less than 1 indicates buying demand; above 1 indicates selling pressure.

### International Stock Indexes

Region/Country	Index	Close	Net chg	Latest % chg	YTD % chg
<b>World</b>	<b>MSCI ACWI</b>	<b>692.42</b>	3.42	0.50	14.4
	MSCI ACWI ex-USA	305.89	-0.35	-0.11	8.7
	MSCI World	3003.77	17.23	0.58	15.4
	MSCI Emerging Markets	1016.31	-1.71	-0.17	6.3
<b>Americas</b>	<b>MSCI AC Americas</b>	<b>1711.83</b>	13.64	0.80	17.5
Canada	S&P/TSX Comp	20236.04	...	Closed	4.4
Latin Amer.	MSCI EM Latin America	2444.97	-20.16	-0.82	14.9
Brazil	BOVESPA	119379.50	-128.18	-0.11	8.8
Chile	S&P IPSA	3565.12	14.51	0.41	12.4
Mexico	S&P/BMV IPC	54032.83	41.41	0.08	11.5
<b>EMEA</b>	<b>STOXX Europe 600</b>	<b>459.68</b>	0.40	0.09	8.2
Eurozone	Euro STOXX	457.80	0.06	0.01	11.7
Belgium	Bel-20	3716.02	-15.39	-0.41	0.4
Denmark	OMX Copenhagen 20	2001.94	31.20	1.58	9.1
France	CAC 40	7319.76	4.69	0.06	13.1
Germany	DAX	15950.76	-1.10	-0.01	14.6
Israel	Tel Aviv	1872.41	8.73	0.47	4.2
Italy	FTSE MIB	28547.61	-38.76	-0.14	20.4
Netherlands	AEX	772.13	-0.58	-0.08	12.1
Norway	Oslo Bors All-Share	1411.26	-9.95	-0.70	3.6
South Africa	FTSE/JSE All-Share	77013.74	53.13	0.07	5.4
Spain	IBEX 35	9358.60	-9.78	-0.10	13.7
Sweden	OMX Stockholm	827.62	-1.95	-0.24	5.9
Switzerland	Swiss Market	11107.47	8.99	0.08	3.5
Turkey	BIST 100	7470.10	69.53	0.94	35.6
U.K.	FTSE 100	7554.49	-9.88	-0.13	1.4
U.K.	FTSE 250	18861.67	-72.95	-0.39	0.0
<b>Asia-Pacific</b>	<b>MSCI AC Asia Pacific</b>	<b>166.35</b>	-0.09	-0.06	6.8
Australia	S&P/ASX 200	7309.20	-16.14	-0.22	3.8
China	Shanghai Composite	3268.83	-19.25	-0.59	5.8
Hong Kong	Hang Seng	19537.92	-1.54	-0.01	-1.2
India	S&P BSE Sensex	65953.48	232.23	0.35	8.4
Japan	NIKKEI 225	32254.56	61.81	0.19	23.6
Singapore	Straits Times	3309.87	17.49	0.53	1.8
South Korea	KOSPI	2580.71	-22.09	-0.85	15.4
Taiwan	TAIEX	16996.00	152.32	0.90	20.2
Thailand	SET	1532.51	2.05	0.13	-8.2

Sources: FactSet; Dow Jones Market Data

### Percentage Gainers...

Company	Symbol	Close	Net chg	% chg	High	52-Week Low	% chg
Sequans Comms ADR	SQNS	2.79	0.66	<b>30.99</b>	4.15	1.86	-22.1
Tabula Rasa HealthCare	TRHC	10.22	2.39	<b>30.52</b>	10.37	3.15	97.7
Sovos Brands	SOVO	22.56	4.54	<b>25.19</b>	22.63	12.74	40.9
EchoStar	SATS	23.50	4.12	<b>21.26</b>	23.86	14.67	14.5
GDEV	GDEV	7.40	1.24	<b>20.13</b>	8.50	3.10	16.0
Veritiv	VRTV	169.00	27.79	<b>19.68</b>	169.85	94.50	34.2
Lincoln Educational Svcs	LINC	8.61	1.41	<b>19.58</b>	8.71	4.59	26.4
Assertio Holdings	ASRT	3.44	0.53	<b>18.21</b>	8.01	2.07	-5.8
SunCar Tech CI A	SDA	19.99	2.81	<b>16.36</b>	45.73	3.80	96.2
AppTech Payments	APCX	3.29	0.46	<b>16.05</b>	5.37	0.40	338.7
Delta Apparel	DLA	8.17	1.04	<b>14.59</b>	22.89	6.95	-63.3
Acorda Therapeutics	ACOR	17.60	2.24	<b>14.58</b>	24.80	5.22	96.7
Manchester United CI A	MANU	23.44	2.96	<b>14.45</b>	27.34	11.20	102.9
Graham Corp	GHM	15.83	1.88	<b>13.48</b>	17.15	7.45	89.6
Perma-Fix							



BIGGEST 1,000 STOCKS

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (Formerly Bicom), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE. The list comprises the 1,000 largest companies based on market capitalization.

Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume.

Boldfaced quotations highlight those issues whose price changed by 5% or more from their previous closing price was \$2 or higher.

Notes:
+New 52-week high.
-New 52-week low.
dd-Indicates loss in the most recent four quarters.
FD-First day of trading.
H-Does not meet continued listing standards.
C-Close.
IF-Late filing.
q-Temporary exemption from Nasdaq requirements.
N-NYSE bankruptcy.
V-Trading halted on primary market.
Vj-In bankruptcy or receivership or being reorganized under the Bankruptcy Code, or securities assumed by such companies.

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.

Table with columns: Monday, August 7, 2023, Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg. Lists various stocks like AECOM, AES, Affia, AGCO, AMC Ent, etc.

Table with columns: Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg. Lists various stocks like CFI Industries, CH Robinson, CME Group, etc.

Table with columns: Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg. Lists various stocks like Intuitive Surgical, Invitae, Iron Mountain, etc.

