

# THE WALL STREET JOURNAL

## What's News

### Business & Finance

**Google reported** its fifth consecutive quarter of slowing sales growth, with its YouTube video platform posting a drop in ad revenue for the first time since the company began disclosing the unit's performance. **A1**

◆ **Microsoft posted** its worst quarterly earnings decline in more than two years and the weakest revenue growth in more than five years, and said that it expects further sluggishness. **B1**

◆ **Adidas said** it would end its partnership with Kanye West and Gap said it would pull apparel he helped design, after a string of controversies including a recent anti-Semitic outburst from the musician. **A1**

◆ **Major U.S. stock indexes** extended a rally, with the S&P 500, Nasdaq and Dow industrials gaining 1.6%, 2.3% and 1.1%, respectively. **B1**

◆ **Americans are renting** fewer apartments as demand in the third quarter fell to its lowest level in 13 years, after a long stretch of record-high rents. **A1**

◆ **GE said** quarterly profit fell and outlined plans to cut costs in its renewable-energy business, where troubles offset strong gains in the company's aerospace division. **B1**

◆ **GM said** it is reducing its target for EV sales because of a delay in ramping up battery output, as the company issued an upbeat third-quarter earnings report. **B1**

◆ **Intel's Mobileye unit** priced its IPO at \$21 a share, a dollar above the top of its targeted range, according to people close to the deal. **B1A**

### World-Wide

◆ **Western leaders** meeting in Berlin said the effort to rebuild Ukraine would take generations, as Kyiv stepped up its requests for economic and military support and fissures began to emerge in Washington's long-solid backing for Ukraine. **A1**

◆ **Russia escalated** its accusations that Ukraine plans to detonate a so-called dirty bomb, claiming in a letter to the U.N. Security Council that Kyiv would in turn use the fallout from the explosion to blame Moscow for using a tactical nuclear weapon. **A7**

◆ **A Moscow regional court** upheld Griner's drug conviction, paving the way for the American basketball star to serve nine years in a penal colony. **A8**

◆ **Sunak, in his first** speech as Britain's prime minister, warned of a "profound economic crisis" facing the nation and vowed to steer the U.K. through growing troubles. **A9**

◆ **Democrat Fetterman** and Republican Oz clashed at their only debate in Pennsylvania's U.S. Senate contest, with Fetterman showing some effects of his stroke. **A4**

◆ **Israeli forces said** they killed five Palestinians in Nablus during a raid on a militant hideout, as violence in the West Bank makes this the bloodiest year in over a decade. **A18**

◆ **China signaled** it could ease its rigid pandemic border restrictions for some foreign business executives and called for technological collaboration with multinationals. **A18**

◆ **Died: Ash Carter**, 68, former U.S. defense secretary. **A6**

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Ukrainian President Volodymyr Zelensky, speaking via video, asked Western leaders Tuesday for more aid to rebuild.

## Kyiv Seeks Money to Rebuild As Divisions in U.S. Emerge

Western leaders meeting in Berlin said the effort to rebuild Ukraine would take generations, as Kyiv stepped up its requests for economic and military support and fissures began to emerge in Washington's long-solid backing for Ukraine.

By **Bojan Pancevski, Laurence Norman and Lindsay Wise**

President Volodymyr Zelensky of Ukraine publicly pressed Western political and business leaders gathering in Berlin on Tuesday for more

funding to rebuild his country, as Russian attacks have left Ukraine struggling to produce enough electricity as winter draws near.

In Washington, a group of 30 House Democrats on Tuesday retracted a letter they had sent to President Biden urging him to seek direct talks with Russia to end the war in Ukraine, following intense backlash within the Democratic Party and disavowals from some signatories. Republican leaders in the House have signaled they might pull back on Ukraine aid if they win the House majority in November, as most analysts predict.

Speaking by video link at the opening of the Conference on the Recovery, Reconstruction and Modernization of Ukraine in Berlin, Mr. Zelensky said Ukraine had an urgent need to rebuild housing, schools and power plants, and couldn't wait. "Russia destroys everything," he said.

The conference is convening at a moment when Ukraine is in greater need of economic help than perhaps at any moment since Russia began its invasion in February. In recent weeks, Moscow has hammered

Ukraine's civilian infrastructure, leaving much of the country with only intermittent electricity as winter approaches. More than a third of Ukraine's power stations have been hit, Ukrainian officials said.

Speaking at the conference in Berlin, Denys Shmyhal, the Ukrainian prime minister, said the war had wiped out at least 35% of the country's economy.

*Please turn to page A7*

◆ **Russia persists with claim** Kyiv plots 'dirty bomb'..... **A7**  
◆ **Griner headed to penal colony** as court denies appeal..... **A8**

## Secretive Offshore Firm Aids Russians

Isle of Man company Bridgewaters makes it hard for authorities to track oligarch assets

By **ROB BARRY**

A Silicon Valley laser startup that went public in February had a surprising investor: a Russian billionaire.

The deal, routed through a series of offshore companies and a venture fund, let the oligarch, Alisher Usmanov, move more of his vast wealth into the West. The fund's stake at the IPO was valued at \$175 million.

Days later, Russia invaded Ukraine, and the U.S. sanctioned Mr. Usmanov as part of its effort to pressure Russian President Vladimir Putin.

The investment in Quenergy Systems Inc. was made through a network of shell

companies and middlemen used by Putin allies and others for years to move hundreds of millions of dollars out of Russia, according to documents including emails, investment offerings, public and private corporate records, shareholder registers and SEC filings.

The scope of the network hasn't been previously reported. It has also been used by relatives of Andrei Skoch, a member of Russia's parliament, Sergei Chemezov, a former KGB associate of Mr. Putin whose companies sell arms to the Russian military, and Dmitry Peskov, Mr. Putin's spokesman, as well as Kremlin-backed VTB Bank, which is

*Please turn to page A10*

## Apartment Demand Cools After Sharp Increase in Rents

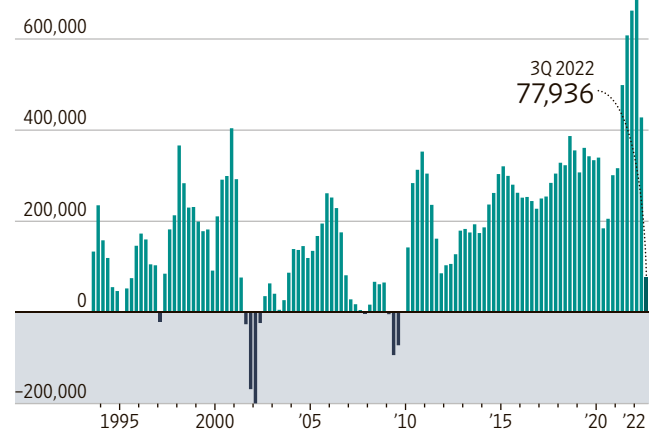
By **WILL PARKER**

Americans are renting fewer apartments as demand in the third quarter fell to its lowest level in 13 years, after a long stretch of record-high rents.

Some renters are choosing to take on roommates, while others are boarding with family or friends. More people are opting to stay longer in their parents' homes or moving back in, rather than pay steep rent increases, according to a recent UBS survey.

Apartment demand in the quarter, measured by the one-year change in the occupancy of units, was the lowest since 2009, when the U.S. was feeling the effects of the subprime crisis, according to rental software company RealPage. Measured quarterly, the drop in demand was the worst of any third quarter—normally prime

Occupied rental units in the U.S., change from a year earlier



Source: RealPage

leasing season—in the more than 30 years RealPage has compiled the data.

Meanwhile, the apartment-vacancy rate rose to 5.5% in the third quarter, up from 5.1% the quarter prior, according to

property data firm CoStar.

Rents have risen 25% over the past two years, according *Please turn to page A2*

◆ **Price rise for homes eased** in August..... **A3**

## The Scariest Thing About This Halloween Might Be the Smells

Spooky attractions introduce strange scents, from 'dentist' to 'rotting flesh'

By **KATIE DEIGHTON**

Jason Egan's job is to make people scream. The horror experiences built by his company take visitors through recreations of movies such as "Saw" and "The Blair Witch Project," employing lighting, audio and actors to make sure those paying upward of \$45.99 for a ticket jump, shriek and generally recoil at the horror of it all.



Get a whiff of this

There's just one thing Mr. Egan really doesn't want his

guests to do: Vomit. His productions use scent-diffusion technology to make sure guests' senses of smell are offended as much as their other five. He constantly treads the fine line between slight discomfort and visceral disgust.

"I want them to be like, 'Oh, my God, that smell was gross,'" Mr. Egan said, "but I don't want to hear, 'Oh, my God I'm going to puke!'"

Scare mazes, haunted houses and other horror attractions are becoming more sophisticated each year, producers say. One *Please turn to page A12*

## INSIDE



**PERSONAL JOURNAL**  
Travel season extends into fall as hybrid work brings more flexibility. **A11**

**BUSINESS & FINANCE**  
'Deepfake' technology puts celebrities in ads without their knowledge. **B1**

## Adidas, Gap Cut Ties With Kanye West Over Anti-Semitic Remarks

Adidas AG said it would end its partnership with Kanye West and Gap Inc. said it would pull apparel he helped design from its stores, after a string of controversies including a recent anti-Semitic out-

burst from the musician and fashion-brand owner.

Adidas's decision, which ends a lucrative arrangement that has produced the popular Yeezy collection of sneakers, comes after weeks of pressure on the German sportswear company from human-rights advocates and after other busi-

nesses severed their ties with Mr. West, who goes by Ye.

Gap, which ended its partnership with Mr. West in September but was still selling items it had already produced, said Tuesday that it was removing Yeezy Gap products from its stores and had shut down a website that was still selling hoodies and other merchandise from the partnership.

"Our former partner's recent remarks and behavior further underscore why" Gap ended its partnership, the retailer said in a statement.

Mr. West and his representatives didn't respond to requests to comment. He has publicly complained about *Please turn to page A8*

## Google's Tepid Results Fuel Tech Anxiety

Parent company Alphabet's revenue climbed at lowest rate in more than two years

By **MILES KRUPPA**

Google reported its fifth consecutive quarter of slowing sales growth, with its YouTube video platform posting a drop in advertising revenue for the first time since the company began disclosing the unit's performance.

The results show weakness in the economy spreading to some of its more resilient names, including many tech companies that saw their sales and stock prices rise during the pandemic. Microsoft Corp. reported on Tuesday its worst quarterly earnings in more than two years, and Texas Instruments Inc. said it was seeing flagging demand in personal electronics and from some industrial buyers.

The Google results point to continued fragility for the digital-advertising industry, which has been clobbered in recent months. Some of Google's core properties, including YouTube and search, which have long been drivers of the company's overall performance, showed surprising weakness.

Alphabet Inc., Google's parent company, reported revenue of \$69.1 billion for the third quarter, an increase of *Please turn to page A9*

◆ **Microsoft profit falls, sales** slow..... **B1**



U.S. NEWS

Quirk in Healthcare Data to Soften CPI

By GWYNN GUILFORD

Health insurance has put upward pressure on the main measure of inflation but is now swinging into reverse.

“With the magnitude of each forthcoming Fed hike this year hanging heavily on the latest consumer-price index print, the swing in healthcare insurance’s steady contribution could help provide the ‘compelling evidence’ of inflation slowing on a consistent basis that the FOMC is looking for to ease up on its current pace of tightening,” Sarah House, senior economist at Wells Fargo said in an email, referring to the Federal Open Market Committee.

However, this swing—the result of a methodological quirk—might be offset by broader price pressures building in medical services as labor costs climb.

Health insurance has contributed significantly to the sharp rise in core inflation, which strips out volatile food and energy prices, to 6.6% in September from 6.3% in August and 5.9% in July. Health-insurance prices rose 28.2%

from a year earlier in September, the sharpest increase in the history of the index going back to 2006, as measured by the Labor Department’s consumer-price index. That added just less than 0.4 percentage point to September’s rise in core CPI.

But that will morph into a deflationary drag with October’s CPI, to be released on Nov. 10, as the Labor Department updates the health-insurance index’s data, an effect that will last for the next 12 months.

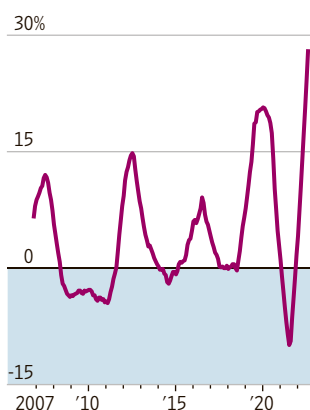
Omair Sharif, founder of Inflation Insights LLC, estimated the health-insurance index will decline 38% by September of next year from this past September. That would mean health insurance would go from adding around 0.38 percentage point to the 12-month increase in core inflation as of last month, to subtracting about 0.42 point by next September, Mr. Sharif said.

The change to the one-month rate that shows up in October will continue at a fairly consistent pace for the next 11 months. “When we establish that new trend, this trend is likely to persist for a full year,” said Ryan Wang, U.S. economist at HSBC.

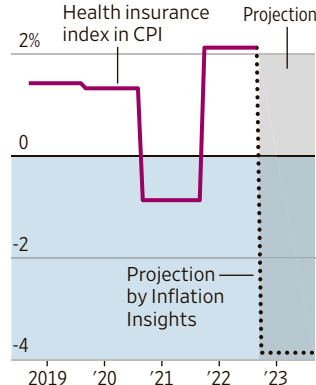
The Labor Department bases the price of health in-

The health-insurance index contributed 0.4 percentage point to core CPI’s 6.6% annual rise last month.

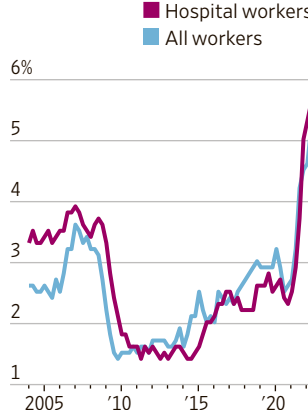
Health-insurance prices, change from a year ago



Health-insurance prices, change from a month ago, average over 12 months



Wages and salaries, change from a year ago



Sources: Labor Department; Inflation Insights (projection for health-insurance prices)

urance in large part on health-insurer profits, which are reported with a lag of about 10 months. Thus, data in the October 2022 CPI reflect what happened in 2021.

This lag is currently amplifying big swings in medical-care spending. In 2020, lockdowns, limited healthcare capacity and consumer reluctance to seek care translated to lower healthcare spending and thus reduced benefits paid by insurers and commensurately increased net premium income. That showed up as

skyrocketing health-insurance prices starting in October 2021, when the 2020 data were incorporated.

This year’s updated data are based on 2021, when consumers caught up on preventive care and elective procedures, eating into insurers’ premium income, which should translate to a drop in health-insurance prices in the CPI.

A swing this big will take much-needed pressure off core inflation, but it is just one concern guiding the Federal

Reserve right now, said HSBC’s Mr. Wang. “The Fed is also concerned about how broad-based inflation is,” he said.

Moreover, the methodological quirk affects only the CPI. While that is closely watched by investors, the media and consumers, the Federal Reserve officially bases its 2% inflation target on the Commerce Department’s separate personal-consumption expenditure price index.

That index is designed to capture a broader range of

prices than the CPI, which focuses on consumers’ out-of-pocket expenditures. The PCE price index draws from the producer-price index, said Oscar Munoz, macro strategist at TD Securities, which includes expenditures by governments, such as through Medicare and Medicaid. Moreover, health services have a much bigger weight in the PCE price index than in CPI. The healthcare category of the PCE price index rose about 2.5% in August from the same month in 2021.

The lagged nature of the CPI’s health-insurance index means it may not reflect current underlying price pressures in medical-care services. Those are likely building, thanks largely to labor costs.

Medicare’s recently negotiated 4.3% reimbursement rate for inpatient hospital services for fiscal 2023 was the biggest increase in around 15 years. A large share of how Medicare calculates those rates is based on employment cost index data for hospital wages, said Mr. Sharif. That measure rose at an annual rate of 5.6% in the second quarter, up from 2.3% in the last quarter of 2020. The increase is likely to spill over into negotiations now under way between private insurers and hospital groups, he said.

Apartment Demand Cools Off

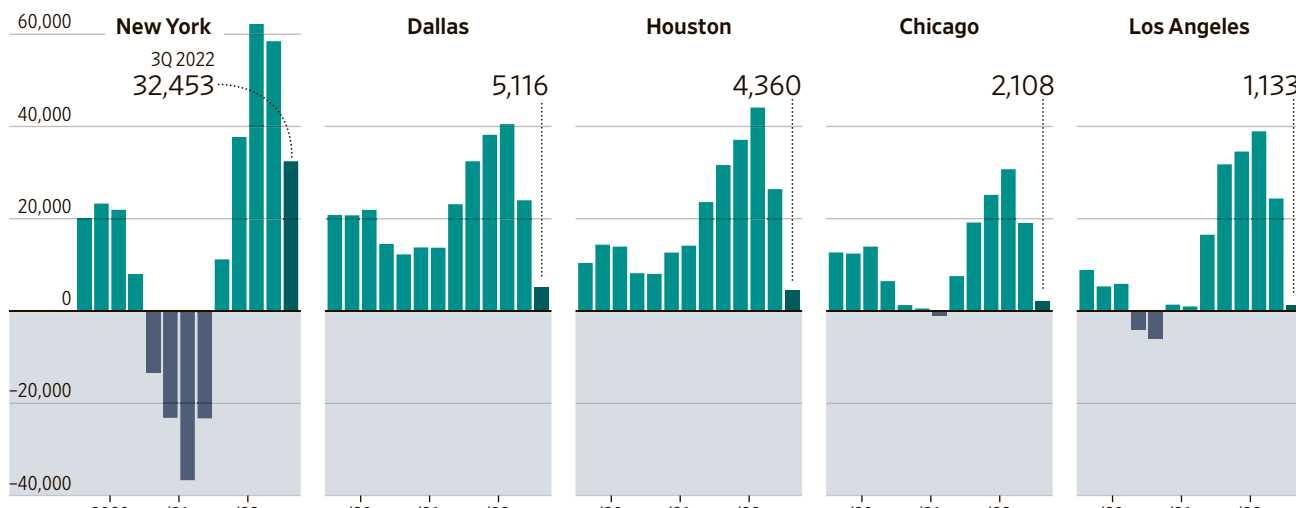
Continued from Page One to rental website Apartment List, pushing many renters beyond what they can now afford. Meanwhile, inflation on other essential goods, such as food and energy, is also eating into how much people have left to spend on housing.

“It’s a signal that rent can’t continue at the same level it has sustained over the last couple of years,” said Michael Goldsmith, an analyst at UBS. “We’ve reached a point where renters are maybe willing to pull out of the market.”

The apartment rental market looks to be cooling following a boom that started in early 2021. After the introduction of a Covid-19 vaccine, many people—especially younger people who had been living with their parents—rushed to rent in cities around the country. That boosted apartment demand and put upward pressure on rents. Some rental apartments were even subject to bidding wars.

Record high housing prices also played a role. They priced out many people who wanted to buy starter homes but in-

Occupied rental units, change from a year earlier



Note: Markets include surrounding metro area.

Source: RealPage

stead have remained captives of the rental market. Home prices are now falling on a monthly basis, however, according to the latest S&P CoreLogic Case-Shiller National Home Price Index.

Rental prices have started to fall on a monthly basis for the first time in nearly two years, too, while other recent data points also show that renters are starting to push back.

Shonda Austin, a home healthcare worker, and her three children moved into her mother’s house in Flint, Mich., this month after facing a 24% rent increase in Las Vegas. She hopes to return to a home of

her own by March to somewhere more affordable, such as Arkansas or North Carolina, where she could potentially buy.

“My goal is to just save as much as I can,” Ms. Austin said.

The supply of new apartments, which has grown this year in large markets such as Phoenix and Dallas, might be contributing to the drop in overall demand because new projects add empty units to a slowing market. Economic uncertainty rooted in fears of a recession might also be contributing to lower apartment demand.

Leasing also typically eases

Nationally, asking rents have started to drop only slightly month-to-month.

during colder months, but analysts said the drop in demand that started earlier this year is now greater than what was expected.

“The spring and summer leasing season was a total bust,” said Jay Lybik, national director of multifamily research at CoStar.

Yet even with the recent

decline in demand, asking rents have remained near record highs. Nationally, asking rents have started to drop only slightly month-to-month, and they are still up by 6% or more when viewed annually, according to several data sources. In some hot markets, they are up much more than that. In Charleston, S.C., rent is 14% higher than it was a year ago, according to Apartment List.

To escape record high prices, more people are choosing to live rent free with friends or family, a September UBS survey found.

Eighteen percent of U.S. adults surveyed said they had lived rent free with other people during the past six months, up from 11% at the same time one year ago. That was the highest share of adults living rent free with friends and family since UBS began asking the question in 2015.

Other renters are finding roommates or splitting rent with family members. In North Charleston, S.C., 27-year-old bartender Bailey Byrum said her younger sister moved in with her at her two-bedroom rental house. Ms. Byrum said her sister had trouble finding her own place and had recently been living with her parents.

“She has a good job...but places by yourself are like \$500 to \$600 out of her budget,” Ms. Byrum said.

Some landlords are encountering resistance to steeper rent increases.

In downtown Birmingham, Ala., last year, Kim McCann and her husband leased a spacious loft apartment for \$2,800, a rent that then already seemed overpriced, Ms. McCann said. This July, the landlord texted Ms. McCann to say she would be raising the rent by an extra \$900 a month because local real-estate demand had “exploded.”

Rather than pay \$3,700 for the same apartment, Ms. McCann and her husband decided to move out in August. The loft sat on the market until at least this week, according to a listing on Zillow, and the asking price was cut twice.

“Fingers crossed other landlords come to their senses soon,” Ms. McCann said.

U.S. WATCH

WASHINGTON, D.C.

Biden Gets Booster, Urges Others to Do So

President Biden received the new bivalent Covid-19 booster shot Tuesday, as the administration tries to step up its campaign to encourage more Americans to get the vaccine.

“The truth is not enough people are getting it. We’ve got to change that, so we can all have a safe and healthy holiday season,” Mr. Biden said, adding that the rising Covid-19-related hospitalizations in Europe were a warning sign for Americans.

The booster campaign has gotten off to a slow start. About 19.4 million people of the approximately 200 million people who are eligible, or 9.7%, had gotten the shot—called bivalent because it targets new versions of the Omicron variant as well as the original strain of the virus—as of Oct. 19, according to the Centers for Disease Control and Prevention.

—Tarini Parti

PENNSYLVANIA

College Cancels Event With Extremist Figure

Pennsylvania State University canceled a comedy event with the founder of the Proud Boys, Gavin McInnes, citing the threat of escalating violence ahead of the Monday night show.

Protesters took to the campus in recent days as both students and university officials denounced the speakers: Mr. McInnes, who founded the extremist group the Proud Boys, and Alex Stein, a far-right commentator.

A free-speech student club called Uncensored America said it was set to host two “politically provocative” speakers at the event. The university police made the call to cancel the event hours before it was set to begin, Penn State said Monday. The school said demonstrations had turned violent.

—Alyssa Lukpat

MISSOURI

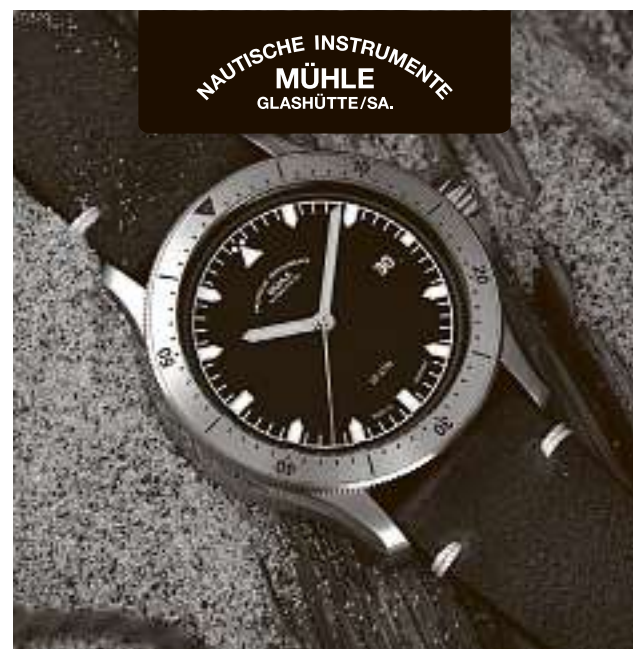
School Gunman Had AR-15-Style Rifle

The 19-year-old gunman who killed a teacher and a 15-year-old girl at a St. Louis high school was armed with an AR-15-style rifle and what appeared to be more than 600 rounds of ammunition, Police Commissioner Michael Sack said Tuesday.

Orlando Harris also left behind a handwritten note offering his explanation for the shooting Monday at Central Visual and Performing Arts High School. Tenth-grader Alexandria Bell and 61-year-old physical education teacher Jean Kuczka died and seven students were wounded. Police killed Harris in an exchange of gunfire.