Table with columns: Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg. Lists various stocks like J.D. Commerce, Jabil, Jack Wolfskin, etc.

Table with columns: Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg. Lists various stocks like GE Healthcare, Glenview, GSK, etc.

Table with columns: Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg. Lists various stocks like Goldman Sachs, GrubHub, Groq, etc.

Table with columns: Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg. Lists various stocks like HCA Healthcare, HDPC Bank, Inet, etc.

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Dividend Changes

Table with columns: Company, Symbol, Yld%, Amount, Payable/Record, Frq. Lists dividend changes for various companies.

Reduced

Table with columns: Company, Symbol, Yld%, Amount, Payable/Record, Frq. Lists reduced dividend information.

Stocks

Table with columns: ADIA, ANGL, BINGO, etc. Lists stock symbols and their corresponding values.

Foreign

Table with columns: ARGOA, BBU, BIPPA, etc. Lists foreign stock listings with various columns for price and volume.

Special

Table with columns: Guild Holdings, GHLD, etc. Lists special stock listings.

New Highs and Lows

The following explanations apply to the New York Stock Exchange, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities 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, Stock, 52-Wk % High/Low, Stock, 52-Wk % High/Low, Stock, 52-Wk % High/Low, Stock, 52-Wk % High/Low, Stock, 52-Wk % High/Low. Lists new highs and lows.

Highs

Table with columns: Affia, AGL, AGL, etc. Lists stocks that reached new 52-week highs.

Mutual Funds

Data provided by LIPPER

Top 250 mutual-funds listings for Nasdaq-published share classes by net assets.

e-E-distribution. F-Previous day's quotation. g-Notes. x and s apply. J-Footnotes. e and s apply. k-Recalculated by Lipper, using updated data. p-Distribution costs apply. 12b-1-R redemption charge may apply. s-Stock split or dividend. F-Footnotes p and r apply. v-Footnotes x and e apply. x-E-distribution. z-Footnote x, e and s apply. NA-Not available due to incomplete 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, NAV, Net YTD, Fund, NAV, Net YTD, Fund, NAV, Net YTD, Fund, NAV, Net YTD, Fund, NAV, Net YTD, Fund, NAV, Net YTD. Lists mutual fund performance.

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Exchange-Traded Portfolios

WSJ.com/ETFResearch

Largest 100 exchange-traded funds, latest session

Table with columns: Monday, August 7, 2023, ETF, Symbol, Price, Closing Chg YTD, Price, Closing Chg YTD. Lists ETP performance.

Table with columns: Monday, August 7, 2023, ETF, Symbol, Price, Closing Chg YTD, Price, Closing Chg YTD. Lists ETP performance.

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Table with columns: Monday, August 7, 2023, ETF, Symbol, Price, Closing Chg YTD, Price, Closing Chg YTD. Lists ETP performance.

ETF

Closing Chg YTD

Table with columns: SPDR S&P Div, S&P Div, etc. Lists ETF performance.

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BANKING & FINANCE

Rising Oil Prices Put Pressure on the Fed

Expectations of the central bank easing fight against inflation are under threat

By DAVID UBERTI

Booming oil prices last year powered U.S. inflation to 40-year highs. That trend was reversing in 2023—until now.

Benchmark crude prices are up 21% in the past six weeks, driving up the cost of American workers' commutes, freight haulers' trips to and from warehouses and the production of everything from plastics and fertilizers to clothing.

The gains threaten to prop up inflation, just as easing price pressures had investors betting that the Federal Reserve would soon wrap up its campaign of interest-rate increases. Though the central bank's preferred inflation metric excludes volatile food and energy costs, many warn that rising oil prices will indirectly pull up costs in every corner of the economy.

"You're paying for it at the

grocery store, with the cost of building materials, household goods," said Mike Kucharski, vice president of JKC Trucking, a 200-truck operation based in Illinois. "Everybody can feel the high costs."

Diesel's climb has been particularly costly for JKC during heat waves, since the company's refrigerated semitrailers need to burn more fuel to keep lettuce, melons and other produce cold in transit. The company updates its fuel surcharge for customers once a week, Kucharski said, but prices have risen so quickly in recent days that his company has had to eat some of the costs.

Russia's invasion of Ukraine early last year sent oil prices surging. Prices started coming down last summer after President Biden sent roughly 200 million barrels of U.S. crude reserves into the market, and eased further as the Fed's interest rate hikes helped curtail industrial demand for energy.

The more recent run-up comes after Saudi Arabia and Russia cut production to curb supplies to the market. Investor optimism about the strength of

the U.S. economy also helped fuel the rise in prices.

During the past three months, wholesale diesel costs jumped 31%, jet fuel climbed 33% and gasoline rose 18%.

The surge is challenging investors' bets that the Fed can pull off a so-called soft landing, in which inflation eases to the central bank's 2% target without slowing down the economy so much that it tips into a recession. The Fed raised rates again last month, bringing them to a 22-year high.

A continued climb in oil prices could signal the economy's resilience. But too steep of an increase could suggest the Fed will need to keep rates higher for longer.

Inflation eased in June to 3% from a year earlier, with a steep drop in energy prices helping bring down the consumer-price index to its slowest pace in more than two years. Core inflation, which excludes food and energy to focus on services costs, slowed to 4.8% annually.

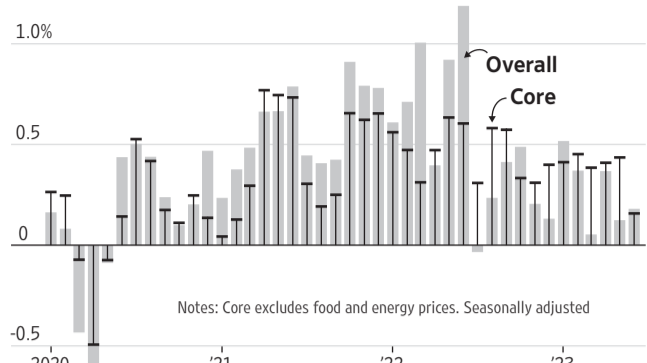
Crude prices will likely buoy overall price pressures heading into the Fed's next

meeting in September, when many investors expect a pause in interest-rate increases. Analysts say higher oil prices—evident at every corner gas station—are impossible to ignore even if they're not part of it," said Barry Bannister, chief equity strategist at Stifel.