Mr. Sack read Harris’s note in which he lamented that he had no friends, no family, no girlfriend and a life of isolation. In the note, he called it the “perfect storm for a mass shooter.”

—Associated Press



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CORRECTIONS & AMPLIFICATIONS

Enochian BioSciences Inc. alleged that Serhat Gumrukcu and Anderson Witte-kind used payments received from the company to help purchase an \$18 million property in Los Angeles last year. In some editions Tuesday, a Technology article about Mr. Gumrukcu incorrectly described the property as their home.

The U.S. Department of Agriculture didn’t report a price for 12-14 lb. Mid US pork bellies on Friday. The Cash Prices table in Monday’s Market Data section incorrectly listed a price of 2.3987.

In a Mansion article on Friday about the renovation of a home office, the home’s location is the Brentwood section of Los Angeles. The article incorrectly gave the location as Brentwood, Calif.

The painter Marc Chagall had a long relationship with Virginia Haggard after the death of his first wife, but they weren’t married. A Review article on Saturday about a new exhibition of the painter’s work incorrectly referred to Haggard as Chagall’s second wife. Also, Chagall died in 1985. The article incorrectly said 1987.

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

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## U.S. NEWS

## Price Rise For Homes Eased In August

By NICOLE FRIEDMAN

Home-price growth decelerated in August as rising mortgage rates weighed on home-buying demand.

The S&P CoreLogic Case-Shiller National Home Price Index, which measures average home prices in major metropolitan areas, rose 13% in the year that ended in August, down from a 15.6% annual rate the prior month.

The index fell 1.1% in August from July, the second straight month-over-month decline.

The housing market has slowed abruptly this year amid a rapid increase in mortgage rates, which has raised borrowing costs and pushed many prospective buyers out of the market. Existing-home sales fell for eight straight months through September. Homes are sitting on the market longer, and more sellers are cutting prices.

Buyers' focus on affordability benefited Johnson City. The metro area's median listing price was \$379,000 in September, up 27% from a year earlier, according to Realtor.com, while median list-price growth nationwide was 14%. Johnson City's median listing price was \$48,000 below the median listing price nationwide last month.

The index identifies the top metro areas for home buyers seeking an appreciating housing market, a strong local economy and appealing lifestyle amenities. News Corp, parent of the Journal, operates Realtor.com.

Johnson City, a metro area of about 205,000 people, was followed in the rankings by Visalia, Calif.; Elkhart, Ind.; North Port, Fla.; and Fort Wayne, Ind.

"These more affordable markets continue to offer some opportunity," said Danielle Hale, chief economist at Realtor.com. "It doesn't mean that they're not seeing a slowdown in their housing markets, but they're better positioned generally."

The Wall Street Journal/Realtor.com Emerging Housing Markets Index ranks the 300 biggest metro areas in the U.S. In addition to housing-market indicators, the index incorporates economic and lifestyle data, including real-estate taxes, unemployment, wages, commute time and small-business loans.

Most of the top-ranked markets in the third quarter had faster home sales and lower unemployment rates than the market as a whole, Ms. Hale said.

Johnson City, in northeast Tennessee near the North Carolina and Virginia borders, had the highest demand ranking of all 300 metros in the index.

The community, which has an unemployment rate below the national average, has been attracting home-shopping activity from more expensive cities, Ms. Hale said.

Some Western markets that were highly ranked last quarter fell in the third-quarter rankings, including Boulder, Colo., and Santa Cruz, Vallejo and Eureka in California. Coeur d'Alene, Idaho, which topped the index in the first quarter of 2021, placed 23rd in the most recent rankings.

◆ See the full Wall Street Journal/Realtor.com Emerging Housing Markets Index at WSJ.com.

# Smaller Cities Retain Housing Demand

By NICOLE FRIEDMAN

Home-buying demand remained robust in low-cost cities with strong local economies in the third quarter, helping lift Johnson City, Tenn., to the top of The Wall Street Journal/Realtor.com Emerging Housing Markets Index.

Rising mortgage rates have made most home purchases less affordable and pushed many buyers out of the market. Existing-home sales dropped for eight straight months through September. Homes are sitting on the market longer, and more sellers are cutting prices.

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Downtown Johnson City, Tenn., is the heart of a metro area that is home to about 205,000 people.

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Johnson City, in northeast Tennessee near the North Carolina and Virginia borders, had the highest demand ranking of all 300 metros in the index.

The community, which has an unemployment rate below the national average, has been attracting home-shopping activity from more expensive cities, Ms. Hale said.

Some Western markets that were highly ranked last quarter fell in the third-quarter rankings, including Boulder, Colo., and Santa Cruz, Vallejo and Eureka in California. Coeur d'Alene, Idaho, which topped the index in the first quarter of 2021, placed 23rd in the most recent rankings.

◆ See the full Wall Street Journal/Realtor.com Emerging Housing Markets Index at WSJ.com.

### Emerging Housing Markets, With Move From Last Ranking

- ▲ Johnson City, Tenn.
- ▲ Visalia-Porterville, Calif.
- ▼ Elkhart-Goshen, Ind.
- ▲ North Port-Sarasota-Bradenton, Fla.
- ▼ Fort Wayne, Ind.
- ▲ Lafayette-West Lafayette, Ind.
- ▲ Columbia, S.C.
- ▲ Columbia, Mo.
- ▼ Raleigh, N.C.
- ▲ Yuma, Ariz.

## Emperor Penguins to Be Listed As Threatened Species by U.S.

By TALAL ANSARI

The emperor penguin will soon be considered a threatened species under the Endangered Species Act, the U.S. Fish and Wildlife Service said.

The federal agency said Tuesday it had finalized protections for the species, following a proposal last year. It cited the effects of a warming climate on the sea-ice habitat in Antarctica, where emperor penguins spend the majority of their lives, as the "primary threat to the penguin."

"Climate change is having a profound impact on species around the world and addressing it is a priority for the Administration," Fish and Wildlife Service Director Martha Williams said in a statement. "The listing of the emperor penguin serves as an alarm bell but also a call to action."

Emperor penguins are considered a bellwether of any future climate changes in Antarctica because their icy habitat is so sensitive to rising temperatures.

The current emperor penguin population, estimated to be around 625,000-650,000 individual birds or 270,000-280,000 breeding pairs, appears stable at the moment, according to Fish and Wildlife Service officials. But, they added, "the species is in danger of extinction in



The emperor penguin is the tallest of all living penguin species. By 2050, its population is estimated to decrease by 26% to 47%.

the foreseeable future in a significant portion of its range."

By 2050, the population is estimated to decrease by 26% to 47%, depending on the level of carbon emissions, Fish and Wildlife Service officials said.

"While this estimated decline is concerning, listing the emperor penguin as threatened under the ESA comes while there is still time to prevent the species from extinction," the Fish and Wildlife Service said.

The agency's final rule listing the species as threatened will publish Wednesday and go into effect 30 days later.

The Endangered Species Act of 1973 can provide benefits to

an animal even if it doesn't exist within U.S. borders. The act will usually prohibit the import or export of the animal, as well as its use in interstate commerce and foreign commerce. Listing a species can create increased awareness of the threatened species and provide limited financial assistance to help conservation efforts for species listed in foreign countries.

The emperor penguin is the tallest and heaviest of all living penguin species, with adults that can weigh up to 88 pounds. The flightless bird relies on sea ice to forage for food, form breeding colonies and avoid predators.

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## U.S. NEWS

## Fetterman Shows Some Stroke Effects

Democrat stumbles over words as he and GOP Senate candidate Oz face off in debate

By Aaron Zitner

Democrat John Fetterman and Republican Mehmet Oz clashed over crime, fracking and abortion during a testy debate for Pennsylvania's

**2022 ELECTION** seat on Tuesday that featured frequent verbal

stumbles by Mr. Fetterman. The debate put the communication challenges related to a stroke Mr. Fetterman suffered earlier this year in the foreground of one of the year's most consequential elections for the Senate.

The debate between Mr. Oz, the celebrity heart doctor, and Mr. Fetterman, Pennsylvania's lieutenant governor, was a highly anticipated event in the neck-and-neck Senate contest, which offers the Democratic Party its best chance to pick up a seat now held by Republicans in the 50-50 chamber.

The candidates differed sharply on multiple issues during the debate, held in a Harrisburg TV studio. But Mr. Fetterman's verbal missteps were among the most notable aspects of the evening, as he continually tripped over his words. He opened his first answer by saying, "Good night, everybody," rather than "Good evening."

At another point, Mr. Fetter-



Democrat John Fetterman and Republican Mehmet Oz met for the only debate in the Pennsylvania race.

man was asked to square his support for natural-gas fracking, an important economic driver in parts of Pennsylvania, with a past statement in opposition. "I do support fracking, and I don't, I don't—I support fracking and I stand, and I do support fracking," he said.

At Mr. Fetterman's request, video monitors had been placed on the stage so that he could follow the conversation through closed captioning. Calling his stroke "the elephant in the room," Mr. Fetterman said at the start of the evening: "I might miss some words during the debate, mush two words together. But it knocked me down, but I'm going to keep coming back up." Connecting his struggles to those of voters, he said he would fight "for everyone in Pennsylvania that ever got knocked down."

Mr. Oz attacked Mr. Fetter-

man as too lenient on criminals, the main topic in a barrage of ads that he and allied GOP groups have run in recent weeks. "John Fetterman during this crime wave has been trying to get as many murderers convicted and sentenced to life in prison out of jail as possible," Mr. Oz said. His comment was a reference to Mr. Fetterman's role in state government as head of the Board of Pardons, where he has pushed to increase the number of pardons.

Mr. Fetterman responded that he had run for mayor of Braddock, a small borough near Pittsburgh, in 2005 because he was disturbed by gun violence. "And working with the police and working with our community, I would say I was able to stop gun violence for 5½ years as mayor....I'm the only person on this stage right now that is successful about pushing back

against gun violence," he said.

Mr. Fetterman pressed his case that Mr. Oz doesn't understand the economic challenges facing Pennsylvanians, because he had moved into the state from his longtime home in New Jersey at about the time he announced his candidacy. "I'm running to serve Pennsylvania. He's running to use Pennsylvania," Mr. Fetterman said.

Mr. Oz answered later that he had traveled across the state and had heard the problems of its residents.

Mr. Oz, who won the GOP primary with an endorsement from former President Donald Trump, sought to portray himself as a unifying figure. "I'm a surgeon. I'm not a politician," he said. "We take big problems. We focus on them and we fix them. We do it by uniting by coming together, not dividing." Recent polls show Mr. Fetter-

man with a lead of about 2 percentage points, within the surveys' margins of error. The winner will succeed GOP Sen. Pat Toomey, who is retiring.

The candidates differed sharply on abortion, with Mr. Fetterman saying he would fight to re-establish a federal right to abortion as established under Roe v. Wade, the 1973 Supreme Court ruling overturned by the high court this summer. Mr. Fetterman wouldn't specify whether he backed any restrictions on abortion.

Mr. Oz focused on his stance that abortion regulation should be left to the states rather than the federal government, though he didn't answer directly when asked if he would support a proposal from GOP Sen. Lindsey Graham (R., S.C.) for a federal ban at 15 weeks of pregnancy.

"I want women, doctors, local political leaders, letting the democracy that's always allowed our nation to thrive to put the best ideas forward so states can decide for themselves," Mr. Oz said.

Mr. Oz didn't refer directly to his opponent's verbal missteps but repeated his assertion that Mr. Fetterman had shielded himself from voters and the media in order to hide his policy views and health condition. "This is the only debate I could get you to come to talk to me on, and I had to beg on my knees to get you to come in," Mr. Oz said.

Asked whether he had been forthcoming about his health challenge, Mr. Fetterman said: "To be for transparency is about showing up. I'm here today to have a debate."

## Ruling by Judge Puts 737 MAX Settlement In Limbo

Justice Department officials promised last week to pay more attention to victims when negotiating criminal settlements, but the policy might have come too late to limit the damage caused by how the government resolved a case against Boeing Co. last year.

By Dave Michaels, Dylan Tokar and Sadie Gurman

The department said Friday it would expand support for people who were harmed by a crime but who didn't meet the legal definition of victims. On the same day, a federal judge in Texas ruled that prosecutors violated the rights of those killed in two Boeing 737 MAX crashes when the government had settled with the company before briefing their families.

The consequence of that breach, according to U.S. District Judge Reed O'Connor, is that the families can continue to challenge Boeing's settlement, which spared the company from an indictment. Boeing admitted that two employees misled the Federal Aviation Administration about the workings of the 737 MAX's automated flight-control system, which was largely blamed for pushing the aircraft into fatal nosedives in Indonesia in 2018 and in Ethiopia in 2019.

Judge O'Connor, of the U.S. District Court in Fort Worth, Texas, hasn't yet ruled on what should happen next, but the deal is now in limbo. The families have argued that he has the authority to rescind what they have called Boeing's immunity from prosecution, forcing the DOJ's hand to redo the deal with their input. The Justice Department, Boeing and the families also could appeal the judge's decisions.

**The court found a deal was wrongly made before victims' families were briefed.**

"The judge is sending a signal...how someone is considered a victim is much broader than how you, DOJ, are defining it," said Michael Weinstein, a former federal prosecutor who is chairman of Cole Schotz PC's white-collar practice. "The DOJ is going to have to be mindful of that in the future. It gives victims greater leverage—not only in oversight, but input, into settlements."

The families have challenged prosecutors' failure to notify them about the settlement—also known as a deferred-prosecution agreement—under which Boeing paid \$2.5 billion, admitted its employees' wrongdoing and agreed to serve a sort of probationary sentence. If the company complies with the law for 3½ years, the charges would be dropped.

The families have argued the deal misallocated blame at Boeing. The problem with the 737 MAX's development wasn't "limited to the conduct of a few rogue employees," they argued in court filings. Prosecutors charged Boeing's former chief technical pilot, who was acquitted of fraud after a trial.

At a court hearing in May, federal prosecutor Jerrob Duffy said the government found "extremely limited" evidence of criminal intent confined to a couple of employees.

Federal judges typically interpret their authority over deferred-prosecution agreements narrowly, said Brandon Garrett, a professor at Duke University School of Law. Judge O'Connor could reject the settlement, but couldn't by himself rewrite its terms, Mr. Garrett said.

A Boeing spokesman declined to comment. Attorney General Merrick Garland, who met with the families in January, declined to comment on the ruling Monday, citing the continuing litigation. The Justice Department at that time apologized for not meeting with the families before finalizing the settlement in January 2021.

—Andrew Tangel contributed to this article.

## In Arizona Race, Lake Unites GOP Factions

By Eliza Collins

PHOENIX—Kari Lake, the Republican candidate in the Arizona governor's race, has taken many pages from former President Donald Trump's campaign playbook.

She repeats his false claims of rampant fraud in the 2020 election. She attacks the legacy of the late Arizona GOP senator, John McCain. And she has made the media a favorite foil, even though she spent 22 years as an anchor for a local news station.

Where she and the former president differ is that Mr. Trump's contentions tore apart the Arizona Republican Party, with supporters of the former president on one side and traditional pro-business Republicans on the other. Ms. Lake, by contrast, has gone a long way to stitching it back together even while claiming the 2020 election was stolen and saying that her win in the August primary "drove a stake through the heart of the McCain machine."

Several Republicans who had supported Ms. Lake's opponent in the primary and are now backing her said they agreed with her policy proposals—especially on the economy—and they played down or omitted her contentions on election fraud.

There was no fraud in the 2020 election widespread enough to change the result, according to federal officials. Dozens of lawsuits filed by supporters of Mr. Trump challenging the results failed.

The party's coalescence behind her isn't unanimous, but it has given the political newcomer momentum in the race in the final weeks before the election, according to interviews with Republican and Democratic officials, strategists and voters.

Ms. Lake in an interview said



Kari Lake has gone a long way to stitching back the Arizona GOP even while repeating Donald Trump's false claims of 2020 election fraud.

the first things she would do as governor would be to take control of the southern border from the federal government and work to secure elections.

"Don't believe what the, you know, corrupt media is saying that 'Oh, the party is not going to come.' They have completely come behind us," said Ms. Lake, 53 years old, in her campaign office with a large photo of Mr. Trump behind her.

The outcome Nov. 8 will depend on Ms. Lake's ability to bring independents and Republicans to her side in a contest likely to be close, as many recent elections in the state have been. Her opponent, Secretary of State Katie Hobbs, a Democrat, won her last race by less than 6,000 votes; President Biden won Arizona by

less than 11,000 votes.

Most polls show the race as a statistical tie. Ms. Lake has committed only to accepting the results in the governor's race if she wins.

Arizona voters know Ms. Lake because of her years anchoring newscasts for the local Fox channel in Phoenix. (Fox Corp. and News Corp, owner of The Wall Street Journal, share common ownership.) Ms. Lake also has proved to be an effective communicator—often targeting the media, which she calls "fake news"—while Ms. Hobbs has been stuck in a monthslong controversy over her refusal to debate Ms. Lake.

Ms. Hobbs said in an interview that Ms. Lake's focus on the debate issue is "because she has nothing else to run on. She has

no experience. She doesn't understand how government works. She's not offering real solutions to any of the issues we're facing."

Ms. Hobbs has said debating Ms. Lake would be a disservice to voters because Ms. Lake is a "conspiracy theorist."

Some Democrats are calling on Ms. Hobbs to be more aggressive toward Ms. Lake and to emphasize her governing credentials stemming from her experience as a former state legislator and secretary of state.

Ms. Lake "is essentially a more polished version of Trump. My concern is that, as we learned with Trump in 2016, it's not enough to simply label a candidate as an extremist and therefore disqualified from being elected," said Roy Herrera,

who worked as Mr. Biden's Arizona counsel in 2020.

Ms. Lake has said she would eliminate cities' ability to put in place a rent and grocery tax. She has promised to offset the cost for five years with surplus state funds and then expects the state's rapid growth to provide a larger tax base to fund cities in the years to come.

On the border, Ms. Lake has said she would declare an invasion and use state law enforcement to conduct border-security operations, including arresting and deporting migrants. Such plans are likely to face logistical and legal challenges. Under federal law, only the U.S. government has the authority to deport migrants accused of being in the country illegally.

## Loan Relief for Public-Sector Workers Gets Boost

By Gabriel T. Rubin

The Biden administration is moving to make its overhaul of a student-loan forgiveness program for public-service workers permanent, allowing borrowers in professions such as teaching, nursing and public-interest law to get debt relief after 10 years of monthly payments.

The changes to the Public Service Loan Forgiveness Program, set to take effect in July, will allow future borrowers to stay on track for forgiveness even for monthly payments that are partial or late. They will also make it easier for

borrowers whose payment plans are paused due to a military deployment, service in the Peace Corps or AmeriCorps or are experiencing a period of economic hardship.

The adjustments to the program are "permanent changes to reduce the red tape," Education Secretary Miguel Cardona told reporters on Tuesday.

The Biden administration is waiting for a federal appeals court to allow it to move forward with its mass debt-cancellation program, a far larger undertaking that promises to cancel as much as \$20,000 of student debt for individuals

who make less than \$125,000 a year or married couples who make less than \$250,000 a year.

Republican officials in six states sued to block the program. A federal-district court in Missouri denied that the officials had standing to sue, but the decision is currently stayed as an appellate court considers the states' arguments.

If the court allows the administration to proceed, debt cancellation could begin almost immediately for the more than 22 million borrowers who have already signed up for the program. The ad-

ministration hopes to cancel as much of the debt as it can before the pandemic-era pause on student-loan payments ends on Jan. 1.

Last year, the Education Department instituted a waiver for the PSLF program, which was created by Congress in 2007. The waiver was intended to make it easier for more public-service workers to qualify for debt relief, after the Education Department disclosed that since its creation only 5,500 borrowers had seen their debt wiped clean under the program—a clear sign of failure, department leaders said.

Since the waiver's implementation, 236,000 borrowers have had around \$14 billion in loans forgiven.

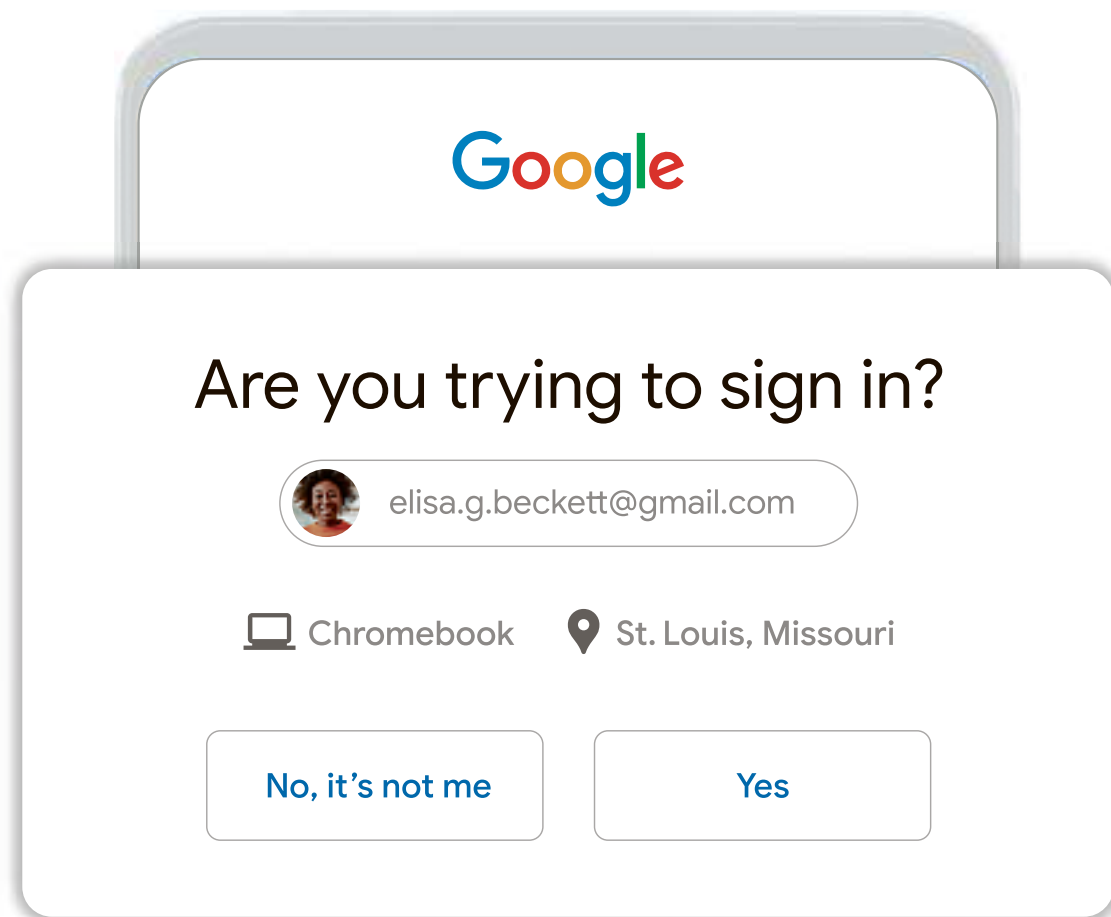
Before the waiver, which is set to expire at the end of October, a borrower must have worked in a public-service job and have made 120 on-time payments toward repaying the debt to qualify for forgiveness. But the program was only available to borrowers who have a specific type of student loan, known as Direct Loans, from the federal government. That requirement caused confusion among borrowers unsure if their loans qualified for forgiveness.





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U.S. NEWS

# Los Angeles Students' Test Scores Improve

District defies national trend as measures to help children in remote classes appear to work

By BEN CHAPMAN

The bleak picture of American educational progress that emerged with the release of the Nation's Report Card this week came as no surprise to educators who were bombarded during the pandemic by disruptions in instruction, student mental-health problems and labor shortages in schools.

It was, however, unexpected for one of the largest districts in the nation to outpace other districts and states, despite keeping schools closed until fall 2021, months longer than many other places, researchers said.

Test scores from the Education Department showed that fourth- and eighth-grade students struggled in every state.

But amid a national plunge in math and reading scores on the 2022 National Assessment of Educational Progress, the Los Angeles Unified School District stood out, recording higher scores in three of the four categories.

Los Angeles scored below national averages on the tests, but among all 50 states and 26 large city districts it was the only place to post such gains on the exams, according to a federal analysis.

"The data was so good," said Los Angeles Superintendent Alberto Carvalho, referring to his district's results. "It bodes very well for our L.A., and is really a testament to our strategy." Mr. Carvalho said a combination of makeup classes and high attendance rates for online lessons contributed to the resilience of his district, the second largest in the nation, with a budget of nearly \$20 billion.

Los Angeles also fared relatively well with remote learning during the pandemic, Mr.

Carvalho said, due to a program that gave internet hot spots to all families who needed them during school shutdowns. A prepandemic policy that provided all students with tablets or laptops helped as well, he said.

The district also invested in teacher training, delivering instruction on how to engage with students amid school closures and advance those who had fallen behind academically. The district created an optional 30-day summer-school program for academic subjects which ended up serving more than 100,000 students, Mr. Carvalho said.

The federal exams are considered to be more rigorous than most state standardized tests. This year's nationwide scores are the worst in decades.

Los Angeles students scored 257 out of a possible 500 points in the category of eighth-grade reading, representing an increase of nine points. It was the only significant gain shown in the federal analysis of state and city scores.

Nationwide, public schools' scores fell three points on that portion of the exam, to an average of 259.



Online classes for Los Angeles students at Boys & Girls Club of Hollywood in August 2020.

Los Angeles also managed higher fourth-grade reading and eighth-grade math scores on the test, making more gains than large urban districts, California and the nation overall in each of those categories.

The city leaned heavily on remote learning during the pandemic, drawing criticism from parents and policy makers for keeping schools closed for too long.

For much of the pandemic, the district found itself pulled between the teachers union, which pushed back against plans to reopen schools, and parents, many of whom said the district wasn't reopening fast enough. The district largely opted to keep schools closed months longer than some other large districts.

Overall, states that opened schools early in the pandemic fared no better on the exams than those that persisted longer in remote learning, said Peggy Carr, commissioner of the National Center for Education Statistics.

The conclusion puzzled educators and researchers who have studied schools in the pandemic, when many previous studies have highlighted negative effects of school closures on student learning.

# Obama Defense Secretary Sought to Modernize Armed Forces



Then-U.S. Defense Secretary Ash Carter speaking to sailors at the North Island Naval Air Station in Coronado, Calif., in 2016.

By NANCY A. YOUSSEF AND MICHAEL R. GORDON

Former Defense Secretary Ash Carter, a physicist who pushed for closer ties between Silicon Valley and the Pentagon, opened combat positions to women and streamlined the command that ran the war against the Islamic State terror group, died of a heart attack Monday evening, his family said. He was 68 years old.

**OBITUARY**  
**ASH CARTER**  
**1954-2022**

An experienced Pentagon official, he became President Barack Obama's last defense chief, serving from 2015 to 2017, a period defined by the U.S. campaign against Islamic State.

President Obama and I relied on Ash's fierce intellect and wise counsel to ensure our military's readiness, technological edge, and obligation to the women and men of the greatest fighting force in the history of the world," said President Biden, who was vice president when Mr. Carter was defense secretary and continued to rely on his expertise as president through his Council of Advisors on Science and Technology.

Mr. Carter, who was also a Harvard professor who had a degree in theoretical physics, spent his career in government and academia. He served as the director of the Belfer Center for Science and International Affairs at Harvard University's John F. Kennedy School of Government at the time of his death.

"He believed that his most profound legacy would be the thousands of students he taught with the hope that they would make the world a better and safer place," his family said.

Mr. Carter played an important role in restructuring the U.S. military command that prosecuted the campaign against Islamic State militants. In a monograph published by the Belfer Center, he recounted how he concluded during a visit to the Middle East soon after becoming the Pentagon chief that "the United States

and its coalition partners lacked a comprehensive, achievable plan for success." "He was instrumental in creating unity of effort in the war against ISIS," said Sean MacFarland, a retired Army lieutenant general who led the fight against the terrorist group from 2015 to 2016, using an acronym for Islamic State.

Against the objections of the Marine Corps, Mr. Carter opened combat positions to women, calling it the "right thing to do for our people and for the force." That decision paved the way for women to not only be on the front lines of war, but also hold the jobs that lead to becoming general officers.

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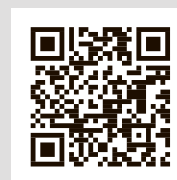


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## WORLD NEWS

# Russia Persists With Its Claim That Kyiv Plots 'Dirty Bomb'

Moscow sends letter to top U.N. officials; two IAEA inspectors to visit Ukrainian sites

By William Mauldin  
and Laurence Norman

Russia escalated its accusations that Ukraine plans to detonate a so-called dirty bomb, claiming in a letter to the United Nations Security Council that Kyiv would in turn use the fallout from the explosion to blame Moscow for using a tactical nuclear weapon.

The dirty-bomb accusations—repeatedly denied by Ukraine—have rattled U.S. and European officials who worry that Russia is seeking a pretext to escalate its war in Ukraine.

A dirty bomb combines conventional explosives with radioactive materials and could contaminate a limited area around a blast site, experts say. It lacks the destructive force of a nuclear weapon.

Ukraine Foreign Minister Dmytro Kuleba said Tuesday on Twitter that experts from the International Atomic Energy Agency “are expected to arrive shortly and prove Ukraine has neither any dirty bombs nor plans to develop them.”

The IAEA, a U.N. agency, confirmed that it would send inspectors to two sites in Ukraine where Russia claims Kyiv is building a dirty bomb. IAEA Director General Rafael Grossi said the agency had inspected one of the sites a month ago. “No undeclared



Russian Ambassador to the United Nations Vassily Nebenzia spoke before the body this month.

nuclear activities or material were found there,” he said.

Russia’s ambassador to the U.N., Vassily Nebenzia, sent the letter Monday to Secretary-General António Guterres and to the U.N. ambassador of Gabon, which this month holds the rotating presidency of the Security Council, according to a copy of the letter viewed by The Wall Street Journal.

“The Kiev regime plans to camouflage the explosion of such a ‘dirty bomb’ as an explosion of a Russian low-yield nuclear warhead that contains highly enriched uranium,” Mr. Nebenzia said in the letter. “Another heinous scenario plotted by Kiev suggests organizing acts of sabotage against nuclear power plants located in the territory under its control.”

A spokesman for Mr. Gu-

terres emphasized the “need to avoid any escalation or any action that would lead to miscalculation and make this conflict even worse than it is currently.” Representatives at the Russian and Ukrainian missions to the U.N. didn’t respond to requests to comment on the letter.

“Amidst the anti-Russian propaganda campaign led by the Western countries, we would like to stress that the Russian Federation has not intended, nor intends to use nuclear weapons in Ukraine,” Mr. Nebenzia wrote in the letter.

Russian Defense Minister Sergei Shoigu made the accusations about a dirty bomb in a round of calls with his Western counterparts over the weekend. The U.S., France and U.K. responded with a joint

statement rejecting the claim and warning Russia against further escalations in the war.

“Let me just say Russia would be making an incredibly serious mistake for it to use a tactical nuclear weapon,” President Biden said Tuesday. “I’m not guaranteeing you that it’s a false-flag operation yet. I don’t know. But it would be a serious, serious mistake.”

Western experts said using a dirty bomb would make little sense for Ukraine. It would cause a relatively low level of destruction that wouldn’t alter the shape of the conflict and would risk a far more devastating Russian nuclear response.

In March, Russia accused Ukraine of chemical and biological weapons programs, leading to concerns that Moscow would use such weapons.

“It’s much easier for Russians just to strike with missiles than for us to restore,” Mr. Kudrytskyi said.

—Vivian Salama, Ian Lovett, William Mauldin and Joe Wallace contributed to this article.

# Oligarch’s Yacht Finds Haven in South Africa

South Africa will allow sanctioned Russian steel magnate Alexey Mordashov to pull his superyacht into Cape Town, making it the latest port stop on a controversial voyage that shows the limits of Western sanctions.

By Gabriele Steinhauser  
in Johannesburg  
and Stu Woo in London

The journey of the 465-foot Nord—from the Seychelles to Vladivostok in Russia, Hong Kong and now en route to Cape Town—has become a closely watched barometer for the effectiveness of U.S. and European sanctions on its owner, Mr. Mordashov, one of Russia’s richest men and the largest shareholder of Severstal PAO, among the world’s biggest steelmakers.

Mr. Mordashov is under U.S. and European Union sanctions put in place after Russia invaded Ukraine. Western capitals have accused a coterie of rich Russian business people of being close to President Vladimir Putin and being complicit in the invasion. Mr. Mordashov has said he has never been close to politics, and didn’t see how sanctioning him would help end the conflict.

Shortly after Russia invaded Ukraine in late February, the Nord, which features two helicopter pads, a swimming pool and a cinema, set sail from the Seychelles to the far-eastern Russian port of Vladivostok, where it arrived in March. The move protected the yacht from the fate of Mr. Mordashov’s smaller boat, the 213-foot Lady M, which was seized by Italian authorities that same month.

In early October, the Nord left Vladivostok and anchored in the waters off Hong Kong. A U.S. State Department spokesman warned that allowing Mr. Mordashov’s yacht to moor near Hong Kong’s Victoria Harbour called into question the Chinese-administered territory’s reputation as a finan-

cial center.

China’s Foreign Ministry in Hong Kong accused the U.S. of smearing Hong Kong’s business environment.

The Nord set sail again last week, and is set to arrive in Cape Town on Nov. 9, according to publicly available maritime-tracking data.

Reports on the yacht’s destination prompted the mayor of Cape Town, Geordin Hill-Lewis, to appeal to South Africa’s government on Monday to block the Nord from docking at the port. “South Africa has a moral duty to do what it can to protest unjust war, state terrorism, and the gross violation of human rights,” said Mr. Hill-Lewis, a member of the Democratic Alliance, the largest opposition party to the ruling African National Congress.

## The move shows the ability of some Russians to evade Western sanctions.

A spokeswoman for Mr. Mordashov said he isn’t on the ship and remains in Moscow. She declined to comment on whether he plans to visit South Africa in the near future.

The government of South Africa, whose ruling party has fostered close ties with Russia dating back to the Soviet Union’s support of the ANC’s struggle against apartheid, said the vessel would be allowed to dock in South African waters. Vincent Magwenya, spokesman for South African President Cyril Ramaphosa, said there is no reason to block the yacht or Mr. Mordashov from entering South Africa.

South Africa isn’t participating in Western sanctions, and has abstained in United Nations votes on the invasion.

—Alistair MacDonald contributed to this article.

# Ukraine Steps Up Aid Request

Continued from Page One

He called on the West to provide an immediate economic relief package of \$17 billion. He also asked for \$1.5 billion in economic aid a month from the European Commission next year, and another \$1.5 billion a month from the U.S.

Mr. Zelensky’s economic adviser, Alexander Rodnyansky, who attended the Berlin conference, asked the German government to provide €500 million (\$494 million) a month for 2023 to help keep the Ukrainian state afloat.

The demands for economic aid come at a delicate time for Western leaders. Russia’s decision to cut the flow of natural gas to Europe has plunged the region into an energy crisis that is fueling inflation as well as protests across the continent. Germany has unleashed hundreds of billions of euros in subsidies to cushion the blow for consumers and businesses, but other European countries lack the financial firepower to spend at a similar scale.

The EU is promising monthly support of \$1.5 billion for Ukraine in 2023 but has failed to chalk up a third of the \$9 billion it promised Ukraine in May. The bloc has also recently added another \$500 million to its plan for reimbursing member states for weapons deliveries to Ukraine, taking the total to \$3.1 billion.

France and Germany have both announced new military support for Ukraine in the past two weeks, especially for air defense, with Germany delivering its IRIS-T air-defense system to Kyiv. Britain, which is going through a period of political turbulence, remains easily the biggest contributor of economic and military assistance for Ukraine among European states.

Still, according to the Kiel Institute for the World Economy in Germany, U.S. assistance to Ukraine has continued to outstrip Europe’s.

“The U.S. is now committing nearly twice as much as all EU countries and institutions combined,” said Christoph Trebesch, research center director at Kiel Institute. “This is a meager showing for the bigger European countries, especially since many of their pledges are arriving in Ukraine with long delays.”

Chancellor Olaf Scholz of

Germany, the Berlin conference’s host, said the rebuilding of Ukraine would be a task for generations. A close aide to Mr. Scholz said it would take decades to rebuild the country’s infrastructure and economy once the war ends.

In a report in September, the European Commission, the Ukrainian government and the World Bank said the current cost of reconstruction and recovery in Ukraine amounted to \$349 billion and was likely to grow in coming months.

European officials are also concerned about corruption and inefficiencies in the Ukrainian economy that could potentially lessen the impact of foreign aid. EU officials have said in recent months that they hope to drive overhauls in Ukraine and reconstruction through the yearslong process of Ukraine seeking EU membership. The bloc accepted Ukraine as a candidate member in June and the accession process requires sweeping changes in economic policy, judicial indepen-

dence and state administration.

Meanwhile, the House Democrats’ reversal on direct talks with Russia showed the sensitivity of the issue on Capitol Hill, where Congress has approved more than \$65 billion in aid for Kyiv since the Russian invasion, and Mr. Biden and party leaders have said any peace talks or terms of a cease-fire should be driven by Ukraine’s government.

Rep. Kevin McCarthy of California, the House Republican leader, said last week that Congress wouldn’t “write a blank check to Ukraine” under GOP leadership.

In an interview with The Wall Street Journal, Volodymyr Kudrytskyi, chairman of the management board of NPC UKrenerg, which runs Ukraine’s long-distance electricity-transmission system, said thousands of repair workers are fanning out across Ukraine’s power grid and operators are imposing blackouts to prevent the system from collapsing under a Russian bombardment.

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## WORLD NEWS

## EU Aims to Reach Energy Deal Quickly

Ministers are working to curb soaring gas prices amid cuts in the supply of Russian oil

By KIM MACKRAEL

BRUSSELS—The European Union wants to reach a deal within weeks on a sweeping set of market interventions to tackle the painfully high energy bills resulting from Russia's economic war with the West.

EU energy ministers on Tuesday debated a range of proposals for easing high energy prices, including an emergency tool for limiting natural-gas prices. Europe is facing an energy crunch after Russia, once

its biggest natural-gas supplier, invaded Ukraine in February and sharply constrained supplies of gas to the bloc.

The rush for limited global supplies has pushed prices up, especially in Europe where infrastructure constraints limit how much liquefied natural gas can be imported and moved to where it is needed.

After peaking in late summer, European gas prices pulled back in recent weeks as warm weather damped demand, and on Tuesday they were on course for their lowest closing level since mid-June. Even with the recent decline, prices remain more than seven times as high as two years ago, before they started to rise in 2021.

Leaders from the EU's 27

member countries last week tasked their energy ministers with looking more closely at proposals meant to deal with the energy crisis, including a plan from the bloc's executive body to create a tool that would allow it to cap natural-gas prices if they jump again.

Jozef Sikela, minister of industry and trade for the Czech Republic, which holds the EU's rotating presidency, said the recent decline in gas prices is unlikely to affect EU countries' resolve in creating a tool to limit prices. He said energy ministers would meet again on Nov. 24 with the aim of adopting the package of proposals put forward by the commission.

The meeting on Tuesday continued the debate over a

problem EU officials have been grappling with for weeks: how to bring down high gas and electricity bills without creating other issues, such as soaring national debt or encouraging more gas use.

The commission said the emergency cap could apply to the bloc's main trading exchange, called the TTF. Officials said they also want to create a new trading benchmark for LNG and encourage companies to team up to buy gas jointly in a package of proposals that, taken together, would amount to an extraordinary intervention in the bloc's liberalized gas markets.

The proposal for a tool allowing the EU to cap gas prices has been particularly contentious.

Italy, France and more than a dozen other countries have said they want a cap on wholesale gas prices to help shield households and businesses from high prices. Germany and several others have pushed back, saying a price cap risks diverting supplies to other buyers and spurring more consumption.

Last week, the leaders agreed that any price cap should focus on limiting episodes of excessive gas prices, while taking into account a range of conditions meant to ensure that supplies aren't affected and demand doesn't go up.

Countries continue to have different views on the idea of capping gas prices, Mr. Sikela said after Tuesday's meeting. He said the main question is

how to make sure a price limit doesn't make it harder for the bloc to import gas. Leaders also asked energy ministers to consider proposals for the EU to put a limit on the price of gas that is used for electricity generation, a tool that is already in use in Spain and Portugal. The commission warned recently that extending such a price limit across the bloc could cause subsidized electricity to flow outside of the EU and create uneven costs and benefits for European countries.

Other measures the EU has proposed include boosting the financial support that can flow to struggling consumers and setting out rules for how to share gas across borders if there is a shortage.



Brittney Griner participated in a court hearing Tuesday via a video link from a Russian detention center.

## Griner Headed to Penal Colony As Moscow Court Denies Appeal

By ANN M. SIMMONS AND LOUISE RADNOFSKY

MOSCOW—A Moscow regional court upheld the drug conviction of U.S. women's basketball star Brittney Griner, paving the way for the two-time Olympian to serve nine years in a penal colony for the possession and smuggling of less than a gram of hashish oil.

The court hearing Ms. Griner's appeal on Tuesday had the option of leaving the verdict as it is, reducing the sentence or overruling it and returning it to the lower court where the case was first heard.

The decision sets the stage for further diplomatic wrangling between the U.S. and Russia, amid already icy relations over the war in Ukraine.

Ms. Griner's best hopes of returning home have long been thought to rest on a negotiated prisoner exchange between the two countries, but the process is complex.

U.S. officials criticized the decision, though expectations were low before the hearing.

The court's three-judge panel ruled that each day that Ms. Griner spent in pretrial detention would count for 1½ days served at the penal col-

ony, but "the rest of the sentence is unchanged," the judges said.

"Nothing in the previous sentence, nothing in the result of today's appeal changes the fact that the United States government considers Ms. Griner to be wrongfully detained," said Elizabeth Rood, chargé d'affaires at the U.S. Embassy in Moscow.

Ms. Griner's attorneys, Maria Blagovolina and Alexander Boykov, said: "We still think the punishment is excessive and contradicts the existing court practice." They said Ms. Griner's biggest fear is that she won't be part of a prisoner exchange and would have to serve the entire sentence.

The lawyers said it could be several more months before Ms. Griner is moved from the pretrial detention center where she has been since mid-February.

Ms. Griner participated in the court proceedings via video link. She alternately sat and stood in a cage. Two female guards stood outside. She appeared calm as she listened to the court translator.

The judge read out the charges, saying that Ms. Griner had been in possession of

a significant amount of drugs.

Her lawyers argued that their client's actions lacked intent. Ms. Griner appealed to the court to reassess her sentence to take that into account. She apologized for what she called a mistake.

"I did not intend to do this, but I understand the charges brought against me and I just hope that that is taken into account too, that I did plead guilty," she said.

The prosecutor asked the judge to dismiss the athlete's appeal, stating that it was groundless.

The U.S. declared in May that it believed Ms. Griner to be wrongfully detained. Washington has openly pressed Moscow to accept what it has characterized as a "substantial proposal" for her release and that of another American also deemed wrongfully detained in Russia, former Marine Paul Whelan, who was given a 16-year sentence for espionage in 2020.

People familiar with the matter said the U.S. offered to trade Ms. Griner and Mr. Whelan for Viktor Bout, a Russian convicted of U.S. charges of arms dealing. Russia has indicated it wants at least one

more person returned as part of a trade for two Americans.

National security adviser Jake Sullivan said after the appeal decision was announced that "in recent weeks, the Biden-Harris Administration has continued to engage with Russia through every available channel and make every effort to bring home Brittney as well as to support and advocate for other Americans detained in Russia, including fellow wrongful detainee Paul Whelan."

Ms. Griner was convicted in August of bringing marijuana with criminal intent into Russia in mid-February and sentenced to nine years in prison. Russian prosecutors had said that vape cartridges containing a total of 0.702 grams of hashish oil were confiscated from Ms. Griner's luggage when she arrived in Russia to resume playing basketball for the Russian team UMMC Ekaterinburg—one week before Moscow's invasion of Ukraine.

### Watch a Video



Scan this code for a video on the court ruling against Griner's appeal.

## Europe Buys More of Russia's Frozen Gas

By GEORGI KANTCHEV AND JOE WALLACE

Europe is spending hundreds of billions of euros to wean itself off Russian natural gas, but there is one corner of the energy market where the continent is finding it hard to kick its habit.

While supplies of Russian pipeline gas, which made up the bulk of Europe's gas imports before the Ukraine war, are down to a trickle, European importers have been quietly splurging on frozen Russian gas delivered by giant ships.

Liquefied natural gas, or LNG, has been billed as Europe's salvation from its Russian gas addiction. Unlike pipeline gas, supercooled LNG can be shipped from far-flung regions, including the U.S. and Qatar. Since Russia invaded Ukraine, making itself a pariah, Europeans have started building new LNG facilities to import gas from around the world.

The effort—and moves by Russia itself to throttle pipeline supplies—helped bring the total share of Russian gas down to 14% of the European Union's overall imports, from around 45% before the war. But the bloc's imports of Russian liquefied natural gas jumped by 41% in the year through August compared with that period in 2021, according to the European Commission. Russia is the EU's second-largest source of LNG, after the U.S.

Importers argue that the shipments aren't covered by EU sanctions and that buying LNG from Russia alongside other suppliers is needed to help keep European energy prices in check. Yet the trade runs counter to the EU's efforts to deprive Russia of fossil-fuel revenue. The EU will ban most imports of Russian crude oil in December but has spared gas imports so far.

"Russian LNG has been the dark horse of the sanctions regime," said Maria Shagina, research fellow at the London-based International Institute for Strategic Studies.

Russian LNG has accounted for 8% of the European Union and U.K.'s gas imports since the start of March, according to Jake Horslen, LNG analyst at Energy Aspects. "Every molecule counts at the moment, so it's still fairly critical for Europe," he said.

While the biggest Russian LNG exporter is Novatek JSC—

a private company, not state-controlled Gazprom PJSC—rising LNG sales give the Kremlin some influence over European energy markets after the drop in pipeline gas supplies reduced Moscow's leverage over Europe, analysts say.

"Continued dependency on Russian LNG comes with the risk of energy supplies being used as a political tool of blackmail," Anne-Sophie Corbeau and Diego Rivera Rivota, researchers at the Center on Global Energy Policy at Columbia University, wrote in a recent paper.

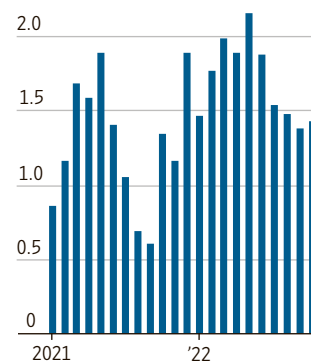
A few months into the war in Ukraine, Russia stopped gas transit via Poland, then shut the Nord Stream pipeline to Germany, its main gas thoroughfare to Europe. In September, powerful explosions damaged Nord Stream and a parallel undersea pipeline, Nord Stream 2, that wasn't in service. European investigators have said the incident was an act of sabotage, with some European officials pointing the finger at Moscow. Russia insists it remains a reliable supplier and President Vladimir Putin said "Anglo-Saxon" governments were behind the blasts.

Whatever the cause, the extensive damage means Russian pipeline gas exports to Europe can't be ramped up significantly in the foreseeable future—unlike LNG exports.

In September, France was the biggest importer of Russian LNG, followed by Spain and Belgium, according to commodities-data provider Kpler. In the first eight months of the year, Russian LNG comprised 17% of the EU's total LNG imports, while the U.S. made up 45%, according to the EU.

### LNG imports to the EU

2.5 billion cubic meters a month



Source: Kpler

### FROM PAGE ONE

## Adidas Cuts Ties With West

Continued from Page One

Adidas and Gap, accusing the companies of stealing his designs and breaking promises to expand his ventures. He had said that he was key to Adidas's success. "I can say anti-Semitic things and Adidas can't drop me. Now what?" he said in a podcast that aired earlier this month.

In early October, Mr. West appeared at his fashion show in Paris wearing a "White Lives Matter" shirt, a slogan often used by white supremacist groups, and a week later wrote a tweet that said in part that

he planned to go "death con [sic] 3 on Jewish people."

Film-and-television studio MRC and French fashion house Balenciaga are among companies that have distanced themselves from Mr. West in recent weeks. The talent agency CAA has dropped Mr. West as a client, according to a person familiar with the matter.

On Oct. 6, Adidas put its partnership with Mr. West under review. Days later, Twitter Inc. and Meta Platforms Inc.'s Instagram locked his accounts after he made anti-Semitic posts.

Adidas said Tuesday that Mr. West's recent comments and actions have been "unacceptable, hateful and dangerous, and they violate the company's values of diversity and inclusion, mutual respect and fairness."

The breakup adds another major headwind for Adidas, which has been struggling to



Kanye West suffered backlash in recent weeks after writing an anti-Semitic tweet and appearing in a "White Lives Matter" shirt.

grow in China, the largest apparel market in the world. Adidas is also in the midst of searching for a new chief executive after the company unexpectedly said in August that its current leader, Kasper Rorsted, will step down next year.

"The termination of the partnership with Kanye West is understandable and necessary. Financially, the termination is a heavy blow," said Ingo Speich, head of sustainability and corporate governance at German fund manager Deka Investment, which holds 0.7% of Adidas.

Adidas said it would terminate the partnership immediately, end production of Yeezy branded products and stop all payments to Mr. West and his companies. The decision is expected to have a short-term hit of up to €250 million, equivalent to \$247 million, on the company's net income in 2022, the company said.

Adidas shares fell more than 3% in Frankfurt trading Tuesday. They are down more than 60% this year.

Human-rights campaigners in recent days had criticized Adidas over its partnership

with Mr. West. On Tuesday, the Central Council of Jews in Germany called on the company to end the deal.

"As a German company, I simply expect from Adidas a clear stance when it comes to anti-Semitism," the organization's president, Dr. Josef Schuster, wrote on Twitter.