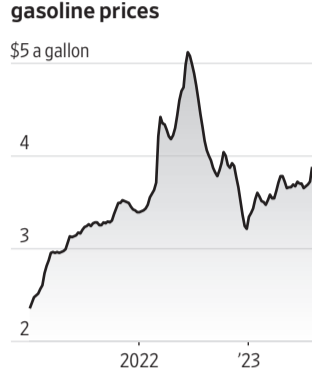
Food and energy "are leading indicators to core inflation even if they're not part of it," said Barry Bannister, chief equity strategist at Stifel. Many Wall Street analysts believe oil prices will trend slightly higher the rest of the year. While benchmark gasoline futures have plateaued in recent days after July's rally, drivers around the country are still feeling the pinch.

James Revia, whose family of six lives in a mobile home in High Island, Texas, raised his rates for mowing lawns by \$5 to \$40 after gas prices jumped last year. But the 44-year-old is wary about doing so again, even as higher fuel costs have made it more expensive for him. "If you keep raising your prices up, pretty soon you're not going to have any yards to mow," said Revia.

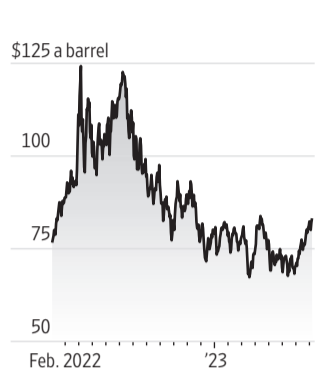
Consumer-price index, change from a month earlier



Average weekly retail gasoline prices



Benchmark U.S. crude futures



Sources: Labor Department (CPI); Energy Information Administration (gasoline); FactSet (crude)

Brady Joins Other Celebrities Backing Soccer Clubs

By JENNIFER CALFAS

Tom Brady is following other athletes and celebrities with his foray into the other kind of football.

The freshly retired quarterback is now a minority owner of Birmingham City Football Club, a team in England's second-tier league, the club said Thursday. Over the past few years, athletes, actors and other celebrities have taken stakes in football clubs in Europe, including those in the coveted Premier League, and in the U.S.

The married couple J.J. Watt, the acclaimed former NFL defensive end, and Kealia Watt, a former U.S. Women's National Team soccer player, invested this spring in Burnley Football Club, a Premier League team. NBA star LeBron James owns a minority stake in Liverpool Football Club, and actor Michael B. Jordan is an investor in AFC Bournemouth. Actors Ryan Reynolds and Rob McElhenney bought the Welsh team Wrexham AFC for some \$2.5 million—capturing their story in a docuseries and propelling the club to the fourth tier of English soccer.

The celebrity stakes are part of the growth in American investment in European soccer. Some investors think European football clubs are undervalued compared with U.S. sports teams, like those in the NBA or NFL, and see opportunities for growing their personal brands abroad, said Jordan Gardner, an American soccer investor and co-owner of FC Helsingør in Denmark.

"It's the most popular sport in the world," Gardner said. "You're looking at real serious asset appreciation values, and then also serious, large revenue streams, especially when you get to the top leagues in the countries in Europe," he added.

For celebrities looking for places to invest their money, Treasury bonds or the stock market may not be as interesting as a football club, said John Mullins, an associate professor of management practice at London Business School. Investing in scarce assets, like sports teams, may also lead to higher returns than those an investor might see in the stock market, he said. The investments don't guarantee big returns.

"They're not investing to make money on a day-to-day basis. These are not highly profitable businesses," Mullins



Tom Brady is now a minority owner of Birmingham City Football Club, a team in England's second-tier league.

said. "But they think it's going to be worth tomorrow what more than it's worth today."

In March, Jordan, the actor, said on "The Late Late Show with James Corden" he thought investing in AFC Bournemouth was a "cool thing" to do.

"I wanted to get into sports management and ownership, and the opportunity presented itself," he said. "And then Ryan Reynolds was doing his whole thing and I was like, you know, if he can do it, I can do it."

Celebrities are putting their support behind soccer teams in the U.S., too. Actor and producer Will Ferrell, as well as basketball legend Earvin "Magic" Johnson and groundbreaking women's soccer star Mia Hamm, are part-owners of Los Angeles Football Club.

In 2020, a majority-female group led by actress Natalie Portman launched Angel City FC, a National Women's Soccer League team in Los Angeles. Current investors include actresses Jennifer Garner, Eva Longoria, Jessica Chastain and Gabrielle Union and athletes Hamm, Lindsey Vonn and Billie Jean King. In its first sea-



Brady will serve as chairman of the club's advisory board.

son in 2022, the team surpassed its goals for anticipated corporate sponsorships, season-ticket holders and average attendance.

Celebrity investors and owners can have varying levels of involvement in their teams. Some take a more passive approach while others—like Reynolds and McElhenney—are more hands-on. The duo's leadership with Wrexham led to the club's sponsor-

ship deals with TikTok and travel booking website Expedia, and an influx of new Instagram followers.

At Birmingham City, Brady will serve as chairman of the advisory board, working with the sports science department on health and wellness programs, the club said. He'll also seek new marketing partnerships.

"I've been part of some amazing teams in my day, and I'm looking forward to applying my perspective to create that same success here in Birmingham," he said Thursday. Brady's minority ownership in Birmingham City stems from a partnership he entered with Knighthead Capital Management, which, through affiliate Shelby Companies Limited, finalized a deal to own 46% of the club in July. Brady, who retired from the NFL for good in February, is also part of the investment firm's ownership group for a Major League Pickleball team.

It is unclear how much Brady invested in Birmingham City to become a minority owner. Knighthead Capital Management and a representative for Brady didn't respond to requests for comment.

They join other American investors jumping on a second-tier team with hopes of earning promotion to the more lucrative Premier League. "If they pay their cards right and run the club well, they could potentially get up to the Premier League with huge rewards there financially," said Gardner, the co-owner of the Danish team.

Anheuser To Sell 8 Brands to Cannabis Company

By DENNY JACOB

Anheuser-Busch InBev is selling eight beer and beverage brands, including Shock Top and Blue Point, to the cannabis company Tilray Brands for an undisclosed amount.

The cannabis company's acquisition also includes brands such as Breckenridge Brewery, Redhook Brewery and HiBall Energy, among others. The transaction includes breweries and brewpubs associated with these brands, as well as current employees.

The purchase price will be paid in cash and the transaction is expected to close this year, Tilray said.

Andy Thomas, president of the Anheuser-Busch unit that includes premium brands and craft brewers, said that Tilray reached out earlier this year expressing interest in the brands and breweries. Anheuser-Busch is still committed to other craft beer brands in its portfolio, he said.

The sale by Anheuser-Busch comes after the company in July laid off hundreds of workers at its U.S. offices after months of slumping sales of its Bud Light brand.

Sales of Bud Light have tanked since April amid a commercial backlash over a promotion with transgender influencer Dylan Mulvaney. Earlier this year, Mexican brand Modelo Especial dethroned Bud Light as the top-selling beer in the U.S.

It is the latest foray by Tilray into alcoholic beverages. In November, it agreed to buy craft brewer and hard seltzer maker Montauk Brewing.



Blue Point is one of the brands that Tilray is buying.

New Highs and Lows

Table with columns for Stock, 52-Wk % Change, and 52-Wk High/Low. It lists various companies and their performance metrics over the last 52 weeks.

MARKETS

# Berkshire, Other Blue Chips Spur Rally

Buffett's company hits record price of \$362.58; Tesla weighs on Nasdaq

By ERIC WALLERSTEIN

A climb in the shares of **Berkshire Hathaway** and other blue-chip companies led markets higher, helping Wall Street bounce back from a stretch of losses.

The Omaha, Neb. company, which owns businesses including Geico and BNSF Railway, ended the session at a record stock price after swinging to a second-quarter profit. **MONDAY'S MARKETS** Berkshire's class B shares rose 3.6% to \$362.58, marking their first record since March 2022—when the Federal Reserve began raising interest rates.

The climb helped lift the S&P 500 to a 0.9% daily gain, while the Dow Jones Industrial Average added 408 points, or 1.2%. The Nasdaq Composite looked set for losses in early trading, dragged lower by Tesla shares

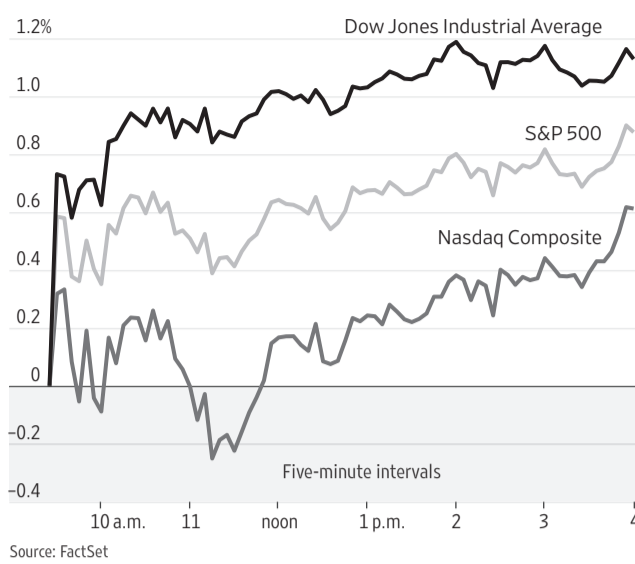
which slid as much as 4.4% after the departure of longtime Chief Financial Officer Zachary Kirkhorn. The electric-car maker finished 1% lower, and the tech-heavy index notched a 0.6% advance.

"If you assume Berkshire is a microcosm of the broader economy, there's a bull case for the broadening out of the stock-market rally away from just tech stocks," said Catherine Seifert, vice president of equity research at CFRA.

A strong quarter for insurance and reinsurance and gains in Warren Buffett's investment portfolio boosted the conglomerate. Seifert said that underneath the hood, the behemoth's performance paints a different picture: Berkshire's railroad, energy and manufacturing holdings dragged. She expects higher rates to continue putting pressure on old economy sectors.

Investors expect a fresh look at the prospect for rates from highly anticipated inflation data later this week. Inflation has slid toward the Fed's 2% target, but investors are leery that the final mile could prove tricky—encouraging policy makers to keep

Index performance on Monday



Source: FactSet

rates restrictive for months to come. Wage gains are outpacing inflation, and rebounding gas prices could boost headline figures.

Thursday's consumer-price index will be followed by supplier inflation data the following day.

Wall Street will also look to the University of Michigan's consumer survey on Friday for signs that Americans' confi-

dence has waned or their expectations for inflation in the years ahead have become unmoored from the Fed's target. Investors are hoping for signs that inflation is steadily easing to aid in recovering from last week's losses.

"The inflation story is alive and well," said Ryan Belanger, founder and managing principal of Claro Advisors, a Boston-based money manager

with \$700 million under management.

The 10-year yield rose to 4.076% from 4.060% on Friday. The yield on the two-year Treasury note closed at 4.756% from 4.791%. Long-term yields have risen partly in anticipation of the U.S. government's heavy slate of bond sales this week. A strong reception from investors could support bond prices and temper yields' recent climb.

The Fed raised rates to a 22-year high in July, signaling that further increases are on the table.

On Monday, Fed governor Michelle Bowman said that additional rate increases will likely be needed to tame inflation. Her prepared remarks at a Fed Listens event in Atlanta echoed sentiment she expressed over the weekend: Inflation is too high, and solid job growth and economic expansion provide further fuel to it lingering.

"Given these developments, I supported raising the federal-funds rate at our July meeting, and I expect that additional increases will likely be needed to lower inflation to the [Federal Open Market

Committee's] goal," Bowman said.