Adidas said on Tuesday it "does not tolerate anti-Semitism and any other sort of hate speech."

Mr. West's ventures in sneakers date to 2006 when he first collaborated with Adidas on a shoe that was never released. A year later the rapper started working with Nike Inc. and eventually released the coveted Nike Air Yeezy II. The Nike partnership ended in 2013.

Items that the artist designed in collaboration with Adidas made their debut in 2015, and the parties entered a long-term partnership the fol-

lowing year. In the arrangement, Mr. West lends the Yeezy brand to the company in return for royalties of about 15% of the sales of Yeezy products. Adidas designs and manufactures the products, and it owns the designs, according to people familiar with the deal.

The partnership had been a boon for Adidas. The tie-up accounts for as much as 8% of Adidas's total sales, analysts at UBS said in a report last week.

Without the partnership, the company's annual sales have grown just 1% on average since 2017 compared with the actual sales growth of 3%, UBS estimated.

But in recent months, Mr. West has criticized Adidas, as well as Gap, on social media. Gap decided to end its relationship with Mr. West last month, saying it and Mr. West are "not aligned." The Wall Street Journal has reported.



## WORLD NEWS

# New U.K. Prime Minister Vows to Stabilize Economy

By MAX COLCHESTER  
AND DAVID LUHNOW

LONDON—Rishi Sunak, a former hedge-fund manager and U.K. Treasury chief, formally became Britain's prime minister on Tuesday after he was appointed by King Charles III, vowing to steer the U.K. through a period of growing political and economic troubles.

In his first speech as prime minister, Mr. Sunak warned of a "profound economic crisis" facing the country, which is suffering from stagflation and has plunged into deeper political uncertainty with three different prime ministers in seven weeks.

Mr. Sunak said he would keep the current Chancellor of the Exchequer, Jeremy Hunt, who stepped in to undo his predecessor, Liz Truss's, tax-cut plan and regain market confidence.

Britain's first Hindu leader pledged to repair the damage caused by the ill-fated experiment in British Reaganomics of Ms. Truss, who was forced from office after markets were spooked by large unfunded tax cuts and a generous subsidy for household energy costs.

"I will place economic stability and confidence at the heart of this government's agenda," Mr. Sunak said.

He moved quickly to steady the Conservative Party. He appointed lawmakers from across warring factions to senior government roles in an effort to rebuild some unity in a party that has ousted its past three prime ministers in as many years. Nearly all the top appointments were cabinet members of former Prime Minister Boris Johnson, who was pushed to resign in July by a party rebellion.

In a sign of the challenges facing Mr. Sunak, the new prime minister broke with tradition and didn't have allies in Downing Street clapping him into the building, underscoring the dark economic times the



King Charles III, left, welcomed new Prime Minister Rishi Sunak at Buckingham Palace on Tuesday.

nation faces as he prepares to oversee some difficult decisions to plug a government budget deficit that is estimated to be 40 billion pounds, equivalent to \$45 billion.

"I will unite our country not with words, but with action," Mr. Sunak said.

President Biden on Tuesday spoke with Mr. Sunak to congratulate him, according to a U.K. government readout. The men discussed bilateral cooperation, including efforts to counter China's "malign influence," as well as efforts to bolster Ukraine in the war.

Mr. Sunak, who at 42 years old is Britain's youngest leader in more than 200 years, faces a daunting inbox. The British population is struggling with a cost-of-living crisis as inflation runs at 10.1%, fueled by high energy costs because of the war in Ukraine. With financial markets wary of the stability of U.K. government finances, Mr. Sunak will have to regain market confidence through a combination of politically

damaging spending cuts and tax increases, likely aggravating a recession and hurting incomes further, analysts say.

The government is set to outline spending cuts on Monday, only days before the Bank of England is expected to also raise interest rates.

"It's going to be a terrible time for the economy whoever is in power," said Jill Rutter, a former government official and a senior research fellow of U.K. in a Changing Europe, a think tank.

Investors have welcomed the end of Ms. Truss's government and the shift in policy toward more fiscal caution. The pound has fully recovered from its selloff following the tax-cut announcement on Sept. 23, which saw sterling briefly hit a record low of \$1.0349. The pound traded at \$1.1480 on Tuesday, roughly 2% above its prebudget level.

U.K. government bonds, which were at the heart of the recent U.K. market turmoil, have also staged a strong rally

that continued Tuesday as Mr. Sunak took office. The yield on a 10-year U.K. gilt was at 3.647% Tuesday, well below a high of 4.643% set earlier this month, according to Tullett Prebon data. Yields rise as prices fall.

Mr. Sunak's opening statement came just more than an hour after Ms. Truss defended her vision for a low-tax, high-growth economy. "We simply cannot afford to be a low-growth country where the government takes up an increasing share of our national wealth," she said in a farewell speech.

In his cabinet shuffle, Mr. Sunak kept Defense Secretary Ben Wallace in his post, as well as Foreign Secretary James Cleverly. Suella Braverman, who is popular on the libertarian wing of the party and advocates tough migration restrictions, was named as home secretary.

Mr. Sunak inherits a healthy majority in Parliament following Mr. Johnson's 2019 electoral victory and so should be free to push through legislation as long as he can contain rebellions.

# Saudi Summit Draws Wall Street Executives

RIYADH, Saudi Arabia—International business leaders brushed aside a diplomatic spat between the U.S. and Saudi Arabia, converging on the Sau-

By Rory Jones,  
Stephen Kalin  
and Summer Said

dis' flagship investment conference in a kingdom riding high on an oil-price boom and trying to flex its geopolitical power.

Some 400 American executives descended on Riyadh's Ritz-Carlton Hotel for the Future Investment Initiative, an annual event sometimes dubbed "Davos in the Desert," along with European and Asian business leaders. Among them: JPMorgan Chase & Co. Chief Executive Jamie Dimon, David Solomon, head of Goldman Sachs Group Inc., and Blackstone Inc.'s Stephen Schwarzman.

The large American presence—over 150 U.S. companies were represented—came three months after President Biden visited Saudi Arabia in a bid to reset relations that were badly damaged following the 2018 murder of dissident journalist Jamal Khashoggi by Saudi operatives. Many international firms had already turned the page on the outrage over Mr. Khashoggi's death, which hung over subsequent runnings of the event. But for those that hadn't, this year's conference offered a chance to come back.

"Nobody is being told not to come to the kingdom," said Tarik Solomon, a former chairman of the American Chamber of Commerce in Saudi Arabia. He said U.S. companies were unfazed by the political situation between Washington and Riyadh.

The executives arrived amid a low point in relations between the Biden administration and Saudi leadership, including Crown Prince Mohammed bin Salman, who The Wall Street Journal reported on Monday has mocked the U.S. president in private. The Saudis frus-

trated the Biden administration by orchestrating an oil-production cut earlier this month with the Organization of the Petroleum Exporting Countries and its Russia-led allies, prompting the U.S. to threaten retaliatory measures.

The U.S. perceived the production cut as supporting Russia's war effort in Ukraine by allowing Moscow to sell oil at inflated levels. Riyadh has said the move was a technical decision that was needed to prevent a drop in crude prices amid gloomy economic predictions.

Messrs. Dimon and Schwarzman were two of the executives who backed out of the 2018 event in Saudi Arabia. JPMorgan and Goldman are among the Western banks that have profited from a buoyant Saudi initial-public-offerings market at a time when IPOs globally have stagnated. Citigroup Inc., JPMorgan and Goldman also were among the banks that helped the Public Investment Fund, the sovereign-wealth fund of Saudi Arabia, with a debut bond sale this month, which raised \$3 billion for the fund.

Mr. Dimon said he believed the problems between the U.S. and Saudi Arabia were overblown and would eventually be worked out. "I can't imagine every ally agreeing on everything all the time," he said.

"American policy doesn't have to be everything our way," Mr. Dimon added later. "You can learn from the rest of the world."

High-level U.S. officials were missing from the conference, which promoted the slogan: "A New Global Order." Throughout the first morning of the conference, Saudi officials stressed the importance of building relations with powers around the world while saying the U.S. relationship remained important.

Khalid al-Falih, the Saudi minister responsible for luring foreign investment, said the dispute with Washington was "a blip."

## FROM PAGE ONE

## Google Posts Tepid Results

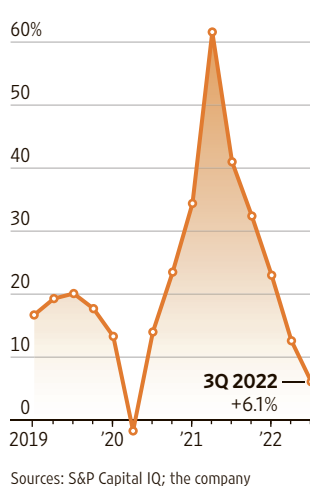
Continued from Page One

6.1% from the year-earlier period but less than analysts expected. At a time when the company's executives have talked about becoming more disciplined in hiring, Alphabet's full-time employee base increased by almost 12,800 workers in the quarter, the biggest change on record. Alphabet shares fell after hours.

"Times like this are clarifying," said CEO Sundar Pichai, in a call with analysts after earnings were announced. He said that Google has begun a push to become more efficient "by realigning resources to invest in our biggest growth opportunities" and that employee growth will be significantly lower in the fourth quarter.

While Google has attempted to become less reliant on advertising in recent years, the tech company still makes the majority of its revenue from

### Alphabet's quarterly revenue, change from a year earlier



ads that appear next to search results and videos surfaced by the company's algorithms.

Alphabet's revenue growth in the third quarter was the company's lowest since the second quarter of 2020, when the company lost business as the coronavirus stoked fears among advertisers. Sales rose 41% in last year's third quarter, by comparison.

Google has recently pushed big brands toward a suite of automated tools for purchasing advertising across the company's own properties and other online publishers, a

move analysts have credited with boosting the core search-advertising business.

The search business posted revenue of \$39.5 billion in the third quarter, an increase of 4.3%.

Because search has historically been such a consistent performer, "this is a weak result," said Mark Mahaney, an analyst at Evercore ISI. He added that it is "probably a very good indicator of expanding caution and weakness among small business marketers."

Advertising revenue on Google's YouTube video platform fell 1.9% to \$7.1 billion, the first time sales have dropped since Alphabet began reporting the unit's financial performance in 2020. YouTube relies more heavily on so-called brand advertising than other parts of Google's business, making it more susceptible to the pullback in spending.

The broader economic slowdown has prompted Mr. Pichai to search for ways to improve the company's bottom line after a boost in fortunes during the pandemic spurred a period of breakeven expansion.

Mr. Pichai said in July that Google would slow hiring for the rest of the year and last month said the company should become 20% more productive, without providing details on how he would measure the improvements.

Last month, Google scaled back spending at an internal startup incubator and shut down its streaming videogame service Stadia, a product Mr. Pichai introduced with a big marketing push in 2019.

Revenue in Google's cloud-computing division, one of its biggest areas of spending, increased by 37.6% to \$6.9 billion, growing slightly faster than in this year's second quarter.

Alphabet reported \$13.9 billion in net income for the third quarter, a decrease of 26.5% compared with the year-earlier period. At market open on Tuesday, shares of the company had fallen about 30% since the beginning of the year, slightly less than the tech-heavy Nasdaq Composite Index and other major online-advertising companies.



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CEO Sundar Pichai said Google has begun a push to become more efficient, and employee growth would be lower this quarter.



## FROM PAGE ONE

# Oligarchs In Obscure Network

Continued from Page One

often involved in major government deals. All are now black-listed by the U.S. and the European Union, along with many other oligarchs and companies.

The network's intricate layers are making it harder for the West to track assets and enforce the sanctions, a key economic weapon in the effort to end Russia's aggression in Ukraine. A multitude of partial ownership stakes also makes it legally more complicated to crack down on companies.

The layers of investment helped obscure Mr. Usmanov's links to an Airbus A340 jet valued at more than \$350 million that departed Munich for Uzbekistan soon after the EU banned flights by Russian-owned planes and hours after the oligarch's name was added to EU sanctions lists.

The jet's listed owner was an offshore company. "The attribution of the aircraft to Mr. Usmanov was not clear at the time in question," said a spokeswoman for German transportation authorities. If it had been clear, "European airspace would have been closed to the aircraft and the aircraft would not have been able to take off," she said.

At the core of the Russian money network is a firm in the Isle of Man, a wind-swept self-governing island in the Irish Sea, called Bridgewater.

The firm has helped structure a corporate empire for its clients that has included investments in U.S. technology companies such as Meta Platforms Inc., Twitter and Airbnb Inc.; investment in a company that allegedly sells surveillance equipment to the Russian government and real estate around Europe, according to the documents reviewed by The Wall Street Journal.

To trace the Russian assets, the Journal scoured thousands of corporate documents, many made public in recent years in major leaks of financial documents from offshore services firms, including the Panama, Pandora and Paradise Papers.

Those documents, which began being published in 2016 and have resulted in hundreds of articles in the media about international tax evasion and money laundering, were shared by the International Consortium of Investigative Journalists and German newspaper Süddeutsche Zeitung with the Journal.

The Journal also used corporate filings and records from about 20 countries to track the network's companies back to Russia.

The reviewed documents don't show that assets moved out of Russia via the Bridgewater network after sanctions were levied. Instead, they reveal how Russian-linked firms have been able to remain invested in Western companies, despite a global crackdown.

SEC documents filed in October said about 16% of Quanergy, the laser startup with the February IPO, is owned by a San Francisco-based venture-capital fund called Rising Tide V LLC, which is backed by a Bridgewater fund that Mr. Usmanov invests in. Quanergy said in SEC filings that Mr. Usmanov held a significant stake in Rising Tide V.

## Complex layers

Bridgewater said it has acted lawfully, and its managing director, Mark Veale, who took over in November, said the company has undergone a complete overhaul recently and dropped several client relationships in the past year. He declined to say which ones, citing client confidentiality, or to disclose any specifics about clients or deals.

"I can't go back and correct anything—if there were any mistakes in the past," he said. But today, he said, the firm does everything by the book.

"We haven't been involved in evading sanctions," he said. "Nothing happens from this office with anyone who may be subject to sanctions without all the appropriate documentation."

Mr. Veale said that Bridgewater had had a "concentration at various times" of Russian clientele, and that disentangling relationships with people now under sanctions isn't straightforward.

"It's not as simple as you stop doing it," he said. "The same ownership group, one part could get caught and another part may not be, there could be restrictions on certain activities and not others."



ger controls it, after an investigation by the Isle of Man financial regulator in November barred him from doing so.

The regulator also fined Bridgewater for failing to keep tabs on risks posed by its customers and banned some employees, including its head of compliance and its money laundering reporting officer.

## DST Global fund

Under Isle of Man law, companies such as Bridgewater are responsible for conducting due diligence on clients and disclosing any political or legal risks.

An ownership arrangement with Mr. Usmanov would have been a conflict of interest for Bridgewater, said David Zweighaft, a former Justice Department investigator now working in New York as a forensic accountant who reviewed the structure of Bridgewater for the Journal. "You have the fox guarding the henhouse," he said.

One destination of Russian funds in 2011 was the venture-capital firm DST Global, co-founded by Russian-born Israeli investor Yuri Milner, which held stakes in tech firms including Facebook. Much of the money came through Kanton, the company named by the banker in the Metalloinvest arrangement. That firm, which continued to receive loans from Gazprom's investment arm, was a backer of the DST Global fund DST Global II in 2011.

Kanton had two principal sources of cash, said Mr. Semenenko: Mr. Usmanov and Gazprom's investment arm, whose loans he said were secured by Mr. Usmanov's stocks. He said he couldn't break down how much of the Gazprom money was in Kanton's DST Global investments. "The money is fungible," he said. "I didn't differentiate where it came from."

Other money came from Kremlin-controlled VTB Bank, which used specially created Bridgewater companies to invest about \$300 million through DST Global into Twitter and Chinese retailer JD.com, according to public records in the Isle of Man, SEC filings and people familiar with the matter.

VTB didn't respond to requests for comment. The bank has previously said its DST Global investments were among several high-tech deals it was involved in at the time.

A 2018 report commissioned by one of Gazprom Investholding's subsidiaries said none of its loans were used to finance investments in Facebook.

In 2015, Bridgewater set up a private fund that held stakes in various tech companies. For a minimum investment of \$100,000, the fund gave investors access to DST Global II, which included a stake in Airbnb, the documents show. Some of Kanton's holdings were rolled into this fund, Mr. Semenenko said.

It was through this special fund, called Global Technology Investments, that Mr. Usmanov's money was later invested in Quanergy, the laser startup, said Mr. Levchenko, the oligarch's spokesman.

A DST Global representative said the firm hadn't taken on any Russian investors since 2011 and didn't know about any loans from Gazprom or investors in GTI. The firm said in 2017 that "relations were much better" between the U.S. and Russia at the time the previous deals were struck. This month, Mr. Milner said on Twitter that he and his family had renounced their Russian citizenship this summer.

Several Bridgewater companies owned mansions near the German lakeside town of Tegernsee, about an hour south of Munich, according to information published by the Organized Crime and Corruption Reporting Project, an international network of investigative journalists. Mr. Usmanov visits the town to get treatment for eye problems and lives in the properties while there, according to Mr. Levchenko and a local politician.

The politician, Thomas Tomaszek, who organized an anti-war demonstration he said was aimed at the oligarch after the Ukraine invasion, said Mr. Usmanov visits the small lakeside town three to four times a year with bodyguards.

Mr. Levchenko said the oligarch doesn't own any of the homes but simply pays to rent them. He added that Mr. Usmanov's companions in Tegernsee weren't bodyguards but guests and assistants who helped Mr. Usmanov with a heavy workload that included charities and his job at the time as president of the International Fencing Federation.

—Justin Schack contributed to this article.

A spokesman for Mr. Usmanov said he is a self-made man who has never tried to hide his assets and isn't tied to the Kremlin. "We categorically reject the claim that Mr. Usmanov used" a network of shell companies and middlemen to move rubles out of Russia, he said.

Bridgewater deals are managed through layers of partnerships, limited liability companies, loans and holding companies in tax havens built with the help of multinational law firms and financial institutions, including Credit Suisse Group AG, according to public records and the documents.

A spokesman for Credit Suisse said he couldn't comment on potential client relationships and said the bank takes action against accounts used for illicit activities.

The U.S. Treasury is offering millions in rewards for information about the wealth of sanctioned Russians, and the Justice Department has launched a "KleptoCapture" task force to seize luxury real estate, private jets, yachts and other assets.

The Treasury said it was "certainly tracking" Bridgewater but didn't provide further details. The department's sanctions enforcement group, the Office of Foreign Assets Control, didn't know about Mr. Usmanov's stake in Quanergy, according to a person familiar with the matter.

Quanergy and Rising Tide V didn't respond to requests for comment.

Vast wealth among oligarchs grew out of the collapse of the Soviet Union, as state-owned assets flowed into the hands of men close to President Boris Yeltsin and later his successor, Mr. Putin.

Many Russian oligarchs structured investments through Isle of Man companies because of the island's low taxes, limited bureaucracy and past policies of allowing company owners to remain private. Although the island depends on the U.K. for defense and its foreign policy, it sets its own laws.

British lawmakers and financial-transparency experts say the island's financial system, like that of the British Virgin Islands or the Cayman Islands, is an offshore haven that draws people seeking to conceal wealth and avoid tax, facilitating corruption and helping hide ill-gotten gains.

A representative for the Isle of Man government said its sanctions mirror those in the U.K. and that it has begun tracking company owners and making that information available to law enforcement. It said it has frozen about £2 million, or about \$2.3 million, in Russian assets, and deregistered 49 boats and 22 aircraft, including the Airbus linked to Mr. Usmanov.

Bridgewater, founded in 1996, is one of many companies in the Isle of Man performing the dry functions of interna-



Bridgewater is located in the Isle of Man, above. Left, Russian President Vladimir Putin gave Alisher Usmanov an order of merit in 2018.

tional business. (It isn't related to Bridgewater Associates, the U.S. hedge-fund firm.) It has acted for years as a corporate services provider and trust business, performing due diligence, registering companies, providing locally based directors, managing trusts and helping structure international investment strategies.

In recent years, much of its business appears to have come from people with close ties to the Kremlin and their associates, a Journal analysis of more than 300 companies and trusts administered by the firm found. Some of the Russian-linked companies created or managed by Bridgewater are no longer connected to the firm.

The documents reviewed by the Journal show the Russian ties date back at least to the mid-2000s. In one early deal, an Isle of Man banker described how Mr. Usmanov, who at the time was chief executive of the investment arm of Gazprom, the majority state-owned energy giant that is now under sanctions, and a partner would fund their metals business with money from Gazprom. "I went to Bridgewater last week to sign up the Russians," the banker wrote in a January 2007 message included in the documents, referring to a plan by the partners to open a bank account for one of their companies.

Sketches of the banker's understanding of the planned financing show lines from Gazprom and its investment arm pointing to the men's steel and mining conglomerate, called Metalloinvest, and a network of holding, distribution and trading companies scattered around the world. Payments for the iron would go to accounts at Swiss

investment bank Credit Suisse in the name of a company administered by Bridgewater.

"Please note," the banker, who worked at a subsidiary of an Irish bank, wrote, "Monies ultimately stem from Gazprom Investment Holdings."

A month after the meeting, a company named on the banker's chart, a British Virgin Islands firm called Kanton Services Ltd., entered into a \$350 million loan agreement with a subsidiary of Gazprom's investment arm, according to the documents.

By 2009, Metalloinvest's international trading operation was generating as much as \$3 billion a year in sales, company documents show.

## The network makes it hard for the West to track assets and enforce sanctions.

Kanton's listed owner, Leon Semenenko, said the company was mainly used to trade stocks and that Mr. Usmanov was the "de facto controller of the company." He said Kanton received loans from Gazprom's investment arm. He said he didn't recall any of that money being used to finance Metalloinvest and that such a move would have been outside the scope of Kanton's normal activity.

Mr. Usmanov's spokesman, Grigory Levchenko, said the oligarch built his business, including Metalloinvest, from scratch or with assets purchased at fair market rates. "We categorically reject any unsubstantiated claim that Metalloinvest could have been financed with funds from



The Bridgewater network has also been used by relatives of Dmitri Peskov, Mr. Putin's spokesman, Sergei Chemezov, a former KGB associate of Mr. Putin whose companies sell arms to the Russian military, and Andrei Skoch, a member of Russia's parliament.



# PERSONAL JOURNAL.

## Travel Season Extends Into Autumn

Hybrid work brings more flexibility to satisfy pent-up vacation demand

# 22%

The average rate increase for hotel rooms from a year ago.



BEEN FRANKIE FOR THE WALL STREET JOURNAL (2)

BY ALLISON POHLE

Vacation season didn't stop on Labor Day. Travelers are taking to the roads and the skies well into the fall this year, extending peak vacation season months beyond its typical end, according to analysts and travel companies.

Some families who put off vacations during the pandemic say they are now splurging on bigger trips to destinations like Walt Disney World Resort in Florida, and the allure of the strong dollar overseas is bringing more visitors to cities such as London.

The desire for getaways is fueling bookings for flights and hotels—as well as keeping prices higher. More than a quarter of American travelers said they expected to take a trip in October, according to a September survey from market-research firm Destination Analysts. And for September through November, airline ticket sales by U.S. travel agencies that specialize in vacations are up 9%, according to Airlines Reporting Corp., which processes tickets for travel agencies.

"There's still some unwinding of this pent-up travel demand," says Chuck Thackston, managing director of data science and research at Airlines Reporting Corp.

Stacey MacKenzie and her family plan to drive from their home

in the Lewiston, Maine, area to Orlando, Fla., this week for a week-long vacation at Walt Disney World and Universal Studios. Typically, Ms. MacKenzie, her husband and their three kids—ages 12, 15 and 17—spend time near the ocean in Maine during the summer, but this year, they held off to save up

for October, even though it means pulling their kids out of school, hoping to find cooler weather and smaller crowds than the summer months, she says.

The MacKenzies aren't the only travelers destined for Orlando this fall. September hotel

While business travel is making a slower comeback, the flexibility of hybrid work schedules is also lending itself to more vacations, according to airline executives.

Marc Doughty and his wife had a long-distance marriage before the pandemic, with Mr. Doughty outside of Providence, R.I., and his wife in Manhattan. During the pandemic, Rhode Island became their home base, which gave them more disposable income to travel, the 40-year-old IT security engineer says.

Because they both have remote jobs, they often travel after work on a Wednesday or Thursday. They work remotely at their destination and can begin their weekend Friday night after work, Mr. Doughty says.

The pair traveled to New York City in mid-September and have also visited friends in New England and Los Angeles by working remotely for a short time.

"It's nice to separate the stress of travel from the enjoyment of a nice weekend at a destination," he says.

Airline executives at Delta Air Lines Inc., United Airlines Holdings Inc. and American Airlines Group Inc. have said that travel demand has been bolstered by flexible and hybrid work schedules, as well as more people combining business trips with leisure,



For September through November, airline ticket sales by U.S. travel agencies that specialize in vacations are up 9%.

for their first big out-of-state vacation as a family.