Shares of **Tyson Foods** fell 3.8%, among the worst performances among S&P 500 companies Monday, after the Arkansas-based company's slumping chicken business led to a \$417 million quarterly loss, disappointing Wall Street analysts.

Oil prices fell. Front-Month ICE Brent crude for October delivery lost 90 cents, or 1% to \$85.34 a barrel.

Overseas, Europe's Stoxx 600 rose 0.1%. Early Tuesday, Japan's Nikkei 225 was up 0.3% but Hong Kong's Hang Seng Index was down 1.15%. S&P 500 futures fell 0.2%.

AUCTION RESULTS

Here are the results of Monday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

	13-Week	26-Week
Applications	\$196,163,946,900	\$181,208,997,200
Accepted bids	\$73,375,288,300	\$65,708,997,200
* noncomp	\$2,767,451,700	\$2,809,840,700
* foreign noncomp	\$0	\$80,000,000
Auction price (rate)	98.662806 (5.290%)	97.338250 (5.265%)
	5.451%	5.499%
Bids at clearing yield accepted	11.89%	46.00%
	912797FJ1	912797GM3

Both issues are dated Aug. 10, 2023. The 13-week bills mature on Nov. 9, 2023; the 26-week bills mature on Feb. 8, 2024.

# Markets Get More Sensitive To Readings on Inflation

By KAREN LANGLEY

Stock and bond markets have become far more sensitive to inflation data, reflecting the difficulty investors have had trying to navigate the Federal Reserve's interest-rate intentions.

Treasury yields and stock futures have had larger-than-normal reactions over the past year to inflation data that differs from forecasts, according to Spencer Hill, senior U.S. economist at Goldman Sachs.

Hill looked at how markets moved in the minutes surrounding data releases. Stock-market sensitivity to inflation news over the past year has soared to 12 times the historical norm, he found. The Treasury market's sensitivity to inflation and wage data has leapt to more than seven times the historical median.

Fed Chairman Jerome Powell has said officials will rely on incoming data to determine whether more rate in-

creases are needed.

"We have a lot of uncertainty around what the next move or two moves are going to be from the Fed," said Eric Winograd, chief economist at AllianceBernstein. "That makes the data even more important than it normally would be."

Investors this week will get a hefty serving of data to help them gauge the Fed's progress: consumer inflation figures on Thursday, followed by producer price numbers on Friday. They also will look for indications of the economy's strength from company earnings reports including **United Parcel Service** and **Walt Disney**.

Dave Lutz, head of ETF trading at JonesTrading, said data releases this summer have prompted flurries of activity, particularly from institutional clients like mutual funds, hedge funds and pensions.

"They're waiting until the

data comes out and then they're going to readjust their portfolio," he said. "Then things tend to quiet down again into the next release."

Goldman's Hill expects continued sensitivity to price and wage data because progress in lowering inflation to near the Fed's 2% goal will be essential to a decision to stop raising rates.

He also looked at how markets respond to data on economic activity and the labor market, such as the number of jobs added and growth in retail sales.

In the early months of 2023, stocks tended to rally on strong data. In recent months, however, that relationship has flipped.

Hill hypothesized this was because of a shift in how investors viewed the risk of a recession.

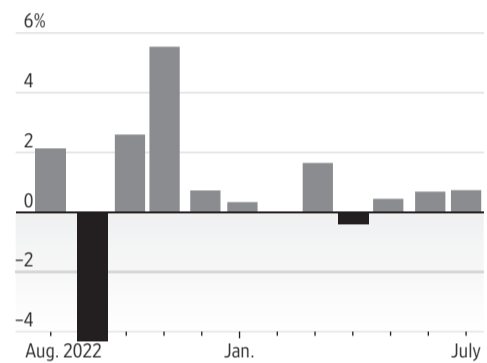
Initially, investors worried about recession and welcomed signs of a strong economy, according to this theory. But

S&P 500 performance



Sources: FactSet; Dow Jones Market Data

S&P 500 performance on consumer-price index release dates



they have since grown more confident a recession isn't imminent and therefore preferred muted economic growth because that makes additional Fed rate increases less likely.

Money managers who aren't trading in the minutes after economic releases are still incorporating the data into their investment moves.

Jimmy Lee, founder and chief executive of the Wealth Consulting Group, said his company earlier this year bought shares of industrial, financial and materials companies after seeing signs of strength in economic reports.

"People were fearing a recession, but we didn't see

that," he said. "There were so many data points we've seen throughout the year that continued to point in the right direction."

Stocks have notched big daily moves after new consumer inflation data. The absolute value, or magnitude, of gains or losses in the S&P 500 on days the consumer-price index is released has averaged 1.6% over the past year, compared with 0.9% for all trading days going back a year, according to Dow Jones Market Data.

Some days have been dramatic. When data in September revealed that price pressures were more persistent

than investors expected, the S&P 500 plunged 4.3%, its worst day in more than two years. Two months later, signs of ebbing inflation spurred a rally of 5.5% in the broad stock index.

Still, inflation has slowed significantly since then, and some investors have moved on.

"Inflation is much lower. The Fed we think is done hiking," said Holly MacDonald, chief investment officer at Bessemer Trust. "I'm less concerned with the broader macro outlook and more focused on what's occurring at the sector level, the company level."

# Wind Power Stumbles as Cost, Logistical Problems Mount

By MARI NOVIK AND JENNIFER HILLER

The wind-energy business, viewed by governments as key to meeting climate targets and boosting electricity supplies, is facing a dangerous market squall.

After months of warnings about rising prices and logistical hiccups, developers and would-be buyers of wind power are scrapping contracts, putting off projects and postponing investment decisions. The setbacks are piling up for both onshore and offshore projects, but the latter's problems are more acute.

In recent weeks, at least 10 offshore projects totaling around \$33 billion in planned spending have been delayed or otherwise hit the doldrums across the U.S. and Europe.