"I'm one of those people that sees Disney commercials and cries because I want to go so bad," the 43-year-old analyst says.

The family planned their trip

demand in the city was 14% higher than 2019, and as of last week, advance hotel bookings for vacation travel in October are 5% ahead of 2019 levels, says Cassandra Matej, president and CEO of Visit Orlando.

## Upgraded Basic iPad Partly Stuck in Past



PERSONAL TECHNOLOGY  
NICOLE NGUYEN

At first, Apple's tablet was called, simply, iPad. The family grew to include iPad Mini, iPad Air and iPad Pro, but there continued to be one model just branded iPad. It became the affordable, low-frills model, the one you got your kids.

That's why Apple's reboot of it this year confuses me: The new iPad has a killer video-chat feature, a fancy new separately sold keyboard case and a much higher price tag than its predecessor. Who is it for?

This 10th-generation iPad has one foot in the iPad future. Apple updated the tablet with the same

no-home-button look of the Air, Mini and Pros, and gave it the more universal USB-C port for charging and accessories. And this iPad even one-ups pricier models with an exclusive feature: The front-facing camera is now on the long side. That means you look better on video calls when the tablet is positioned horizontally, as it is when you have a keyboard attached.

It's also stuck in the iPad past. It is compatible only with the older, first-generation Apple Pencil. The old Pencil charges via Apple's proprietary Lightning connector, which this iPad doesn't have. (Yep, time to buy yet another dongle.) The new tablet also runs on an older processor, which is reasonably fast but won't support the cool new multitasking features that arrived with iPadOS 16.

With the redesign and the \$120

price increase—from \$329 to \$449—this once-basic iPad is starting to look pro. But it doesn't feel pro.

The new tablet, available Oct. 26, is a fine choice for people who mostly want a spacious screen for streaming, reading and web surfing, with some occasional email and social media. Power users looking for a complete laptop replacement should opt for the M1 Air or the newly upgraded M2 Pro models.

### Bigger screen, new keyboard, same pencil

Compared with its predecessor—the ninth-generation iPad, which remains on sale for \$329—the 10th-generation iPad has a few upgrades. While both are roughly the same size, the new version has a bigger 10.9-inch screen. It also has a faster chip, speedier Wi-Fi 6 networking and a better rear camera. If you opt for a cellular version, you can now get 5G connectivity.

While connected to Wi-Fi and surfing the web, the iPad's battery lasted beyond Apple's 10-hour rating in my tests—about as well as the previous generation did. Video chatting with the newly placed front camera is a big improvement. While in landscape mode, the higher, more centered camera means no more double-chin effect.

The iPad could handle my personal needs (streaming "House of the Dragon") and workflow (writing this column, chatting on Slack) without a problem. The screen is roomy enough to view two apps side by side. They just have to support Split View: Safari and Google Docs do, for instance, while Netflix and Instagram don't.

The new \$249 Magic Keyboard Folio has very comfortable, bouncy keys for typing. Its trackpad is a bit cramped, but sufficient for computing on-the-go. But the case feels floppy when it's on your lap. Logitech's \$160 Combo Touch case is a



Above: The \$249 Magic Keyboard Folio is a new accessory. Below: WSJ photo editor Chaya Howell and yours truly test out the new iPad's camera.

cheaper option that isn't as sleek, but it protects the tablet and has a loop for storing an Apple Pencil.

Speaking of that Pencil, the new iPad supports only the \$99 first-generation version. That means two problems: This older stylus has an

### Video chatting with the newly placed front camera is a big improvement. But...

easy-to-lose cap and if you want to charge it in the new iPad, you need a \$9 Lightning-to-USB-C adapter. I wouldn't get this 10th-generation iPad for writing or drawing.

### iPad vs. iPad Air

Overall, this iPad is an upgrade over the previous generation. The real comparison is with the \$599-and-up iPad Air, which now has the same M1 chip found in some of the com-

known in the industry as bleisure. September, a typically off-peak travel month, was United's third-strongest month in its history, Scott Kirby, United's chief executive, said in an earnings call last week.

The strength of leisure travelers helped fuel overall recovery for hotel companies, with September marking the first time the number of rooms sold surpassed the same month in 2019, says Alison Hoyt, senior director of consulting for STR, a hospitality data and analytics company.

For consumers, that means high hotel prices haven't gone away. Year-to-date average daily hotel rates are up about 22% compared with the same period last year, Ms. Hoyt says.

The Nonantum Resort in Kennebunkport, Maine, typically sees demand slow down after the federal holiday in mid-October. But the property was sold out through this past weekend, two weeks later than normal, says general manager Tina Hewett-Gordon. Rates are up about 20% compared with last year, but expenses are also up about 20% as the property pays more in employee wages and supplies, she says.

The seasonal resort plans to stay open an additional week in December because of demand, Ms. Hewett-Gordon says.

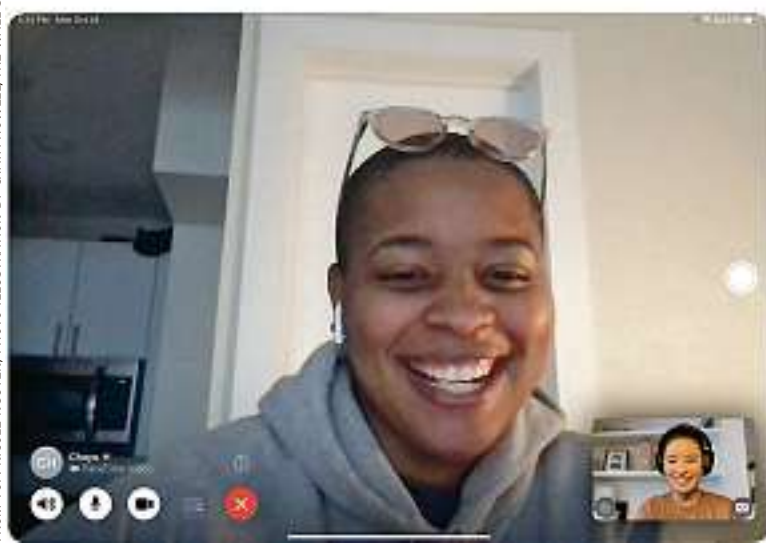
Some U.S. travelers have been taking advantage of the strong dollar and setting their sights on international vacations. Before the pandemic, the One Aldwych hotel in London primarily saw corporate travelers from the U.S., but now it welcomes mainly leisure travelers, says general manager Janine Marshall.

Some travelers are tacking on days to business trips, but many are on vacation or taking part in family gatherings or belated celebrations, Ms. Marshall says. In response, the hotel made it easier to book family suites and secured 23 such reservations in September and October, up from zero during those months in 2019, she says.

Other travelers are taking bucket list trips they don't want to put off any longer. Miley Alfaro will travel to New York City this week from her home in Los Angeles. Ms. Alfaro has always wanted to see "The Phantom of the Opera" on Broadway. Once she learned the show would close in February, she booked flights and bought a ticket.

"I knew that if I missed this opportunity, I would regret it for the rest of my life," says the 26-year-old, who works as an attendant at a soccer stadium.

She plans to travel on weekdays and stay in an Airbnb in New Jersey to save money on the trip, she says. She has also stopped eating out over the past month so she can fully enjoy eating out in New York, including multiple pizza dinners.



FROM TOP: NICOLE NGUYEN; PHOTO ILLUSTRATION BY CHAYA HOWELL/THE WALL STREET JOURNAL; APPLE



PERSONAL JOURNAL.



# Halloween Candy Prices Make **Frightening** Leap

Households will spend an average of \$100 on candy, costumes and Halloween decorations.

the rising wealth of the Mars family, which he said increased during the Covid-19 pandemic. Many wealthy Americans got even richer in 2020 and 2021 largely because of soaring stock prices.

Mars Inc., which produces candies including M&M's, Skittles and Starburst, said last week that it absorbed extra candy costs wherever possible, recognizing that this was a tough year for consumers. A spokeswoman for Mars Wrigley, the company's snacking product arm, declined to comment on Mr. Sanders's remarks about the Mars family's wealth.

Still, Datasembly, which tracks product data, said Mars's Starburst and Skittles have had the biggest price increases—35% and 42%, respectively, since last year—compared with 10 other popular Halloween candies.

The Mars Wrigley spokeswoman said after this article published online Tuesday that the company's price increases were "in line with the category increases cited by the Labor Department and significantly lower than the 30%-50% range referenced in some reports."

Datasembly reported that Crunch and Butterfinger bars saw the lowest price increases of 6% and 7%, respectively.

Overall, Datasembly found that the candy sector had some of the biggest price jumps of any grocery category in recent months.

Other candy makers, including Ferrero, Tootsie Roll Industries and Mondelez International Inc., didn't return requests for comment.

On Amazon.com Inc., the price of a family-size bag of Sour Patch Kids jumped to \$16.99 this month from \$12 in October last year, according to Keepa, which tracks Amazon prices. A bag of fun-size Snickers bars on Amazon this month sold for more than \$12, according to Keepa, up from almost \$5 in October last year.

Those prices have left consumers like Mr. Kipke in Michigan bewildered.

"The price is too off-putting," he said.

By ALYSSA LUKPAT

Soaring inflation has already strained home buyers, drivers at the gas pump and people buying plane tickets. Now it's coming for shoppers in the Halloween candy aisle, too.

Candy prices are up more than 13% from a year ago, according to the Labor Department, the largest-ever yearly jump for candy. Surging labor costs and skyrocketing flour and sugar prices have helped fuel the increase, candy makers say.

Customers say they have been experiencing sticker shock in the candy aisle this month as they reckon with an unfamiliar question: Do they overspend on sweets or leave empty-handed, forgoing the Halloween fun?

Keegan Kipke, 19 years old, faced that dilemma earlier this month at a gas station in Ionia, Mich., more than 100 miles northwest of Detroit.

He said he had stopped in the gas station's convenience store to buy some provisions for a road

trip. He was eyeing a bag of family-size Swedish Fish, one of his favorite candies.

Then he saw the price tag: \$10.99.

"I was like, 'No way was this bag of candy so expensive,'" said Mr. Kipke, a sophomore at the University of Michigan. He said he thought \$6 seemed fair for a bag that size.

Mr. Kipke left the store without buying anything. "It's just not worth it," he said.

Halloween shoppers should expect more tricks and fewer treats this year. The average household is expected to spend about \$100 on candy, costumes, decorations and related items for this year's holiday, according to data from the National Retail Federation, a retail trade group. That amount is the second highest the group has ever predicted, trailing only last year's record of \$103. By comparison, people spent around \$74 for Halloween in 2015.

U.S. candy makers said inflation rates have driven up production costs and the price of ingredients like sugar, flour and milk. The cost of each of those items

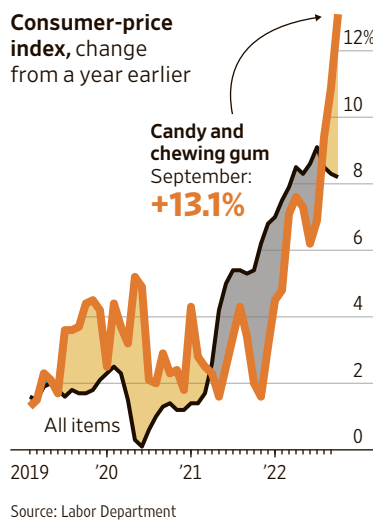
has outpaced the overall U.S. consumer inflation rate, which increased 8.2% in September from a year ago and hovered near a four-decade high, according to the Labor Department.

Some of the country's largest candy makers said they tried to keep treats affordable this Halloween.

Hershey Co., said last week that

it hadn't raised the prices of some of its candy since June. Besides its namesake chocolate bar, the Pennsylvania-based company also makes Kit Kat, Reese's Peanut Butter Cups and other products.

Rising candy prices have even drawn the attention of some politicians. Sen. Bernie Sanders (I, Vt.) last week tweeted about the rising cost of candy and compared it to





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## Haunted Houses Get Smellier

Continued from Page One  
trick involves using diffusers, laser beams and fog machines to pipe smells into specific areas to make guests feel like they are in a zombie pirate boat, the dank bathroom of a serial killer, or the chair of a murderous dentist.

Knowing which and how much rancid perfume to pipe through a venue is proving to be an art in the haunt industry.

The variety and specificity of scents for attractions has grown substantially since "haunted house"—a musty, rotting smell—was one of a handful on the market 20 years ago, producers say.

AromaPrime, a U.K.-based supplier, now offers more than 400 scents to the attractions industry, including "Stinky Poo," "Mildew Tunnels" "Cannibal's Cave," "Attic" and "Werewolf." Scent designers often visit real-life locations and take notes on environmental odors before re-creating them in a lab, says Liam R. Findlay, a themed-attraction scenting consultant at AromaPrime.

Mr. Egan likes to use a motion-sensor method, where scent is spritzed for a few seconds before or just as guests walk into a room, and not continually pumped out. Still, his Las Vegas-based company, Egan Escape Productions, passes on a scent called "charred corpse"—even used sparingly.

"We've used it in haunted houses in the past, but it started to make our actors nauseous," he said. "We don't want to make anyone sick—and we don't want to be cleaning it up either."

"Scents can become very overwhelming very fast if you're not paying attention to the level you're pumping into an area," said Christopher Stafford, chief executive officer of Denver-based Thirteenth Floor Entertainment Group, which runs haunted houses across the U.S.

For particularly offensive odors, he prefers spraying them directly onto walls, objects and even actors to localize the scent.

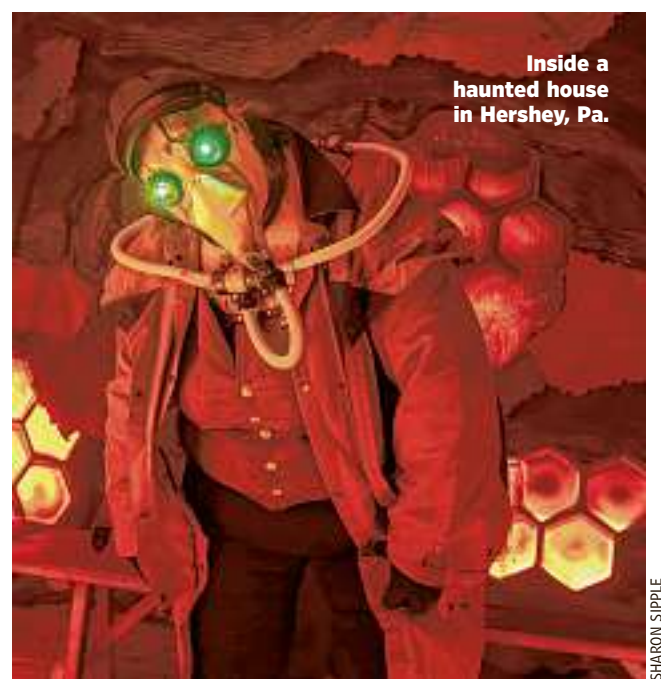
In his 20 years in the Halloween business, "dumpster" remains the worst scent he's sniffed; he came across it at a trade show. "You've got to draw the line somewhere, right?" he said.

Hersheypark in Hershey, Pa., is new to the grisly scents game. An experienced hand in enticing customers with candy-like smells, Director of Planning and Design Chris Brown found himself in uncharted waters planning scents for this year's

creepy mythical menagerie.

"He said, 'Listen, it really does smell exactly like, well, circus animals, and I'm not sure that's the right way to go for this first year,'" given the park's aim to avoid totally disgusting its audience, Mr. Brown said. Hersheypark ended up going with the murky "gothic" smell instead.

Comforting smells can calm guests and lull them into a false sense of security, which—when followed by a harsher, more potent smell—makes the jump scare around the corner all the more scary, said Katie Howell, head of entertainment and event experience at Eng-



Inside a haunted house in Hershey, Pa.

SHARON SUPPLE

first "Dark Nights" at the park, which include three scare zones and four haunted houses.

He laid down some perimeters: No blood or gore—definitely no actors getting boiled alive in chocolate or meeting some sticky end on account of candy. He enlisted Nashville, Tenn.-based Froggy's Fog to set up diffusers and fog machines to release scents.

Chosen scents included a forest smell mixed with sulfuric volcano aroma in the "Valley of Fear," and "electric chair" and "gunpowder" in the "Haunted Coal Mine."

Mr. Brown said the park's account manager had to rein him in on the "circus animals" scent, which he wanted to use as part of Hersheypark's

land's Thorpe Park Resort.

The theme park is in its 21st year of hosting a monthlong series of "Fright Nights" and used AromaPrime's "popcorn" scent for a maze set in a movie theater.

Other scents used this year include "woodsmoke" from the chainsaw-based Creek Freak Massacre, and "primal," a new smell created by AromaPrime's Mr. Findlay especially for the park's "Survival Games," a Squid Game-esque challenge.

AromaPrime has worked with Thorpe Park for more than a decade. It can still be a bit awkward on an invoice form, Ms. Howell said, "writing in orders for something like 'Burning Witch' or 'Rotting Flesh.'"



## ARTS IN REVIEW

As fascinating as they can be to watch, neither Eddie Redmayne nor Jessica Chastain ever has what we usually call chemistry with their co-stars. Their better-known films reflect it: Fewer characters have been more isolated emotionally than Mr. Redmayne's in "The Danish Girl" or, intellectually, his Stephen Hawking in "The Theory of Everything." The trademark of Ms. Chastain's performances, from "Zero Dark Thirty" to "Scenes From a Marriage," has been a soulful but impenetrable solitude.

But isolated brilliance is precisely what helps "The Good Nurse" shine, and it could hardly be otherwise given the story. A true-crime drama at its core, this psycho thriller-cum-police procedural stars both actors as medical practitioners, one of whom is killing people. There's never much pretense made about who the murderer is. But what keeps us off balance about the relationship is that, based as it is on desperation, it's never about love and never falls into what we viewers have been programmed to expect from murder mysteries, namely a bit of romantic relief from homicide. These two are firmly in the friend zone, at least until patients start dropping dead.

Directed by Tobias Lindholm (writer of the Oscar-winning "Another Round") and adapted by Kristy Wilson-Cairns from the book by Charles Graeber, "The Good Nurse" (which is also in select theaters) doesn't really engage its gears until all the pieces have fallen into place. Amy Loughren (Ms. Chastain) is a nurse at Parkfield Hospital (a stand-in for several actual facilities in New Jersey). She should not be working—she has a heart condition that leaves her breathless and in pain after moments of exertion and stress, which, given her duties, are abundant. But she can't follow her doctor's orders and quit, or even notify her employers about her illness, because she's four months short of health coverage and sure she will be fired if she lets anyone know. (For those confused about the insurance issues, the year is 2003.)

The newcomer on her floor is Charles Cullen (Mr. Redmayne), a nurse with a substantial number of hospitals on his CV and who finds Amy hiding one night in an empty room, in distress and panting; comforting her, he promises to keep her secret. Mr. Redmayne puts an original spin on Charles, who is unlike anyone he has ever played and like few characters we usually see, sympathetic to the point of forgiveness. Charles and Amy become close; he becomes a confidant and sometime babysitter to his friend's two daughters. But if there's anything more intimate between the pair than a conspiracy to get her coverage, it's occurring well off-camera. We certainly feel for Amy and



TELEVISION REVIEW | JOHN ANDERSON

## Hippocratic Hypocrite



her problems—it seems ridiculous that a nurse in an institution like Parkfield can't reveal the state of her health without risking her livelihood. But the far more critical message about healthcare reform in "The Good Nurse" is as follows: Do not hire serial killers. Or obscure the evidence of their crimes. Patients die routinely at Parkfield—it's a hospital, after all. But when one woman, suffering a severe but nonfatal reaction to an antibiotic, passes away suddenly and for no discernible reason, the circumstances prompt an inquiry and po-

lice are summoned. That's when "The Good Nurse," which has operated thus far as the story of friendship and a single mother's medical crisis, becomes abruptly more real and dramatically more involving.

The cops, detectives Tim Braun (Noah Emmerich) and Danny Baldwin (Nnamdi Asomugha), are unsure why they've been called in. Health-department protocol demands it, they are told, in the case of a questionable death—or an "unexplainable incident in which the patient expired," as rephrased by the Parkfield "risk manager"

and former nurse Linda Garran (a wonderfully vile Kim Dickens), who further piques the investigators' interest each time she opens her mouth. No one can explain why the patient died. The patient died seven weeks ago. ("We've been conducting an internal investigation.") The body? It was released to the family and cremated. Braun and Baldwin are progressively dismayed, close to incredulous and—to the horror of Garran and Co.—suddenly very interested in the case. And as they dig deeper into the past of certain Parkfield em-



Jessica Chastain, top; Noah Emmerich, Nnamdi Asomugha and Ms. Chastain, above; and Eddie Redmayne, left, in Netflix's 'The Good Nurse'

ployees, what they find is a pattern of obfuscation, coverups and close-to-criminal facilitation of murder. And not just at Parkfield.

Messrs. Emmerich and Asomugha are lovable, partly because their characters are immune to the bureaucratic concerns of the hospital and are outraged by its MO, and also because they provide such a refreshing contrast with Charles and Amy, who exist in a nocturnal bubble that bursts upon the revelations of evil. Where is

that evil located? In the inscrutable Charlie, one supposes, and the motiveless murders. But the hospital and its lawyers are black-hearted bureaucrats and much more fun to hate, as Ms. Chastain and Mr. Redmayne play their virtuosic solos together.

**The Good Nurse**  
Wednesday, Netflix

Mr. Anderson is the Journal's TV critic.

By DAVID MERMELSTEIN

The Danish String Quartet, which this season celebrates its 20th anniversary, isn't the sort of group that toots its own horn, if you'll pardon the expression. Beyond their abundant qualities on stage, its members exude typically Scandinavian modesty when not performing. So they're not going to tell you how they are today's best hope for the future of the string quartet—though I will. But you can judge for yourself if you happen to be in San Francisco today or New York on Oct. 30, or in any of the seven other stops the quartet is making on its current U.S. tour, in which works by Purcell, Mozart, Schubert, Schumann, Benjamin Britten and the Finnish composer Lotta Wennäkoski will, variously, fill the bills. (In addition, the quartet returns to the U.S. in January and again in April, achieving an unusual, but welcome, omnipresence here.)

If you didn't realize the dire straits in which string quartets now find themselves, you may not be alone. But this season marks the last for the Emerson Quartet, after more than 40 years. And, in even sadder news, North America's finest string quartet, the St. Lawrence, just lost to cancer its first violinist and co-founder, the prodigiously gifted Geoff Nuttall. Others, like the Juilliard and Takács, have changed personnel so frequently as to alter their particular sound. And, yes, plenty more continue to plug away, but when was the last time any made headlines?

The 20th century was the string quartet's great golden age. During the two previous centuries, Haydn, Mozart, Beethoven, Schubert and Dvorák had written some of their best music for it. Then Bartók and Schoenberg enriched the options in entirely new ways. None of that would matter if there hadn't been



The Danish String Quartet performing at the Chamber Music Society of Lincoln Center in 2020

ensembles to breathe vibrant life into those scores, but there were. And in abundance.

Many—the Bush, Pro Arte, Budapest, Amadeus and Guarneri among them—have passed into legend. And as legions of recordings attest, there were others whose excellence rivaled theirs, even if their fame didn't. But that was then. In the 21st century? Not so much. This quartet is the exception.

So what accounts for their anomalous success? Great technique, naturally. Longevity, too—the quartet's configuration has been unchanged since 2008, when a Norwegian cellist, Fredrik Schøyen Sjölin, joined the Danish-born Rune Tønsgaard

Sørensen, Frederik Øland (violins) and Asbjørn Nørgaard (viola) to form the current roster. Even more important is the group's ability to unify in a way that doesn't stifle individual character. It's often said of string quartets that listening to one at its best is like eavesdropping on four intelligent people engaged in a scintillating conversation. And that's been true every time I've heard this ensemble perform over the past five or so years.

Their special qualities surface forcefully in both live performance and on their excellent, smartly programmed recordings—all since 2016 on the prestigious ECM label. But what emerges only in person is some-

thing hard to convey in print: their utterly unpretentious bearing, or, more precisely, their ineffable ability to make chamber music—traditionally, classical music's stuffiest genre—seem totally involving and even fun. They achieve this in several ways, though principally by preceding most of the music with informed yet self-deprecating remarks. This is especially helpful for their "concept" programs, namely the Prism and Doppelgänger series—another of their appealing innovations. Then there's the music itself.

The group makes no apologies—nor should it—for performing landmarks of the string-quartet repertory, like Beethoven's Op. 131. But

the players not infrequently fill out programs with their own arrangements of folk tunes from their native Scandinavia, as well as, more recently, from the British Isles. A mix of laments, ballads and high-stepping drinking songs, the often-anonymous tunes leaven the high-mindedness of other works on the program without diminishing the integrity of either.

On a fairly typical program I heard in August in Boulder, Colo., Schubert's "Death and the Maiden" Quartet (D. 810), a chamber-music pinnacle, was preceded by Britten's arrangement of Purcell's Chacony in G minor and a clutch of folk material. Perhaps the "more accessible" first half somehow prepared the audience for the demands of the second. Or maybe it was the robust tone and unflagging concentration of these hardworking musicians. Whatever the reason, the effect was mesmerizing—just as another crowd had been similarly transfixed the night before in Vail, when a new piece by Ms. Wennäkoski was juxtaposed with the Schubert on a Doppelgänger program.