"At the moment, we are seeing the industry's first crisis," said Anders Opedal, chief executive of **Equinor**, in an interview.

The Norwegian energy major and **BP** are developing three wind farms off the coast of New York to power around two million homes but told the state in June that it will need to renegotiate power prices or else the projects won't get financing.

The holdup of projects that could generate 11.7 gigawatts—enough to power roughly all Texas households and then some—likely pushes 2030 offshore wind targets out of reach for the Biden administration and European governments. The technology is considered vital in the transition toward cleaner electricity supplies and away from fossil fuels.



A wind farm under construction in the North Sea. Europe is seeing some wind-project delays.

The U.S. has the largest onshore wind market outside of China but just seven turbines producing electricity offshore. President Biden hopes to jump-start the offshore industry and targets 30 gigawatts of offshore wind power this decade.

"You ain't seen nothing yet," Biden said last month about his administration's plans to pursue more wind projects, including the first auction in the Gulf of Mexico later this month.

Europe's strong winds and shallow waters have made offshore wind one of its fastest-growing renewable technologies. But a 40% cost increase recently halted a giant project in the U.K., a global leader in offshore wind, while developers delayed two investment decisions in the Baltic Sea.

Another three projects in the North Sea totaling about \$19 billion in planned spending are potentially delayed or revising terms too, said Peter Lloyd-Williams, a senior analyst at Westwood Global Energy Group.

"If the soundest projects in the most mature markets start to sink, that is a major red flag," he said.

The list of woes is long: inflation, supply-chain backlogs, rising interest rates, long permit and grid connection timelines. The increasing pace of the energy transition has created a loop of escalating costs.

Avangrid, a U.S. subsidiary of Spanish utility **Iberdrola**, this month agreed to pay \$48 million to back out of an offshore wind-power deal in Massachusetts that it bid in September 2021, when out-

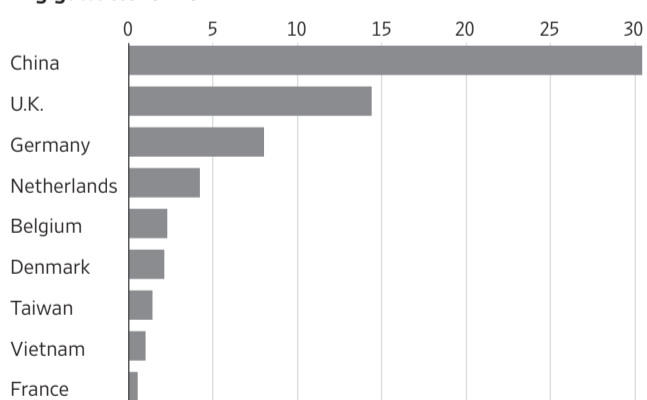
looks were rosier.

"What happened of course is that the world changed dramatically," said Ken Kimmell, vice president of offshore wind development with Avangrid.

The war in Ukraine sent the price of steel and other supplies higher at the same time that European countries accelerated plans for offshore wind. A series of interest-rate increases has made borrowing more expensive, Kimmell said.

When Massachusetts launches another round of bidding for offshore wind energy in January, Kimmell expects contracts there—and in other states—to include clauses that account for possible cost increases or dips. He called the industry's troubles a "speed bump, not a brick wall."

Offshore wind operational capacity by country, in gigawatts for 2022



Source: Wood Mackenzie

Another Massachusetts project backed by **Shell**, **Engie** and **EDP Renewables** is negotiating with utilities after saying it wanted to cancel and re-bid its agreements to provide power, while Rhode Island's largest utility bowed out of an offshore project.

Executives say the challenges are merely short-term. Offshore wind could provide as much as one-quarter of U.S. power by 2050 without affecting wholesale electricity costs, according to a recent University of California, Berkeley study. New auctions, in which developers can factor in recent cost increases, continue drawing bidders.

In Europe, energy majors **BP** and **TotalEnergies** won development rights in the North Sea worth \$14 billion in July.

Several U.S. coastal states hope to become hubs for new domestic manufacturing for offshore wind components, sharing a share of a new industry and a slice of \$1 trillion in federal tax incentives and loans for a green-energy in-

dustrial economy, made available under the Inflation Reduction Act.

Long-term conviction isn't enough for suppliers that have been unnerved by delays, though.

"It is frustrating right now," said Morten Dyhrholm, senior vice president at **Vestas**, the largest Western turbine maker. "We cannot just go ahead and build a lot of factories if we don't see clear investment signals from developers."

Things have become choppy onshore, too. Wind installations on land halved in the first quarter of the year compared with the same period last year, the slowest quarter in four years, according to the American Clean Power Association.

Manufacturers have been struggling with profitability as they deliver ever larger and more-advanced machines, which are more efficient at making electricity. Now some say they are running into problems with wear and tear.

# HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

## Betting on Shares for the Short Run

Heard on the Street's columnists' stock-picking illustrates the difficulty of playing the market

"October: This is one of the peculiarly dangerous months to speculate in stocks. The others are July, January, September, April, November, May, March, June, December, August and February."

Mark Twain's sardonic quip reflects his own bitter experience. He made a string of awful financial bets that eventually bankrupted him, including in some whiz-bang technology of the 19th century, while famously passing up on the telephone. But the operative word is "speculate" rather than "invest."

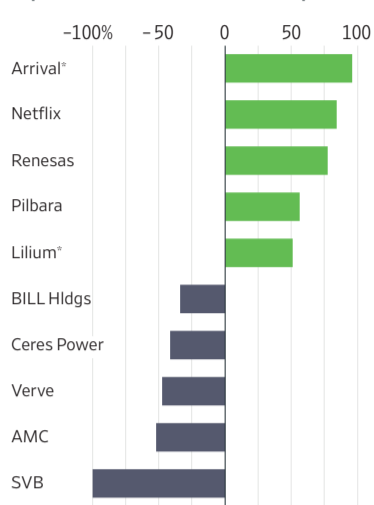
Heard on the Street's annual stock-picking series tilts much more in the direction of the former. One obvious reason is that the contest, which ended on Friday, lasts for only a year (a new group of stock-picking columns will begin on Monday, Aug. 14 and run through Sept. 1). While the average holding period of a share in Americans' brokerage accounts is about seven months, investors should adopt a much longer time horizon. As our columnists can attest, stuff happens.