Some will insist that chamber music isn't facing quite the reckoning I've suggested. But even if that is true, the manner in which string quartets and similar forms are presented to the public requires significant refreshment. Yet appeals to wider audiences mustn't alienate those already partial to chamber music. The Danish String Quartet appears to have hit on the perfect formula for satisfying both camps. Whether it can be more broadly applied is unclear. But the quartet's success thus far is cause for optimism and, we hope, another 20 years of rigorous, vigorous music making.

Mr. Mermelstein writes for the Journal on classical music and film.



# SPORTS

## The Big 12's Plan to Survive The College Sports Consolidation

Commissioner Brett Yormark aims to overhaul the conference's image and revenue streams

By LAINE HIGGINS

Brett Yormark began his tenure as Big 12 commissioner by saying he wanted the conference to be "younger, hipper, cooler." Hipness is hard to quantify, but there is one thing about his vision for the Big 12 that is easier to put a number on.

"I don't strive to be No. 3," Yormark said in an interview. "But if I was No. 3 and everything was working, we had great alignment, we were increasing revenue, we became a truly national conference and we're on the consciousness of future student athletes.... Yeah, I could sleep well at night."

Being third in this case would mean surviving the consolidation under way at the top of college sports that sees the rich Big Ten and Southeastern Conference adding new members and generating more revenue far beyond anyone else who competes in Division I.

Aiming for No. 3 isn't something that most commissioners would admit out loud. But in this period of profound upheaval in college athletics, it's the kind of jockeying that could help the Big 12 stabilize and flourish after the shakeout.

The Big 12 is on the verge of a period of transition: Texas and Oklahoma, two of its most recognizable brands, will leave the league for the SEC by 2025.

Brigham Young, Central Florida, Cincinnati and Houston will join in July 2023 to replace them. The conference will temporarily swell to 14 teams before reverting to 12—the first time the membership has matched the name since 2011.

Losing iconic brands such as the Longhorns and Sooners will no doubt be a blow, but the 2022 football season has proved the conference is deeper and healthier than those two flashy teams. The Big 12's highest-ranked team is No. 7 Texas Christian—once a Big 12 newcomer itself—with a 7-0 record after defeating Top 25 opponents in four consecutive weeks. Oklahoma State isn't far behind at No. 9.

Seven of the conference's teams have made appearances in the Associated Press Top 25 poll in 2022—up from four at this point in 2020. Oklahoma, on the other hand, has skidded out of the rankings after a 4-3 start. Texas slipped out of the polls this week after blowing a 14-point lead against the Cowboys en route to collecting its third loss of the season.

Then there is basketball, where the Big 12 is unquestionably one of the best leagues in the country. The two most recent NCAA champions—Kansas in 2022 and Baylor in 2021—hailed from the league and five teams earned a spot in the 2022-23 preseason rankings.



TCU tight end Carter Ware, above, during a game in 2021. Left, Big 12 commissioner Brett Yormark.

Yormark's vision for the league isn't just to be a basketball powerhouse or a formidable football conference, it's to be a cultural phenomenon. It's a nod to his background: he was a marketing executive for NASCAR before becoming president and chief executive of Brooklyn Sports & Entertainment Global, where he oversaw the NBA's Nets move to Brooklyn and subsequent rebranding. Notably, a stopover in college athletics wasn't a part of Yormark's résumé.

His unorthodox background, however, made him an attractive candidate to Big 12 leadership,

said Texas Tech president Lawrence Schovanec, also chair of the Big 12 Board of Directors, composed of presidents and chancellors from all 10 members.

"He's not bound by what has happened in the past," Schovanec said. "You wanted somebody who had the skills and thinking of 'what is the right mix of linear programming and the streaming world we might get into?'" He has all of those connections and experiences."

There has always been a financial arms race afoot in college athletics, but it has accelerated dra-

matically in recent years because of an explosion of television money. In the 15 years since the Big Ten launched the first conference network, revenue from broadcast deals has become the single most important revenue stream for athletic departments.

Disparities in payouts between conferences were the primary drivers behind Texas and Oklahoma leaving the Big 12. Ditto for USC and UCLA ditching the Pac-12 Conference for the Big Ten, which was then in the process of negotiating a television deal worth more than \$7.5 billion over seven years. The California schools, which received \$19.8 million from the Pac-12 during the pandemic-affected 2021 fiscal year, stand to nearly triple their conference distribution in the Big Ten.

In order to weather in such an environment, Schovanec and the Big 12 Board of Directors believed the league needed a commissioner capable of squeezing out every last dime of revenue. Enter Yormark, a man who's made clear that's what he intends to do.

"We need to diversify our revenue and look for new, engaging revenue streams that can add to the pot," Yormark said. "That's one

of the reasons I'm here."

First, he opened informal negotiations with current broadcast partners ESPN and Fox with the hopes of striking a new deal well before the current \$2.6 billion, 13-year contract expires in 2025. A spokesperson for ESPN declined to comment. Fox didn't respond to a request for comment.

Yormark insists that the dollar figure will go up, but didn't specify whether that will be in total or on a per-school basis given the Big 12's expanding membership. The Big 12 doesn't enter an exclusive negotiating window with its current partners until February 2024, but people familiar say Yormark is eager to project stability by providing members with a dollar figure well before then.

"My goal in getting out early was just to explore with ESPN and Fox what the possibilities would look like," Yormark said. "We're having real, meaningful discussion. Will that discussion lead to an earlier deal? I'm not sure. I'm hopeful."

Yormark has repeatedly said that he is eager to expand to a "fourth time zone," as the league currently stretches from Eastern to Mountain Standard Time. The commissioner declined to provide specifics when asked about a timeline for such moves.

The pressure on Yormark to wring out additional TV revenue eased considerably when the College Football Playoff recently announced its expansion to 12 teams by no later than 2026. Not only will more money flow into college football via additional broadcast fees associated with airing more games, it will flow to more teams from more conferences.

**7-0**  
Record of Texas Christian's football team, the Big 12's highest-ranked team in the current AP Top 25 poll.

"The landscape just changed in a very positive way," said a long-time Big 12 administrator. "If [Brett] was fighting for one of four positions in football, that would be a different job."

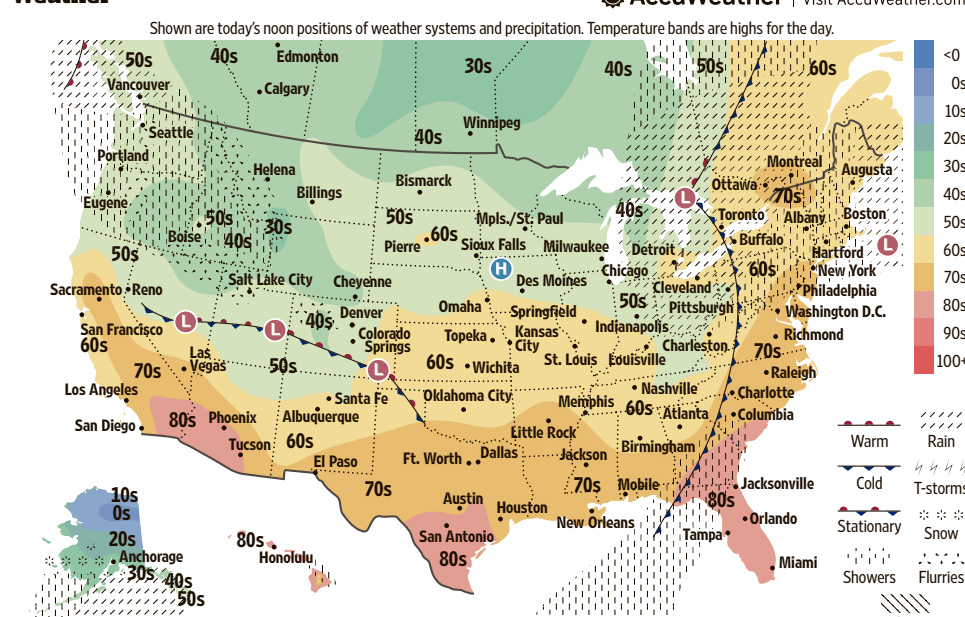
Yormark has also taken early steps to fortify the Big 12's bottom line, albeit in modest ways.

In September, Yormark hired Tyrel Kirkham, a marketing executive with the Detroit Pistons, to become chief marketing officer. Yormark has also formed a business advisory council to advise the league's board. He's suggested raising ticket prices and creating more premium seats at the Big 12's basketball tournaments, moving media events to larger markets, such as New York and Los Angeles, and creating new intellectual property to monetize.

FROM TOP: RON JENKINS/ASSOCIATED PRESS; LM OTERO/ASSOCIATED PRESS

### Weather

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### U.S. Forecasts

s., sunny; pc., partly cloudy; c., cloudy; sh., showers; t., t-storms; r., rain; sf., snow flurries; sn., snow; l., ice

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Anchorage	34	22	sf	28	19	s
Atlanta	67	49	pc	74	56	s
Austin	79	47	s	80	59	pc
Baltimore	73	53	sh	68	45	s
Boise	50	30	sh	51	33	pc
Boston	64	58	r	70	46	pc
Burlington	70	53	c	56	31	pc
Charlotte	76	50	pc	74	50	s
Chicago	57	38	r	57	43	s
Cleveland	60	42	r	53	40	pc
Dallas	75	51	s	76	54	s
Denver	56	32	pc	51	27	r
Detroit	61	36	r	55	40	pc
Honolulu	87	74	r	87	72	pc
Houston	78	49	s	80	59	s
Indianapolis	55	39	c	60	40	pc
Kansas City	64	43	s	62	42	c
Las Vegas	74	51	s	70	47	s
Little Rock	71	43	s	70	47	s
Los Angeles	72	56	pc	74	55	s
Miami	87	70	s	85	70	pc
Milwaukee	54	38	r	53	44	pc
Minneapolis	51	38	s	55	42	c
Nashville	62	46	c	69	46	s
New Orleans	73	56	s	75	57	s
New York City	70	57	c	67	45	s
Oklahoma City	68	46	s	69	51	t

### International

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	66	55	pc	69	57	pc
Athens	80	65	s	78	61	s
Baghdad	93	68	pc	93	63	s
Bangkok	92	78	t	89	77	r
Beijing	64	49	pc	56	39	c
Berlin	63	52	pc	65	54	pc
Brussels	68	55	pc	72	60	pc
Buenos Aires	76	59	r	79	64	s
Dubai	93	78	s	93	78	s
Dublin	60	50	sh	61	53	sh
Edinburgh	60	49	r	60	50	sh

### City Forecasts

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Frankfurt	65	50	pc	67	54	pc
Geneva	71	55	pc	70	54	pc
Havana	87	64	s	87	66	s
Hong Kong	79	73	pc	81	73	s
Jakarta	70	59	s	69	56	s
Istanbul	90	75	t	92	74	t
Jerusalem	73	57	pc	73	55	s
Johannesburg	85	57	pc	72	53	t
London	66	55	pc	67	59	pc
Madrid	73	56	pc	77	54	pc
Manila	87	76	c	88	77	c
Melbourne	69	59	r	66	50	sh
Mexico City	78	55	t	77	55	pc
Milan	71	56	pc	70	56	s
Moscow	40	36	r	43	41	c
Mumbai	90	72	pc	91	72	pc
Paris	72	55	pc	75	60	pc
Rio de Janeiro	80	70	s	90	76	s
Riyadh	92	64	s	91	65	s
Rome	77	58	pc	77	58	pc
San Juan	83	75	t	84	76	t
Seoul	65	43	c	66	45	s
Shanghai	70	62	c	69	59	pc
Singapore	85	77	t	87	78	sh
Sydney	82	65	s	80	60	pc
Taipei City	78	69	pc	80	70	pc
Tokyo	65	50	c	64	53	pc
Toronto	62	41	r	53	37	pc
Vancouver	51	47	pc	55	46	sh
Warsaw	58	45	pc	61	44	pc
Zurich	69	50	pc	69	51	pc

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

- Down**
- 1 Swarming insect
- 2 Words next to "JUST VISITING" on a Monopoly board
- 3 Lustful desire
- 4 Uncle, in Uruguay
- 5 Yoga system whose name means "force"
- 6 Set of principles
- 7 Straightforward kind of question
- 8 "Geaux Tigers!" sch.
- 9 Sea surrounding Corfu
- 10 Fifth installment since 1955
- 11 Cereal brand
- 13 Boatload
- 15 Game in which a full house scores 25 points
- 18 Maker of the Cinetic Big Ball vacuum cleaner
- 21 Low-risk investment, familiarly
- 24 Kid
- 25 Popular smoothie chain
- 27 Programmer's problems
- 31 Lunar Lander producer
- 32 Work tables
- 33 Kind of boots or dancer
- 34 Far from natural-sounding
- 35 Without delay
- 36 Leaves when things get difficult
- 37 Swiss psychologist
- 38 No longer bright
- 42 Florentine, say
- 44 Miscellaneous household task, and what's found in each set of circles
- 45 Nine-day devotion
- 47 Memphis street of blues fame
- 48 French city known for its mustard
- 49 Accustom
- 50 Home of a lion killed by Hercules
- 52 Fall flower
- 55 Congresswoman from the Bronx, familiarly
- 57 Short aliens?
- 59 Autonomous program

### CAREER MOVES | By August Miller

- Across**
- 1 End of an admiral's address
- 4 Nonbinary pronoun
- 8 Good kissers?
- 12 Spark
- 14 In need of rinsing
- 16 Where people mix at parties?
- 17 Still in the envelope
- 19 Investor's goal
- 20 Pointer
- 22 Suffering from mosquito bites
- 23 End-of-Ramadan festival
- 24 Politician for whom a New York City convention center is named
- 26 Western wolf
- 28 "Lessons" writer McEwan
- 29 Dye class
- 30 Team that's #1 on FIFA's Women's World Rankings
- 32 Modern social justice movement letters
- 33 Secluded valley
- 34 It traditionally begins "How many..."
- 38 Stanford crowd
- 39 "\_\_\_ in apple"
- 40 Mo. of back-to-school sales
- 41 Attorney's org. prefix
- 42 Numerical
- 43 Day divider
- 46 It's named for RFK
- 51 Noir classic in the National Film Registry
- 53 Allies of the Hurons
- 54 Coscant's reciprocal
- 55 Words that modify adjs.
- 56 Vandalize
- 58 Hard-to-miss flier
- 60 Key of Debussy's "Clair de Lune"
- 61 Chocolate ice cream holder
- 62 Cravings
- 63 "Cool beans!"
- 64 You might have a shot at it

### Previous Puzzle's Solution

► Solve this puzzle online and discuss it at [WSJ.com/Puzzles](https://www.wsj.com/puzzles).



## OPINION

# John Durham Discredits the Press



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

Only John Durham can say why he proceeded as he did. The 45-year veteran prosecutor was assigned to examine the FBI's decisions related to the Trump collusion investigation. Aside from an early guilty plea from an FBI lawyer who falsified evidence, he pursued only two outside informants for allegedly lying to the agency.

Some on the right blame him for not going after FBI officials directly, though it's not clear what these officials might be charged with. Incompetence is not a crime. Illegal leaks are a crime but notoriously hard to prove in court.

The dumbest journalism, though, reasons (without saying so) that Mr. Durham is a colossal failure because he was somehow assigned, or assigned himself, to fulfill the fantasies of Donald Trump. An adjective-overloaded piece by Margaret Carlson in the Washington Monthly dissolves into nothingness when you realize how completely she relies on this premise without betraying any awareness that she's relying on it.

My own guess is Mr. Durham viewed his informant indictments as merited but orthogonal to his larger purpose. He was counting on civil society, i.e., the press, to lead a necessary conversation

about the FBI's role in 2016 and after.

In both trials, Mr. Durham himself filled the record with information to make conviction difficult, showing the FBI wasn't fooled by alleged lies told by Clinton associates and perhaps even welcomed the lies. I would be insensate not to notice that, in his closing arguments in the Danchenko case last week, he adopted phraseology similar to two columns here a year ago, when he told jurors the FBI's own behavior was the "elephant in the room" and stressed the importance of law enforcement not letting itself be manipulated for political ends.

However, in such matters, our media doesn't believe the important question right now is "Is it true?" The important question is, "Is the truth Trump?" If it is, it must not be reported. Never mind the clear lesson that such an approach only discredits the press while providing Mr. Trump the only real asset he has—the revolting qualities of his enemies.

The Washington Post is a particular conveyor of red herrings while ignoring the obvious, that the FBI made no effort to abort the furor over the Steele dossier even after it knew the allegations it contained were false and fraudulent. The greatest media dereliction, though, still concerns the adjacent matter of the FBI's improper, insubordinate actions in the Hillary Clinton case. If Mr. Durham's hopes for the press, not to mention

the hopes before him of Justice Department Inspector General Michael Horowitz, had been fulfilled, I doubt Obama CIA veterans would have had the chutzpah to manufacture the Hunter Biden laptop misdirection in the closing days of the 2020 election. It would have seemed an unrealistic stratagem in a

**The way back to sanity for America is for the media to rediscover its interest in truth.**

world where the press was still holding institutions to account even if those institutions shared its anti-Trump motives. Now Hunter Biden is just another asset to Mr. Trump.

The press's unspoken justification is that playing it straight in such matters would be bad for the country and good for Mr. Trump. Don't buy it. What might hurt the country is not what worries our media elites. It's what might hurt them. Somebody might call them Trump supporters. Social media might demand their cancellation. Their web traffic might fall off. Turned upside-down is the traditional motto "without fear or favor." Every choice by our media elites now must be understood in terms of the fear and favor they show their own interests.

Here it's worth recalling three essentials of Trumpism.

He was the most known person ever to run for president, and most of what was known was conventionally disqualifying. His rise was aided by democratic flukes, starting with the never-more-than-minority support that propelled him to the GOP nomination in a crowded field, then a freakish outcome in the Electoral College that landed him in the White House.

The third consideration is the real killer. The behavior of his enemies and opponents, especially the media, is what gave him his real power and still does. An astute analysis in the Columbia Journalism Review criticized MSNBC not for opposing Mr. Trump reflexively but for doing so *stupidly*—in ways that strengthened him. Bingo.

The collapse in societal trust that some perceive is, first and last, a collapse in trust in the media that creates the environment in which elites either get away with their lies or don't. This has been a hell of a moment for our major press institutions to be overrun by epistemological chaos, to be tangled up in a foolish quest for "post-objectivity" that predictably (as with Trumpism) delivers the opposite of the desired result precisely because it discredits the media. It's a hell of a time, while almost everybody worth reading heads to Substack, for our remaining news-reporting elites to be hiding behind "without fear or favor" when it's the opposite of how they do business.

**BOOKSHELF** | By David P. Barash

## Unintelligent Design

**Imperfection**

By Telmo Pievani  
(MIT, 164 pages, \$24.95)

"Imperfection," by Telmo Pievani, begins as it should, with the big bang: "In the beginning, there was imperfection. A rebellion against the established order, with no witnesses, in the heart of the darkest of nights. Something in the symmetry broke down 13.82 billion years ago." And it ends on a suitably ambiguous note: "There is something amazing in evolution . . . which in 3.5 billion years has taken us from an amoeba to Donald Trump."

Mr. Pievani is a professor of biology at the University of Padua. His brief and thoughtful book (translated from the Italian by Michael Gerard Kenyon) isn't just a description of imperfection, but a paean to it. There's plenty of description and discussion, too, as "Imperfection" takes the reader on a convincing whirlwind tour of the dangers as well as the impossibility of perfection, how imperfection is built into



the nature of the universe, and into all living things—including ourselves.

Mary Poppins congratulated herself for being "practically perfect in every way," but of course she wasn't, if only because she bragged about it. Moreover, perfection would make evolution stop dead in its tracks. In fact, it would never have begun—natural selection needs diversity upon which to operate. And diversity ultimately arises from mutation and sexual recombination, each of which is a perfect source of imperfection.

Yet another source of imperfection, unique to *Homo sapiens* and well described by Mr. Pievani, is the disconnect between our rapid cultural innovation and our slow biological evolution. (Immodest note: In 1986, your current reviewer wrote "The Hare and the Tortoise," the first book calling attention to this troublesome imbalance.) For a homey example, consider that, being primates, our Pleistocene ancestors were naturally fond of sugars, which indicate ripe fruit, and of fats, present—albeit in generally small quantities—in game. Today, our culture provides us with excessive opportunities to indulge such fondness, which we overdo, benefiting only the confectionery and meat industries, along with dentists, cardiologists and morticians.

Abraham Lincoln had a cute way of undercutting our tendency to find perfection everywhere. It's remarkable, he once pointed out, that no matter how tall someone is, their legs are always exactly long enough to reach the ground! Ironically, fundamentalists on both extremes of the evolution divide often converge in misinterpreting perfection, creationists proclaiming that only a supreme being could have produced such superb complexity, while hyper-adaptationists emphasize the power of natural selection to achieve the same thing, promoting a "gee whiz" perspective on evolution.

Counterintuitively, it is the imperfection of the organic world that provides some of the most cogent evidence for evolution as a wholly natural phenomenon, and against special creation, or, in its barely disguised incarnation, "intelligent design theory." And here is where "Imperfection," the book, is especially valuable.

As Mr. Pievani emphasizes, *Homo sapiens* are marvels of unintelligent design, "with their useless earlobes, their tedious wisdom teeth, . . . their vermiform intestinal appendage, their spinal curves, and their vas deferens, which carries sperm from the testicles to the penis not directly and by the shortest route but instead after going by a useless and lengthy route via the ureter . . . the remains of their ancestral quadrupedal gait, and the corresponding ills and pains, backache, sciatica, flat feet, scoliosis, and hernias." Add the terrible structure of our knees, our lower backs, the fact that the opening of the tubes carrying food and air are so close that choking is a significant cause of mortality, the awkwardness of having our reproduction and sewerage emerging right next to each other. We are shot through with deficiencies that wouldn't earn even a passing grade for a novice bioengineer, never mind an omniscient, omnipotent deity.

**Despite the disconnect between our rapid cultural innovation and our slow biological evolution, we persevere.**

"Imperfection" makes clear that "evolution is not perfect but is rather the result of unstable and precarious compromises," and that accordingly it isn't a highway to excellence but a bumpy path that, despite potholes and construction delays, leads at least some travelers to the biological goal of survival and reproduction.

Readers wanting to get up to speed on imperfection would do well to attend to two little-known words with large consequences. The first is "palimpsest," which in archaeology refers to any object that has been written upon, then erased, then written over again (sometimes many times), but with traces of the earlier writings still faintly visible. Every living thing is an evolutionary palimpsest, with adaptations necessarily limited because they're built upon previous structures.

Consider, for example, childbirth. As smart critters, we've been selected (naturally) to have big heads. But in becoming bipedal, we had to rotate our pelvises, which set limits on the size of the birth canal. As a result, an unborn baby's head is perilously close to being too big to get out. Usually, they manage it, but not without much painful laboring and sometimes, if this cephalopelvic disproportion is too great, or if the baby is malpositioned, by means of a cesarean delivery. In such cases, obstetricians take the newborn out the obvious way: through that large, unobstructed abdominal space between pelvis and lower ribs. Things would have been much easier and safer for mother and baby if the birth canal were positioned there, too, but our palimpsest nature precludes such a straightforward arrangement.

Which brings us to our second unusual word: "kluge," something—assembled from diverse components—that shouldn't work, but does. A kluge is a workaround: often clumsy, inelegant, inefficient, but that does its job nonetheless. Because we and all other living things are living palimpsests, we are kluges as well.

Unsurprisingly, I'm imperfect, you're imperfect, everyone and everything is imperfect. Mr. Pievani is imperfect—his writing doesn't sparkle, but his ideas assuredly do, which makes "Imperfection" a perfect way to begin understanding our imperfect world.

Mr. Barash is professor of psychology emeritus at the University of Washington and the author, most recently, of "Threats: Intimidation and Its Discontents."

## As Winter Nears, the West May Save Putin



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

Can Vladimir Putin win at the ballot box what he can't attain on the battlefield? If the West holds firm in its support for Ukraine, Mr. Putin will be unable to snuff out Ukraine's independence and hard-pressed to defend the territory he has seized since Feb. 24. If the West wavers, all bets are off.

It is no surprise that Hungary's Viktor Orbán is denouncing American arms shipments to Ukraine and insisting on U.S.-Russia ceasefire talks over the head of Ukrainian President Volodymyr Zelensky. European energy sanctions against Russia have been a "catastrophe," Mr. Orbán recently said, and "hope for peace is named Donald Trump."

But it's deeply concerning that many European countries are questioning their anti-Russian stance. The collapse of Mario Draghi's government in Italy removed one of Europe's staunchest pro-Ukrainian leaders, and the new right-wing coalition led by Prime Minister Giorgia Meloni is divided on the issue. Although Ms. Meloni has insisted her government will continue to support aid for Ukraine, her coalition partners disagree. Silvio Berlusconi has recently boasted about his friendship with Mr. Putin, and weeks before the election, Matteo Salvini argued against continuing Europe's sanctions on Russia.

Adding to Ms. Meloni's challenges, the Five Star Movement—one of the country's largest opposition parties—has long advocated ending arms shipments to Ukraine.

In France, President Emmanuel Macron lost his parliamentary majority weeks after winning re-election, and Marine Le Pen's National Rally emerged as the largest opposition party. Ms. Le Pen believes Ukraine has no chance of winning the war against Russia and that the West should push Mr. Zelensky to negotiate with Mr. Putin.

Although Ms. Le Pen can't force Mr. Macron to change course, events may strengthen her hand. France has been rocked by protests over inflation, much of it sparked by soaring energy prices. Russia's limited natural-gas shipments to Europe have sent French workers into the streets demanding higher wages—a situation that may worsen as colder weather increases the demand for gas and electricity. Making matters worse, half of France's 56 nuclear reactors have been shut down because of maintenance issues, including corrosion on the pipes that cool the reactor cores. As winter sets in, France could face an electricity shortage that recently announced price caps will do nothing to alleviate. Not surprisingly, polls show declining support in France for sanctions against Russia.

Many Germans seem confident that their country can withstand the energy-supply price shock and emerge

stronger than before. Others aren't so sure. In the second quarter of 2022 alone, higher natural-gas prices increased the energy bill of BASF—one of Germany's largest chemical firms—by \$776 million. For Speira, a major German aluminum producer, a ton of aluminum was selling at only one-third the cost of the energy needed to produce it.

**From Paris to Berlin, the coalition supporting Kyiv is under heavy strain.**

"This is unsustainable," said Volker Backs, the firm's managing director. BASF's CEO, Martin Brudermüller, recently said that "an unprecedented energy crisis . . . is threatening the very existence of Europe's industrial production."

For decades, Germany's prosperity has relied on two pillars: cheap energy from Russia and ever-rising exports to China. The first is now gone, and slowing growth in China has thrown the second into doubt. The German public's support for sanctions against Russia has fallen from 80% in March to 66% today. Still a strong majority, but for how long?

In the U.S., the bipartisan consensus in favor of aiding Ukraine is eroding. The number of House Republicans who opposed funding rose from three in the first tranche of aid, in March, to 57 in the most recent one, in

May. According to the Pew Research Center, 32% of Republicans say the U.S. is providing too much support for the war, up from 9% in March. House Minority Leader Kevin McCarthy, who is likely to become speaker if his party gains the majority in the midterm elections, recently said his party would be unwilling to "write a blank check" to Ukraine. This is likely to become the dominant position among House and Senate supporters of America First-style populist conservatism. One example is the Donald Trump-backed Ohio Senate candidate J.D. Vance, who told an interviewer in February: "I don't really care what happens to Ukraine one way or another."

There are developments on the other side of the aisle as well. On Monday 30 members of the House Progressive Caucus released a letter urging President Biden to pursue all paths to a negotiated end of the war in Ukraine, including direct talks with Russia. After an intraparty uproar, the caucus's chairwoman, Rep. Pramila Jayapal, formally withdrew the letter the next day. Still, the impression lingers that near-unanimous Democratic support for the administration's policy is eroding.

President Biden since February has mobilized and managed a unified Western front against Russia aggression. In coming months he will be challenged to maintain this front—at home and abroad—with the future of democracy's struggle against autocracy hanging in the balance.

## Britain's Prime Minister Is India's Pride

By Tunku Varadarajan

Rishi Sunak is prime minister. And not of India but of Britain. The most striking aspect of his ascent to his country's highest political office is that his race—ethnic Indian—is hardly mentioned by Brits. When it is, it is mostly by British Indians of the left who claim that he isn't authentically "brown." This is the classic canard with which progressives dismiss people from ethnic minorities who haven't surrendered to the narrative of racial grievance.

But even by its own standards, the ethnic left has been circumspect, as if disbelieving that the Britain they scorn could be so race-blind as to make a Punjabi its prime minister. This was no moment of racial catharsis à la Obama in 2008. Boris Johnson left Downing Street, his party in tatters. Liz Truss

took his place for an entertaining moment and then gave way to the obvious alternative in her party, which wasn't spoiled for choice. He happens to be Indian, but is, in other respects, a textbook Tory politician. He is rich, he went to one of England's public schools (that's private school in American English), and Oxford.

**Meanwhile leftists at home dismiss Rishi Sunak as inauthentic.**

Mr. Sunak's elevation has excited the most comment in India, land of his ancestors. He was born in Britain but his parents immigrated from East Africa, where thousands of Indians went to seek their fortune under the British Raj. Mr. Sunak's is the Immigrant

Success Story par excellence, and the people of India love to talk about the triumphs of one of their own in distant lands. In today's hypernationalist India, Mr. Sunak's biography—and those of the many Indian CEOs in the U.S.—confirms that Indians are world-beaters. Forget the plummeting rupee, the stagnant economy, the scary youth unemployment figures, the Chinese land grabs of Indian territory, the galloping (sometimes murderous) religious intolerance, and the erosion of democratic and political rights (enshrined in a constitution inspired by Western values). Mr. Sunak gives Indians something to crow about.

He also should give them pause. A gaudy and dishonest anticolonialism is in fashion in India. The ruling party seeks to replace English with Hindi as the language that

links multilingual India's many states, arguing that English is a colonial relic. British-era architecture and street plans in New Delhi have been remodeled—many would say vandalized—to make the capital's central avenues seem more Indian.

But Mr. Sunak's rise presents an important truth to Indians: that their erstwhile masters are much more tolerant than they are. Indians should look to Britain for guidance on how a merit-based society works, and how minorities are treated as equals. Seventy-five years after its independence, India still has so much to learn from Britain, so much to emulate.

Mr. Varadarajan, a Journal contributor, is a fellow at the American Enterprise Institute and at New York University Law School's Classical Liberal Institute.



## OPINION

## REVIEW &amp; OUTLOOK

## How China Abuses U.S. Diplomats

China's zero-Covid policy is notorious for coercion and control of its citizens. But what isn't known, and should be shocking, is how the U.S. government let China impose similar inhumane practices on U.S. diplomats.

Congressional sources have shared with us internal memos, emails and cables delivered to State Department senior officials over the past two years.

They describe China's mistreatment of foreign-service officers and their families assigned to the U.S. Embassy and consulates in China. Frustrated by State's failure to stop the abuse, whistleblowers turned to Congress.

Nearly every U.S. diplomat arriving in China since fall 2020 was at risk, though not everyone was treated the same. Congressional aides say State has privately admitted that some 30 individuals were imprisoned for weeks in locked rooms and often squalid conditions. (State tells us it was only 16.) These people and other arriving diplomats have also been subject to multiple and unnecessary medical tests; forced to undergo months of quarantine and family separation; and they are monitored and controlled by China's on-line "health" app.

\* \* \*

The U.S. evacuated some 1,300 diplomats and their families from China in early 2020 when Covid hit. Through that summer State refused to let authoritarian governments use Covid as an excuse to mistreat or monitor diplomats. A July 27, 2020 cable to its foreign missions explained that State would not allow travel to a country if a U.S. employee or family would be subject to testing by foreign officials or quarantined in a foreign-government-controlled facility. Diplomats could agree to 14 days of self-quarantine.

Yet China refused to budge on its demands, and in September 2020 State agreed to sign a "limited waiver of inviolability," essentially rolling over to China's testing and quarantine regime for U.S. diplomats. The waiver let China impose 14 days of quarantine and require three tests (one before departure, one on arrival at the airport, and one on day 13 of quarantine). Diplomats testing positive had to stay in a "hospital" until recovered.

The whistleblower documents say China has since violated the agreement while the U.S. did little in response. In a 97-page memo sent Jan. 7, 2022 to the acting chief of the China mission, diplomats say that upon arrival they were assigned to quarantine in one of two China-selected hotels, which they suspect are "government-run." According to the document, adults and children older than 14 were required to remain alone in their room, and in one instance this caused a teenager mental-health problems. Americans were monitored and suspect the Chinese are collecting intelligence and DNA. Families say conditions in both hotels were "unhealthy," with moldy rooms that had "not been cleaned in months."

Chinese personnel administer testing, and diplomats suspect the country is altering results "to achieve an additional level of control" or as "a means of harassment," the January memo says. Numerous families who tested negative on arrival suddenly tested positive later in their quarantine. Until recently Chinese authorities transported those who tested positive not to a hospital, but to "fever clinics."

According to a whistleblower complaint, the fever clinics are small, dirty rooms (we've seen pictures)—some located in converted shipping containers. The doors are locked and the windows barred. Upon arrival, individuals were required to undergo nasal and throat swabs, to provide sputum, urine and stool samples, and to submit to EKGs and CT scans. Children were tested with adult-sized nasal swabs, causing nosebleeds. Many had to be forcibly restrained for repeated nose swabs, and parents report ongoing trauma.

The facilities provided no soap, toilet paper, towels, laundry service, or even potable water. Detainees had to beg for bottled water, or wait

for outside care packages. There was no TV, and in some places no wifi. Food was minimal, and one family reported their children largely received soup for every meal. Detainees reported notable weight loss. Americans were entirely at the mercy of the Chinese to provide several negative Covid tests, which often didn't come for weeks or months.

The January memo relates the story of one family of five who had members in a fever clinic from July 24 to Sept. 25, 2021 and while there were cumulatively subject to 159 throat, nose and blood tests. Another family of four that summer spent 69 days in a fever clinic and quarantine.

Diplomats in quarantine say they were also denied urgent medical care. One family's two-year-old fell into a coffee table, resulting in a deep cut. Two hospitals refused to treat anyone in quarantine, and it took 12 hours to find a private clinic and get the wound stitched. Another diplomat alerted Embassy personnel to stomach pain while in quarantine and was advised to ride it out. He was diagnosed with appendicitis after his release.

Americans at all times are also required to use China's official health app, which was sold as a contact-tracing tool but the government is using to track residents. A "green" health pass is required for movement and access to buildings.

A State Department cable in July 2022 to personnel in China acknowledges that diplomats are likely to see their codes go "red" while traveling, disrupting plans. The cable offered nothing more than guidance on how to "resolve" these situations. Whistleblowers say they're concerned the Chinese are using the app to track their movements and employing changing definitions of close contacts to target diplomats for additional quarantine.

All of this, says the January memo, has caused numerous Americans to cut short their China assignments and discouraged newcomers—"resulting in reduced Mission capacity."

\* \* \*

Diplomatic immunity is supposed to protect U.S. citizens, and the documents make clear that senior leaders at State were aware of the mistreatment. But the documents say State failed to fully inform or prepare incoming personnel for what to expect, failed to support those in quarantine or confinement, and failed to end the abuse.

Ambassador Nicholas Burns arrived in China in March, and a State Department official tells us: "This issue has been resolved. Since March, 609 U.S. officials and family members have arrived in [China], and none have been placed to a fever hospital. We evacuated three persons during post-travel quarantine to avoid the fever hospitals."

The official adds that in the same period no already resident U.S. official or family member has tested positive or been evacuated. Also, State now provides U.S. personnel an Embassy letter that spells out their diplomatic rights, including that Chinese officials may not prevent diplomats from returning to their residences, compel them into facilities or permit the separation of parents from children—which State says China has agreed to define as under 18 years of age.

This is good to hear, but it doesn't address what happened before March. And it doesn't explain why State this spring agreed to another "inviolability" waiver that allows Chinese contact tracing.

Senate Foreign Relations ranking Member Jim Risch raised these claims of abuse in an April letter to Secretary of State Antony Blinken. He noted that China's behavior "potentially violates the internationally recognized human rights of U.S. diplomats, and poses a serious national security risk."

All of this calls for an investigation on Capitol Hill with a goal of accountability up and down the chain of command. Managing relations with China is a strategic priority, but not at the expense of American diplomats.

## The Dumbing Down of America

The annual National Assessment of Educational Progress scores released this week offered depressing news about student K-8 learning. But the news is also bad for high school seniors, as the results of the 2022 ACT tests used for college admission show.

The national average ACT score for the class of 2022 fell to 19.8 out of 36, down from 20.3 in 2021, according to data released this month by the nonprofit that administers the test. The results deserve more attention than they received at the time.

Those in charge of American education may be inclined to use the pandemic lockdowns as an excuse, and two years of Zoom classes no doubt hurt. But this is the fifth consecutive year that ACT scores have declined, and the first time the average score has dropped below 20 since 1991. English scores fell to 19 out of 36, down from 19.6 last year.

The decline is all the more worrisome because fewer students are taking the test since fewer schools require it. About 1.35 million took the test this year, compared with 1.91 million in 2018. Playing down standardized tests lets schools rely on more subjective measures for admission, such as race or diversity.

ACT CEO Janet Godwin notes "rapidly grow-

ing numbers of seniors leaving high school without meeting the college-readiness benchmark in any of the subjects we measure." These

## ACT test scores for college admission fall for the fifth year in a row.

benchmarks, for math or science, say, try to predict whether students are prepared to succeed in college courses. More than 40% of seniors met none of the ACT's benchmarks for college readiness. None. No doubt many of these students will head off to campus anyway, unprepared for basic English courses, much less calculus or organic chemistry. They can thank heaven for college grade inflation.

The high schoolers in America doing the worst are from low-income families. Only 10% of students from households earning less than \$50,000 met all four readiness benchmarks, compared with roughly half from homes with income north of \$150,000. This is particularly depressing because education has long been an engine of upward mobility.

This dumbing down of American youth should set off alarms, as students are learning less and less even as the world grows more competitive. U.S. K-12 education is failing, and it's getting worse despite the hundreds of billions of additional dollars that politicians have shoveled into public schools.

## LETTERS TO THE EDITOR

## Biden Tries to Dissemble on the Federal Deficit

Your editorial "President Rumpelstiltskin" (Oct. 22) is right to call out President Biden's fiscal profligacy. Based on official federal statistics, the 2022 deficit is America's sixth highest on record (in inflation-adjusted dollars) and marks only the seventh time our deficit has surpassed one-trillion dollars. In comparison, the highest deficit America ran up during any year of World War II was \$603 billion (in 1945, measured in 2012 dollars). Amazingly, the U.S. deficit was more than half a trillion dollars higher in 2022—even after adjusting for inflation—than when we were fighting a two-front world war.

The Congressional Budget Office says that the American Rescue Plan Act, spearheaded and signed by Mr. Biden, added \$1.1 trillion in deficit

spending in 2021. So, Mr. Biden drove up the 2021 deficit by a huge margin and then bragged about spending less the next year.

JEFFREY H. ANDERSON  
*The American Main Street Initiative*  
Alexandria, Va.  
Mr. Anderson was director of the Bureau of Justice Statistics (2017-21).

Your analogy—"Gain 100 pounds, but then lose 50 and you can qualify to be a contestant on 'The Biggest Loser'"—doesn't quite hit the mark. The logic behind Mr. Biden's absurd spin on the \$1.4 trillion deficit goes more like this: I gained 100 pounds last year, but gained only 50 pounds this year, so look—I've lost 50 pounds!  
SANDERS LEE  
Spartanburg, S.C.

## 'Progressive' Anti-Semitism on U.S. Campuses

Regarding Elliot Kaufman's op-ed "If Stanford Owes You an Apology, Get in Line" (Oct. 20): Stanford's apology for discrimination in the 1950s is well meaning, but this kind of historicism can turn easily into escapism. The focus on the anti-Semitism of the past risks distracting from the very real anti-Semitism of the present. An undergraduate recently reported to me that she had experienced more anti-Semitism this year than ever before.

At stake today is a progressive anti-Semitism that masquerades, in Soviet style, as anti-Zionism. Anti-Zionism is anti-Semitism because it advocates rendering the nearly seven million Jews of Israel homeless, while increasingly threatening American Jews as well. Right-wing anti-Semitism also has grown and deserves the condemnation it regularly receives. Yet it is progressive anti-Semitism, too often wrapped up in DEI programs, that is tolerated and cultivated in the liberal world of higher education across the country.

At Berkeley, student groups want to banish outside speakers who have

ever expressed any support for Israel—meaning most Jews. At Harvard, the Crimson advocates sanctioning Israel and disseminates toxic mischaracterizations of the conflict. At Wellesley, the student paper endorses a mapping project that locates regional Jewish organizations, making them vulnerable to vandalism or worse. Add to that the proliferation of swastikas on Hillels and political litmus tests that exclude Jews from student government. This pandemic of hate will continue to spread until bold leadership takes steps to stop it.

PROF. RUSSELL A. BERMAN  
Stanford University  
Stanford, Calif.

I am thankful every day that my grandfather, like masses of other Jews, immigrated from the Eastern Europe to the U.S. in the early 20th century. Jews don't need an apology from Stanford. The campus Hillel chapter should have dismissed the apology as a stunt, sanctimonious and empty.

GENE DATTEL  
Lakeville, Conn.

## Hurricane Damage and Building in Florida

There is an overlooked issue concerning Florida's strict construction codes and rebuilding requirements: Manufactured housing such as modular homes are by and large exempt from Florida's building codes ("Housing Codes Reshape Florida," Page One, Oct. 18). Instead, these structures are regulated by the federal government. Thus, these inexpensive homes will just be replaced, and we will continue to have disasters in which poorly constructed, manufactured homes get destroyed by hurricanes.

To make matters worse, mobile

## Risk From Covid Infection Is Greater Than From Vaccine

As a fellow physician, I share Florida Surgeon General Joseph Ladapo's concern over myocarditis and Covid-19 ("Covid Boosters Aren't for Everyone," op-ed, Oct. 21). So, after reading his article, I looked more deeply into the medical literature. Dr. Ladapo's Florida Department of Health study included 77 patients. Size does matter in medical studies. A study in the MMWR (Morbidity and Mortality Weekly Report) published in April 2022 included 15,214,178 (yes, over 15 million) persons stratified by age. In all age groups, there was a higher risk of myocarditis after SARS-Covid-19 infection than after vaccination.

There is much evidence in support of this relationship. Last week's New England Journal of Medicine reports a vaccine-associated rate of myocarditis of 5 in 100,000, compared with a rate of 400 in 100,000 for Covid-19 infection. Even when it comes to myocarditis, infection is the greater danger. It is incumbent on those physicians in positions of power to take all factors into account. Millions of people, unable to do the research themselves, are depending on them.

KATHRYN ADAMS, M.D.  
San Diego, Calif.

## History's Verdict on Putin?

Vladimir Putin's epitaph ("The Twilight of the Last Russian Empire" by Michael Khodarkovsky, op-ed, Oct. 21) might be the same thing said of a British critic who attacked the historian Thomas Macaulay: That he meant murder, but committed suicide.  
S.N. Dory  
Salem, Mass.

## CORRECTION

Rosa Weber is the president of Brazil's Supreme Court. This was misstated in the Oct. 24 Americas column.

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

homes are regulated by Florida statutes, the Code of Federal Regulations, the U.S. Department of Housing, Florida Administrative Code and the Florida Department of Highway Safety and Motor Vehicles. If Gov. Ron DeSantis and President Biden were serious about addressing hurricane damage, they would change the out-of-date regulations.

DEAN OESTREICH  
Estero, Fla.

It amazes me how builders are so reluctant to depart from their preconceived ways in which to build in a hurricane zone. In Florida, you don't need a gable roof with things like shingles that can fly off. There's no snow there. A simple building on the beach is one that's raised at least 10 feet off grade, has exterior walls of concrete blocks or solid concrete and a flat roof with a thick rubber membrane.

The ideal shape is a dome, which lets the wind go around it, but this is probably beyond the scope of homeowners' picture of what a home should look like. Tinkering with building codes isn't the answer. Practical construction is.

PAUL SEDAN  
San Francisco

## An Unwanted Public Opinion

For those who believe the Supreme Court should consider public opinion when deciding cases (Letters, Oct. 21), the pending case of *Students for Fair Admissions v. Harvard*, set for oral argument on Oct. 31, may produce a decision they can celebrate. Harvard is alleged to have unlawfully discriminated against Asian applicants. Many observers believe the court will take this opportunity to overrule previous decisions that allowed some racial discrimination in college admissions. According to a 2018 Gallup poll, 65% of Americans would support such a ruling. It will be interesting to see if that satisfies the court's critics.

GREG BYRNE  
Oracle, Ariz.

## Pepper ... And Salt

THE WALL STREET JOURNAL



"I'm just here to pick up some bagels."



## OPINION

## What Do You Call a Black Republican? How About ‘Congressman’?

UPWARD MOBILITY  
By Jason L. Riley

Democrats face a double whammy in next month's mid-term elections. The latest polls show Republicans regaining control of the House and possibly even winning a majority in the Senate. Equally disconcerting to liberals, these gains could come in a year when the GOP is fielding a historically diverse slate of candidates.

According to the National Republican Congressional Committee, 28 of the GOP's 435 House candidates on the ballot next month are black, and 33 are Hispanic. Some are long shots running in reliably blue districts. Others, including John James of Michigan and Wesley Hunt of Texas—both black West Point graduates—are favored to win. “Diversity in the Republican Party is not the best,” Mr. Hunt told the New York Times earlier this year. “If you don't have people like me, and women, step up and say, actually, it's OK to be a person of color and to

be a Republican, then we're going to lose the next generation.”

People like Mr. Hunt keep Democratic strategists up at night. Democrats talk nonstop about supposed voter suppression that plagues our electoral system and disenfranchises minorities. But in 2008 and 2012, the black turnout rate exceeded the white rate. In 2018, black, Hispanic and Asian turnout were all the highest on record for a midterm election. This reality, along with the fact that more minorities are voting Republican, makes Democratic cries of “Jim Crow 2.0” ring hollow. It's a nightmare scenario for liberals, who lean heavily on dismissing their political opponents as racists.

Two years ago, minority candidates such as Maria Elvira Salazar of Florida, a daughter of Cuban exiles, and Burgess Owens of Utah, a black former professional football player, helped Republicans defeat several Democratic House incumbents and gain 14 seats. And while Donald Trump lost his re-election bid in 2020, Republicans saw small but significant gains among all racial and ethnic minorities, particularly

black and Hispanic men.

To some extent, these early upticks in minority support for the GOP reflected improving economic fortunes prior to the pandemic. Under the previous administration, poverty and unemployment for blacks and Hispanics were the lowest on record, and black wages grew faster than white wages.

## The GOP's 2022 slate of candidates is more diverse than ever, and that has Democrats worried.

Democrats and the media had insisted that the Trump presidency would be a disaster for these groups, but the data told a different story. It's hardly surprising that a larger number of minority voters in 2020 decided to ignore the Beltway rhetoric and believe their bank statements.

That blacks are voting for Republican candidates is good news for the black electorate as a whole. Ideally, both major parties would regularly

compete for black support. One reason that millions of black Americans have such poor and unresponsive political representation is that they have underutilized our two-party system. Blacks don't play Republicans and Democrats against each other to the extent that other groups do. As a result, Republicans have learned how to win without the black vote. And Democrats have learned to take black support as a given, secure in the belief that blacks will pull the lever for Democrats or not at all.

Over the decades, black leaders have encouraged and nurtured a collective black identity that manifests itself in bloc voting, mass protests, public demonstrations and the like, even while black opinion has grown steadily more diverse. According to survey data from the American National Election Study, between the 1970s and the 2000s the number of blacks who identified as politically conservative rose from less than 10% to nearly 50%, yet the Democratic share of the black vote remained largely unchanged.

When Mr. Hunt, the GOP congressional candidate in Texas, told the

Times he's trying to convince other blacks that there's nothing wrong with voting Republican, he touched on a phenomenon that the political scientists Ismail White and Chryl Laird explore in their 2020 book, “Steadfast Democrats: How Social Forces Shape Black Political Behavior.” Identifying with and voting for Democrats “have come to be understood by most black Americans as in-group expected behaviors that individual blacks perform in anticipation of social rewards for compliance and sanctions for defection,” the authors write. Reliable black partisan preferences for Democrats, in other words, have less to do with individual issues and far more to do with peer pressure coming from other blacks.

There's no question that solidarity politics helps black elected officials secure votes and black activists raise money, but there is little evidence that a monolithic group ideology facilitates upward mobility. Black voters deserve more options, and thanks to more black Republicans on the ballot in November, they now have them.

## I'll Vote for the Lesser of Evils, if There Is One

By Joseph Epstein

I am one of those American political misfits known as an independent voter.

I voted for Barack Obama over John McCain in 2008. Four years later I pulled the lever for Mitt Romney. I didn't vote in the last two presidential elections because none of the candidates were people I wanted to lead the country. I find little reassuring in either of the political parties, whose members collectively strike me as ignorant, sanctimonious, *meshugana*.

My nonaffiliation frees me from the obligation to defend the nuttiness of Marjorie Taylor Greene or the anti-Semitism of Ilhan Omar. I like to think it also provides a certain perspective unavailable to those locked into party loyalty.