Another reason the contest picks are speculative is that stocks for widows and orphans tend to make you rich only in the long run. Heard's columnists want the bragging rights that come with winning over just 12 months, so we often swing for the fences.

Telis Demos, Heard's expert on all things financial, is no bench-warmer himself, yet one of his stock picks achieved a first in the six years we have been running the contest—a complete wipeout. **SVB Financial**, the parent of failed Silicon Valley Bank, looked like a bargain with oodles of tech-company cash sitting in its virtual vaults. Unfortunately, as interest rates rose, it incurred paper losses on its assets that turned into real ones as venture capitalists with uninsured deposits stamped out the door.

And, continuing what we dub the "curse of the Heard Editor," the person who oversees our global team of columnists made some of the worst picks. **AMC Networks**, the company behind

Top and bottom five Heard stock picks



\*Were short bets  
Sources: FactSet; WSJ calculations

hits like "The Walking Dead," looked like the best value by far in its industry at less than four times trailing earnings. But it suffered from the "Dolan discount." The family, which also has big stakes in New York City sports franchises, has long frustrated fans and shareholders. AMC is on its third chief executive since the pick was made—Kristin Dolan, wife of mercurial chairman James. Sometimes stocks are cheap for a reason.

Even though Heard's columnists chose some doozies, we have been close to the overall stock market's performance each year. This year wasn't one to brag about: An equal-weighted portfolio of our picks had a total return of 3.8% since last August, compared with 9.6% for the S&P 500.

But, with 30 long or short bets spread across different industries and countries, diversification took those big hits and misses and produced a decent result. And, as we showed in a separate Heard stock-picking experiment in which we threw darts at a newspaper and twice trounced a group of elite hedge-fund managers, there is more than one way to spread your bets.

Those random picks and our active ones have another thing in



AMC looked like a good value, but continued the 'curse of the Heard Editor.'

common: You often need to dig for hidden gems. Our contest has run for only six years, but the notion was replicated in a fascinating study published a decade ago by Rob Arnott and colleagues that picked 100 random, equally weighted portfolios of 30 stocks each year from the 1,000 largest U.S. companies by value, beating the market's long run return handily.

Many of the winning stocks in Heard's portfolio weren't household names, and several picks were "shorts," or bets the stocks would fall. It is harder to win that way since a short's losses are in theory unlimited while its gains aren't—the inverse of owning a stock. Nevertheless, topping the contest this year was Heard's Europe Editor and auto maven Stephen Wilmot, who predicted that electric-vehicle startup **Arrival** wouldn't start up. Its shares fell 96.4%.

Sometimes household names can be winners, too—particularly when the conventional wisdom swings too far in one direction. Streaming giant **Netflix** was getting pummeled last summer as new competitors proliferated and

a pandemic-inspired surge in subscribers reversed. Heard's tech and media-watcher Dan Gallagher argued that the selloff was overdone, and boy was he right.

In a similar vein (pun intended), Heard's healthcare expert David Wainer bet successfully that the investing public was too downbeat about U.S. drug giant **Merck**, which will soon see its patent on blockbuster cancer drug Keytruda expire. He argued that it still had some tricks up its sleeve even if a big acquisition fell through.

Many investors have a knee-jerk tendency to embrace the new and shiny, while cynics fear such companies will crash and burn. It takes special insight to thread that needle. Jon Sindreu thought **Liliium**, a company developing air taxis, was too early, and his short bet earned 51.2%. But he also argued that **Rocket Lab**, a satellite-launch company that returned 25.3%, was no moonshot.

Boring industries, and even some we would rather not think about, can provide rich pickings, too. Dentistry, for example, inspired a winning short in the form of **SmileDirectClub** by Carol Ryan and a successful long pick of

**Henry Schein** by Justin Lahart. They say you should never bet against the American consumer. If only it were so simple: Heard deputy editor Aaron Back's pick of organic grocer **Sprouts Farmers Market** shined, but retail-industry watcher Jinjoo Lee's choice of Vitamin Shoppe owner **Franchise Group** fizzled, as did Ryan's of used-clothing seller **TheRealReal**.

The world is a big place, and many other successful stock ideas were found beyond U.S. shores. Australia-based Heard writer Jacky Wong told readers to bet on the shares of **Renesas**, a Japanese company that is a leading supplier of electronic components to the auto industry that were in short supply. Its stock had a total return in dollars of 77.7%, which was the third-best performance overall.

Asia Editor Nathaniel Taplin's pick of **China Petroleum & Chemical**, or Sinopec, which profited from the West's boycott of Russian crude after Russia's invasion of Ukraine, had a gain of 27.7%. India-based columnist Megha Mandavia was less fortunate, recording a small loss on two Chinese companies: a long bet on electric-vehicle maker **BYD** and a short on smartphone maker **Xiaomi**.

And, while we might not all call it "the beautiful game," Lahart made a beautiful pick in the shares of storied British soccer club **Manchester United**, which looks like it might be the target of a bidding war.

Finally, we would be remiss in not mentioning hundreds of stock tips we received through reader comments (please keep them coming). Like Heard's columnists, some were prescient: "AI is the future," buy **Ralph Lauren** and short now-bankrupt **Bed Bath & Beyond**. Others not so much: Sell **Meta Platforms**, **Carnival Corp.** and **D.R. Horton**, three standout stocks that were on the ropes last year.

Picking good stocks, or even bad ones, isn't easy. As we unveil our recommendations for the next year, though, we hope to provide enough analysis and information to pierce the fog just a little bit.  
—Spencer Jakab

## Campbell's Sauce Upgrade Seems to Be Worth the Cost

At \$2.7 billion, **Campbell Soup's** acquisition of **Sovos Brands**, maker of the premium Rao's tomato sauce, isn't cheap. But it makes good strategic sense.

In a release, Campbell Chief Executive Mark Clouse referred to Sovos as "the most compelling growth story in the food industry." The numbers back that up. Reporting its own second-quarter results Monday, Sovos said it grew organic net sales—stripping out the impact of a divestiture—by 16% from a year earlier, led by 29% growth for the Rao's brand.

Campbell, which also makes the more down-market Prego brand of pasta sauces, stressed that it sees the two as separate businesses serving different customers. Rao's sauces sell for around \$8 a jar compared with less than \$3 for Prego.

Campbell can still help Rao's grow by bringing its expertise and resources to bear on distribution, marketing and retailing. It also can save costs by pooling corporate resources, as well as jointly procuring certain ingredients and things such as glass jars, Campbell executives said Monday.

Analysts on Monday's call did question how much runway there is for Rao's to keep growing, saying it had already made big distribution gains. Rao's top product, its jarred marinara sauce, is already available at around 80% of retail sites nationwide, according to a person familiar with the matter. On the call, Clouse said other sauce products in its lineup have distribution of around 20 percentage points less, and he argued that Campbell can help drive greater national awareness and household penetration of the brand.

In this sense, the deal looks a bit like Campbell's successful acquisi-

tion of Snyder's-Lance, which brought premium brands such as Kettle and Cape Cod chips to Campbell's Pepperidge Farm snack business, helping those brands scale up and reach a bigger market nationwide. It looks less like Campbell's past failed acquisitions of fresh salsa and smoothie brands, which took the company far outside its areas of expertise.

The exception would be Sovos's premium yogurt brand Noosa. Clouse was straightforward with analysts on Monday, telling them yogurt isn't a business he sees Campbell being in over the long term. This indicates an eventual sale of the brand is likely.

Sovos also has the Michael Angelo's brand of frozen Italian meals. This could help scale up Campbell's existing Pepperidge Farm frozen line, which mostly consists of cakes and pastries, helping it better take on giants of the industry such as **Conagra Brands** and **Nestlé**.

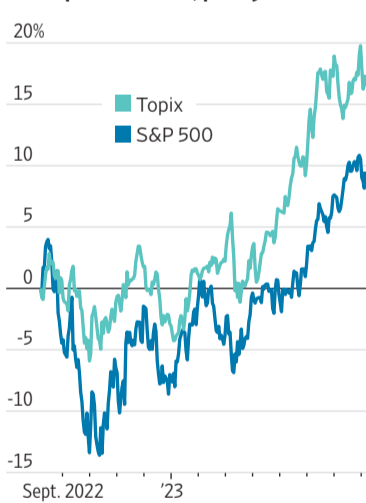
Another question mark is how well Rao's can expand into categories beyond sauce. It has already launched Rao's branded soups, dry pastas, frozen entrees and frozen pizzas.

Like its products, Sovos itself was priced aggressively. Campbell will pay \$23 a share, a premium of more than 27% to Sovos's closing share price Friday. The price is equivalent to a punchy 19.8 times trailing earnings before interest, taxes, depreciation and amortization before synergies, Campbell Chief Financial Officer Carrie Anderson said Monday.

Still, Campbell's record integrating premium snack brands suggests it can make the math work. The key will be proving that it can bring the Rao's brand to the next level in terms of national scale.

—Aaron Back

Index performance, past year



Source: FactSet



Japanese trading house Itochu plans to take a listed subsidiary private.

## A Simpler, Sleeker Japan Inc. Could Reward Investors

Japan is one of the best-performing stock markets in 2023. An endorsement from Warren Buffett, who has been betting big on the country, has shone a spotlight on the previously sleepy market. Companies' stronger focus on dividends and buybacks has been one main draw.

Companies also are starting to use their big cash piles to simplify convoluted corporate structures. That could ultimately make them more valuable—while rewarding current shareholders in small subsidiaries.

Japanese stocks are shaping up as surprising winners in a year when U.S. stocks also have outperformed. Japan's Topix index is up 21% so far in 2023, compared with a 17% gain for the S&P 500. And Japanese companies are expected to spend a record 30 trillion yen, equivalent to \$210 billion, on dividends and buybacks this year, according to Morgan Stanley.

The government's concerted push to improve corporate governance has boosted the clout of activist investors—often foreign funds—in a market that was long seen as insular and relatively im-

pervious to outside pressure.

Another sign that the corporate governance overhaul in the country is moving along nicely: The number of listed companies with a parent owning a majority stake has dropped sharply. The number of such listed subsidiaries in Japan has declined to 221, from 285 in 2020, according to Jefferies.

That might seem esoteric but, in fact, it can make a substantial difference to a company's valuation. Such subsidiaries often trade at depressed levels because minority shareholders are at a disadvantage versus the parent, which has majority control. Those discounted valuations in turn hurt the parent's own value.

In the U.S., with its much stronger tradition of shareholder activism, just 67 such parent-controlled listed companies exist, according to Jefferies.

The trend fits with the government's push to increase the attractiveness of Japan's market more broadly. The Tokyo Stock Exchange, for example, has urged companies to come up with plans to improve capital returns if their

stocks trade below book values. Companies are taking a hard look at their books—spinning off some noncore assets entirely and, for assets that they do want to keep, increasingly taking them private. For example **Itochu**, one of the trading companies Buffett owns, said this month it will spend \$2.7 billion to take its listed subsidiary **Itochu Techno-Solutions** private.

Companies also have been using their cash to unwind cross-shareholdings, or stakes they own in each other, a problem that has led to bloated balance sheets and lower returns on equity. A recent case in point: Mobile carrier **KDDI** would spend around \$1.8 billion to buy back part of the stake owned by carmaker **Toyota Motor**.

Tokyo could still lose its nerve and stop pushing companies in the right direction. But for now, Japan's corporate reforms are on the right track. And as other large alternatives—think China and Europe—run into structural headwinds such as pricier energy and rising geopolitical risk, Japan's relative attractiveness seems likely to only grow further.

—Jacky Wong