I grew up in Chicago, where it was understood that all politicians are guilty until proven innocent, which few ever were. I can't think of a politician in recent years whom I have admired without extensive qualification. I can think of only two or three whom I should care to meet

for coffee. Every two years, when elections arise, I nonetheless feel I ought to vote, and vote I do, even though my vote, in the royal blue state of Illinois, seems negligible.

Occasionally I have the satisfaction of voting a grudge. I have voted several times, without avail, against my congresswoman, Jan Schakowsky. What I have against her is that she boycotted Benjamin Netanyahu's 2015 speech to Congress about Mr. Obama's flimsy and dangerous nuclear deal with Iran. I look forward to voting against her again next month and in future elections.

I now live in the suburbs, so I can't vote this February against Lori Lightfoot, the worst mayor in Chicago history. I'd like to vote against all candidates who believe the 2020 presidential election was rigged and are thereby elected by Mr. Trump. I don't go in for political predictions, but one I feel confident in making is that American politics has little hope of returning to anything resembling normality until the shameless former president departs the scene.

All I look for in candidates is that

they constitute a lesser evil than their opponents. Evidence of this often isn't easily detected. In the current race for Illinois governor, which pits incumbent J.B. Pritzker against state Sen. Darren Bailey, detection of the lesser evil is all but impossible. In a recent televised debate, each man called the other a liar, which struck me as one of the few times that evening when both of them told the truth.

Mr. Pritzker is heir to the Hyatt Hotel chain. He's an obese billionaire who specializes in braggadocio about his record, neglecting to mention that it features increases in tax and crime and many businesses and citizens departing the state. Mr. Bailey is a husky downstate farmer who issues obtuse pro-life comments, the most noxious of which is his claim that

“the attempted extermination of the Jews of World War II doesn't even compare to a shadow of the life that has been lost with abortion.” He is backed by Mr. Trump.

## In the governor's campaign, heads Illinois loses; tails, it also loses. Ditto in the last two presidential races.

When it comes to voting for one or the other of these Periclean figures, I must remember to bring along a coin when I step into the voting booth. Heads Illinois loses; tails, it also loses. Staying in the lesser evil category,

I shall probably vote for personal-injury lawyer Kathy Salvi over the vastly favored incumbent Sen. Tammy Duckworth. Ms. Duckworth is an untiring platitudinarian whose banalities play off nicely against those of Illinois's other senator, Dick Durbin. His specialty is a deeply unconvincing sensitivity over the various plights of his constituents.

What I should really like to vote for is term limits for senators and representatives. What I have in mind is roughly two months in office, then out with no chance of return. Always reasonable, I am of course willing to negotiate.

*Mr. Epstein is author, most recently, of “Gallimaufry: A Collection of Essays, Reviews, Bits.”*

## Sinatra Serenades My Daughter

By Danny Heitman

In our early days of parenthood, when our infant daughter was too colicky to settle down for the night, my wife and I tried everything before getting Frank Sinatra to help. Combing our music collection, Catherine found Sinatra's version of “The Way You Look Tonight” and played it over and over on our stereo, cradling our newborn as she swayed across the den.

Sinatra's finger-snapping rhythms proved an ideal lullaby. Little Eve's eyelids would grow heavy as, night after night, the Chairman of the Board serenaded the two most important women in my life.

Though my wife's arms sometimes ached from our wee-hours ritual, it would have been a disaster for me to take a turn waltzing Eve in our improvised ballroom. I'm a notoriously bad dancer, my twitchy feet guaranteed to jostle any baby awake.

And so I served as an audience of one, offering moral support from the couch. It gave me a lot of time to think about the most poignant line from this Sinatra standard, when he sings with soaring sentiment, “There is nothing for me but to love you.”

That tender observation, crafted by lyricist Dorothy Fields, seemed to touch on the ecstatic helplessness I sometimes felt in surrendering my heart to our daughter. Amid the practical responsibilities of fatherhood, there were times when all I could do was render pure affection.

At another point in this classic ballad, Sinatra croons, “Lovely, don't you ever change,” expressing the romantic hope that time will stand still.

But as every father learns, the seasons march on. Eve soon learned to settle herself to sleep. She learned to walk, to read, to ride a bike, to drive, to date, to fall in love. Then came a day last year

when a nice young man walked me to our patio and asked for her hand in marriage.

There was no question what song we'd choose when it was time for the father to dance with the bride at her wedding this month. I finally took my turn with our daughter as the band struck up “The Way You Look Tonight.” My two left feet, for the first time, rose to the occasion as we glided across the center of a flawlessly beautiful garden reception, the full moon overhead, a flourish that Old Blue Eyes himself would have savored.

Then it was time to hand my radiant daughter back to her husband. As the crowd applauded, I knew my job was done. There was nothing for me but to love her.

*Mr. Heitman is editor of Phi Kappa Phi's Forum magazine and a columnist for the Baton Rouge Advocate.*

## THE WALL STREET JOURNAL.

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## WORLD NEWS

# Israel Kills 5 Palestinians in Raid

Move security forces say targeted militant hideout brings death toll to highest since '06

By DOV LIEBER  
AND FATIMA ABDULKARIM

NABLUS, West Bank—Israeli forces said they killed five Palestinians in Nablus during a raid on a militant hideout, as violence in the West Bank makes this bloodiest year in more than a decade.

Israeli security forces have this year killed at least 111 West Bank Palestinians, including five women and at least 24 minors, more than in any other year since 2006, according to an analysis by Israeli human-rights group B'Tselem and The Wall Street Journal. In 2006, 134 Palestinians were killed. It was the year after the end of a bloody uprising known as the Second Intifada, during which over 5,000 Palestinians and 1,000 Israelis were killed.

Just after midnight on Tuesday, convoys of Israeli military jeeps entered the city of Nablus to raid a site belonging to a newly established armed group called the Lions' Den, which has recently claimed



Mourners at a funeral on Tuesday carried the bodies of four of five Palestinians killed by Israeli troops.

a string of attacks in the West Bank, including a shooting that led to the death of an Israeli soldier in early October.

The Israeli military said it detonated an apartment used as the group's headquarters and as an improvised explosives laboratory. The military said its soldiers had fired on armed men shooting at Israeli troops.

The Palestinian health ministry confirmed five men were killed by Israeli forces in Nablus, all between the ages of 26

and 35, and said 20 people were injured. Some of the men killed were claimed by the Lions' Den as members, while a local Fatah official said two were civilians.

One of those confirmed killed was Wadee al-Houh, who Israeli Prime Minister Yair Lapid said was one of the leaders of the group.

"We will do whatever operations are necessary" to secure Israelis, Mr. Lapid said in an interview Tuesday morning with Israel's public broad-

caster Kan.

Palestinian Authority President Mahmoud Abbas held the U.S. responsible for the escalation and called on the Biden administration to "immediately intervene to stop this aggression and end this occupation, before matters become more dangerous than the Israel and the American administration imagine."

Militants such as those with the Lions' Den aren't affiliated with more-established groups

such as Hamas, Palestinian Islamic Jihad or the Al Aqsa Martyrs Brigade, which is affiliated with Mr. Abbas's Fatah Party.

While the Lions' Den group is estimated to number only a few dozen men, both Israeli and Palestinian Authority officials worry the violence could spread.

Many Palestinians killed by Israeli forces in the West Bank this year were militants engaged in violent battles with soldiers, the Israeli military said. In September, the Israeli military said one of its soldiers was likely responsible for killing Palestinian-American journalist Shireen Abu Akleh during a military raid in May. The military said it was unintentional.

At least 24 Israelis have been killed by Palestinians since the beginning of 2022, including six Israeli soldiers and police, according to the United Nations. Most died in a wave of Palestinian attacks between March and May that saw 19 Israelis and foreigners killed.

Since those attacks, the Israeli military has conducted frequent raids into West Bank Palestinian cities and towns to make arrests, sparking clashes.

On Nov. 1, Israel heads to its fifth election since 2019. The issue of security has been central to election campaigns.

## Beijing Sets Plans To Attract Investors

By YOKO KUBOTA

BEIJING—China signaled it could ease its rigid pandemic border restrictions for some foreign business executives and called for technological collaboration with multinationals, weeks after Beijing was struck by new U.S. export controls on chips.

In a notice that outlined policies to attract more foreign investment into its manufacturing sector, the government asked local authorities to facilitate multinational companies' executives, technicians and their families to travel into China.

The notice, published Tuesday on the National Development and Reform Commission's website, also encouraged bringing world-class talent into the country. It urged local authorities to support multinational companies to set up research and development centers in China and to deepen "scientific and technological openness and collaboration."

Jointly issued by six regulators including the Commerce Ministry and Ministry of Industry and Information Technology, the notice also specifically named the semiconductor sector among a few others, calling on local authorities to organize international investment events for these industries. Since the pandemic, China has withheld many large-scale public events.

The notice comes two days after Xi Jinping extended his rule over China's Communist Party for a third five-year term in the face of major industrial and economic challenges and deepening isolation as the rest of the world opens up borders and learns to live with Covid-19.

China's Covid-control measures, including keeping its borders mostly closed and a relatively long quarantine at government facilities to enter the country, have slowed business activity in general. The risk of employees and their family members getting locked down in their homes for weeks or facing school closures because of a relatively small number of cases has also dented China's attractiveness as a work destination for many multinational and diplomatic professionals.

Foreign business lobbies and executives called the policies an improvement, but said they would watch whether and how they get implemented.

Faced with a sluggish economy and difficulties accessing cutting-edge technologies, China has been trying to attract foreign investment, even as Beijing's relations sour with Washington and other Western countries, and as Mr. Xi calls for technological self-sufficiency.

The new U.S. export restrictions on chips and related items could deal a heavy blow to Mr. Xi's ambitions for China to become a leading science and technology powerhouse.

Mr. Xi in a report last week to the Communist Party's congress emphasized the need to increase China's self-reliance in technology and supply chains and denounced protectionism, decoupling and unilateral sanctions.

## Two Chinese Tech Innovators' Paths Split

By SHEN LU  
AND KAREN HAO

Two Chinese entrepreneurs, Derek Li and Rick Chang, separately jumped into the country's tech boom nearly a decade ago, in the early days of Xi Jinping's rule.

China's mobile-technology market was exploding, fueled by generous government subsidies and a light touch from regulators. Their respective businesses benefited greatly from the dynamism in China's tech sector, underpinned by Mr. Xi's push for innovation and entrepreneurship.

That atmosphere has now soured, with the Chinese leader targeting what he calls the ills of unchecked capitalism. While he still lavishes support on strategic tech sectors, Mr. Xi has aimed a regulatory fusillade at "monopolistic" practices of internet giants and their handling of troves of citizen data.

The shift has put the two entrepreneurs on diverging paths. Mr. Chang, who is greatly dismayed by today's environment, has moved to the U.S. Mr. Li, who sees the change as a blip in the country's steady upward trajectory, says he will remain in China and continue expanding his latest tech venture.

Their decisions typify the crossroads entrepreneurs in China are confronting as opportunities dry up, the stance of regulators hardens and the economic gloom deepens.

In 2021, the amount of money raised by private-equity and venture-capital funds focused on Greater China was just half that raised at its peak in 2017, according to investment-tracking firm Preqin.

### Humble beginnings

Some entrepreneurs are unwilling to grapple with the uncertainty and are shifting out of China. Others who have gone



Rick Chang, an entrepreneur, left China in 2021 to build a new business in the U.S., while Derek Li, right, says he plans to remain in China and continue expanding his latest technology venture.



through earlier ebbs and flows in China's policies and targets still see plenty of growth potential and reasons to stay put.

The 45-year-old Mr. Li was born in Henan province to a teacher and a laborer whose combined monthly wages totaled just around \$3.

Mr. Li majored in computer engineering at the prestigious Shanghai Jiaotong University. His first two businesses, making textbooks and learning materials, both successfully listed—one in Hong Kong, the other in Shanghai.

Mr. Chang, 32, is the son of engineers in the inland province of Shanxi. He honed his English while hanging out with foreign students and professors.

After reading a local newspaper profile of a Shanxi student who had attended college in the U.S., he earned a full scholarship to Yale University. An economics degree later, he chose a job with McKinsey & Co. in Shanghai over offers in New York, beckoned home by what seemed like a dizzying array of opportunities.

Mr. Chang started his first business, Ivy Path, with a fellow Yale graduate. Like Mr. Li's, it was in the education sector—

helping Chinese students apply to Western universities. It booked more than \$1 million in revenue in the first six months.

By then, the tech industry had become an all-consuming force in China. Sucked into the excitement, Mr. Li co-founded a mobile-gaming venture with his cousin. When the company quickly failed, he tried a social-media startup. It attracted money from big tech investors, he said, but was just as swiftly crushed by competition.

Mr. Chang, too, pivoted his business into tech investment. He and his partner invested in a series of startups, including the company that grew into ride-hailing giant Didi Global Inc.

The options felt endless. "Every day, there was something new coming out," Mr. Chang said.

### Shifting atmosphere

At the end of 2014, Mr. Li tried again, this time with Squirrel AI, a company that developed tutoring software powered by artificial intelligence, which students could use at private-tutoring facilities.

Over the next four years, it accumulated nearly 30 million

registered students and surpassed a \$1 billion valuation.

In 2018, Mr. Chang began to notice a cooling of the broader tech market. He and his partner shifted their gaze to Latin America, a booming market that reminded them of the early years of China's tech industry. The following year, they invested in Laika Universe Inc., a Colombian e-commerce platform for pet products. In China, looking for sectors they believed Beijing still favored, they turned like other venture capitalists to education and consumer products.

Similarly, Mr. Li believed education-focused Squirrel AI to be in a safe zone. He steamed ahead with plans to expand into the U.S. and prepared for a stock listing.

Then came the pandemic, followed fast by Mr. Xi's broadside against the tech industry. The crackdown culminated in July 2021, when Chinese regulators banned for-profit after-school tutoring for students from kindergarten through ninth grade. The ban—meant to control rising education costs—plunged Squirrel AI's revenue to zero. The company was suddenly

in a \$125 million debt hole.

Many of Mr. Li's education-technology peers jumped ship.

The ban also shook Mr. Chang to the core. As job layoffs swept the industry, investors in U.S. venture-capital funds began pulling out of China.

### One in, one out

From that low point onward, Messrs. Li and Chang's paths sharply diverged.

Mr. Li couldn't bring himself to leave the company. He also says he agreed with the tutoring ban's stated intention, to alleviate pressures on families. "These policies come from long-term thinking," he said. "They're not random—not like the U.S. where you switch directions when you switch presidents."

For Mr. Chang, it no longer made sense to stay in China. Late last year, he moved back to the U.S. and co-founded About Time, a brand of no-frills coffee shops. This year, he left to start Skyrealm, a real-time location-data analytics platform built for commercial real estate.

Mr. Chang is hoping to build a global company targeting the U.S. market while leveraging China's tech-talent pool. But rising U.S.-China tensions have generated mistrust of Chinese entrepreneurs.

To avoid coming under Washington's scrutiny, Mr. Chang said he would place his company's R&D teams outside China and avoid any funds with possible connections to Chinese state-backed entities.

Back in Shanghai, Squirrel AI has pivoted from working with private-tutoring facilities to making smart tablets loaded with its learning software. The company sells them directly to consumers and gives them free to public schools.

The \$125 million debt still looms, but the company has generated half of that in new revenue. Mr. Li is again talking about expanding to the U.S.

## WORLD WATCH

### CANADA

#### Central Bank Likely To Raise Rate Again

The Bank of Canada is expected to deliver a second straight three-quarter-point rate increase on Wednesday, as the central bank casts aside worries about a recession and focuses on damping upward pressure on underlying inflation.

Nine of 12 economists surveyed by The Wall Street Journal predict Canada's central bank will lift its overnight target rate by 0.75 percentage point to 4.0%—the highest level in nearly 15 years.

Three economists said they leaned toward a half-percentage-point increase.

The Bank of Canada has a mandate to set rates to achieve and maintain 2% inflation.

—Paul Vieira

### GLOBAL HEALTH

#### WHO Warns Fungi Pose Growing Risk

The World Health Organization created a list of fungi that it said pose a growing risk to human health, including yeasts and molds found in abundance in nature and the body.

The WHO said Tuesday that the 19 species on the list merit urgent attention from public-health officials and drug developers. Four species were designated as threats of the highest priority.

"Fungal infections are growing, and are ever more resistant to treatments," said Hanan Balkhy, the WHO's assistant director-general.

Fungal infections are estimated to kill at least 1.6 million people yearly, according to Global Action for Fungal Infections.

—Dominique Mosbergen

### ITALY

#### Meloni Easily Wins Confidence Vote

Italy's new far-right-led government of Premier Giorgia Meloni on Tuesday night easily won the first of two required confidence votes in Parliament.

The vote in the lower Chamber of Deputies was 235 in favor of her coalition government and 154 against, while there were five abstentions.

On Wednesday, the new government will face a vote in the upper chamber, the Senate, where it also holds a solid majority.

Earlier Tuesday in the Chamber, Ms. Meloni laid out her government's policy aims, firing back at critics who are worried that her far-right politics might undermine European unity or the civil rights of Italian citizens.

—Associated Press



CELESTIAL SIGHT: People in Bucharest, Romania, used special glasses Tuesday to view a partial solar eclipse, created when the moon passed between the sun and the Earth. The final solar eclipse of the year was visible across Europe, northeastern Africa, the Middle East and western Asia.



# BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Wednesday, October 26, 2022 | B1

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## Microsoft Profit Falls, Sales Slow

### Revenue from PCs, Windows slips, but cloud business grows amid strong demand

By ASA FITCH

Microsoft Corp. shares tumbled Tuesday after it announced it expects a sharp decline in personal-computer sales and the dollar's strength to continue to weigh on growth.

The Redmond Wash., company's revenue rose 11% to \$50.1 billion in the three months through Sept. 30 from a year earlier, while its net income fell 14% to \$17.6 billion. Analysts surveyed by FactSet had predicted sales of \$49.66 billion and net income of \$17.36 billion for the period.

It was the worst quarterly net-income decline Microsoft has announced in more than two years and the weakest revenue growth in more than five years.

Sales of Microsoft's Windows operating system fell 15%, the company said. Sales of PCs, a large portion of which use Windows, have fallen this year after booming at the onset of the pandemic. The company's Azure cloud-computing platform and other cloud services posted a 35% rise in revenue, though the pace of its growth has slowed in the past year.

Microsoft shares fell 7% in after-hours trading after it announced its results.

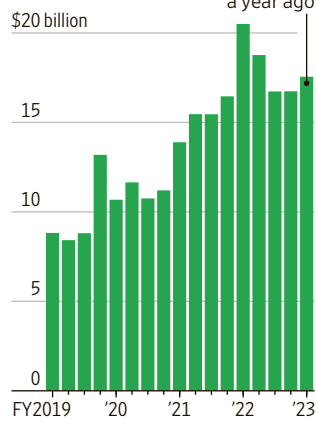
The company expects further sluggishness, reporting an outlook for the current quarter that was well below Wall

Street forecasts, driven by even sharper declines in sales of PCs and tablets. Azure's growth is also expected to slow on a currency-adjusted basis, financial chief Amy Hood said on a conference call about the results.

Windows sales to PC makers are expected to slide by over 30% in the quarter, Ms. Hood said. The company's sales outlook for the current quarter, she said, was for as much as \$53.35 billion. Analysts surveyed by FactSet had been expecting \$56.16 billion.

The software giant, which gets much of its sales from companies, is doing better than tech companies which depend more on consumer spending and advertising. However, demand for its Windows operating system software has fallen with the sales of the personal

### Microsoft's quarterly net income



computers which use it. Around the world households, companies and governments that bought computers during

the pandemic are scaling back.

Global shipments of desktop and laptop computers fell in the third quarter by 18% from a year earlier, according to a recent report by market-research firm Canalis. Notebook shipments were particularly hard hit, the technology-analysis firm said.

Microsoft is also a top player in cloud-computing services that have boomed during the pandemic. In the middle of the health crisis, Microsoft reported several quarters in a row of 50% or more year-over-year sales growth for Azure, the world's No. 2 behind Amazon.com Inc.'s cloud.

The pace of growth has moderated this year, however.

Revenue growth at Azure and its other cloud services slowed to 35% last quarter

## Stock Indexes Extend Rally

By WILL HORNER AND ERIC WALLERSTEIN

Stock indexes extended a market rally that propelled the Dow Jones Industrial Average to a six-week high.

The S&P 500 rose 61.77 points, or 1.6%, to 3859.11 on Tuesday while the tech-heavy Nasdaq Composite added 246.50 points, or 2.3%, to 11199.12. The blue-chip Dow industrials advanced 337.12 points, or 1.1%, to 31836.74.

Investors cheered earnings from large financial firms, sending stocks higher in recent days after months of falling on fears of rising interest rates and soaring inflation.

"We are seeing better-than-feared earnings reports, and Treasury yields are pulling back—both are positives for the stock market," said Art Hogan, chief market strategist at B. Riley Financial Inc.

Data released Tuesday morning showed home-price growth slowed sharply, sending bond yields tumbling.

The yield on the U.S. 10-year Treasury note slid to 4.109% from 4.231% on Monday as bond prices rose, according to Tradeweb. Monday's yield was

## GE Cuts Outlook Amid Renewables Losses

By THEO FRANCIS

General Electric Co. reported profit fell in its latest quarter and outlined plans to cut costs in its renewable-energy business where troubles offset strong gains in the company's aerospace division.

GE said it remains on track to break itself into three companies, starting with a spinoff of its healthcare business in January. In the quarter, losses in its power business weighed down its overall results and prompted the company to cut its profit targets for the year.

GE lowered its adjusted earnings forecast for 2022, to a range between \$2.40 and \$2.80 a share from \$2.80 to \$3.50 a share projected at the beginning of the year. In July, the company had warned that it expected results to come in at the low end of the initial range. Analysts were projecting earnings of \$2.66 for 2022 before the update, according to FactSet.

The conglomerate maintained its forecast for revenue growth for the year but said its free cash flow, a closely watched metric of how much money its businesses generate, would come in at the low end of its prior forecast—already reduced from early in the year.

GE said it was launching a corporate restructuring program to deliver \$450 million in annual savings and a restructuring program in its Vernova power business, primarily in its renewable-energy operations, to save an additional \$500 million a year. The unit makes power turbines for power plants as well as wind turbines. It expects the Ver-



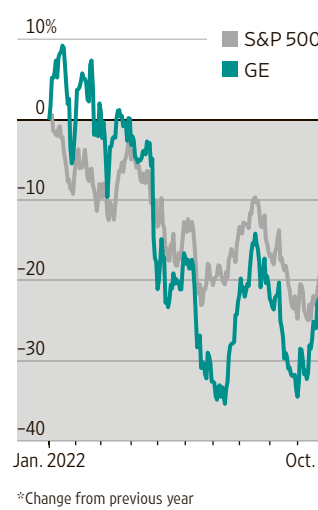
The company expects its offshore wind business to be profitable near the middle of the decade. A GE wind turbine

nova business to tally losses of about \$2 billion for 2022, which it tied to inflation, lower demand and elevated warranty pressure.

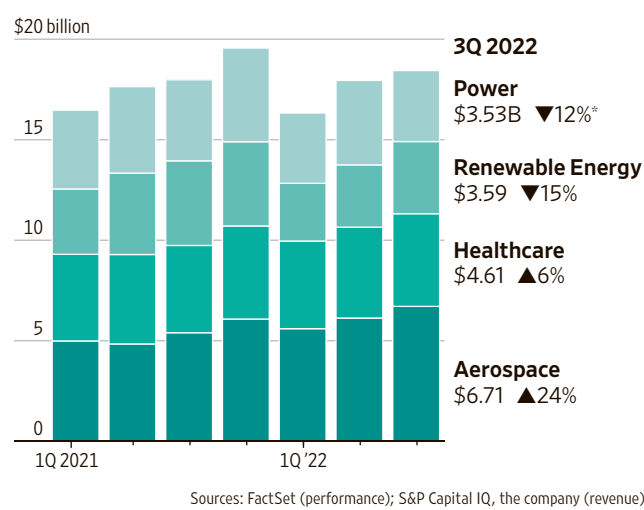
The renewables segment, which recently laid off workers, is expected to become profitable in 2024. The company is streamlining its manufacturing in the business to cut costs and is being more selective about projects that it accepts, Chief Executive Officer Larry Culp said Tuesday. The division's high-growth offshore wind business is expected to be profitable near the middle of the decade, he said.

Please turn to page B2

### Share and index performance



### GE's revenue by reporting segment



## GM Trims Target for EV Sales

By MIKE COLIAS

General Motors Co. is reducing its target for electric-vehicle sales because of a delay in ramping up battery output, a setback in its bid to close ground on EV leader Tesla Inc.

GM on Tuesday revised its forecast for EV sales in North America through 2023, following an upbeat third-quarter earnings report in which the auto maker posted a 37% jump in net income, handily beating analysts' expectations.

A big increase in deliveries of pricey pickup trucks and SUVs drove the results, and executives expressed confidence

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#### FINANCE

Intel's self-driving car unit, Mobileye, prices its IPO at high end of targeted range. **B14**



**PROPERTY REPORT**  
The timeshare model comes to businesses as tenants rotate office space. **B6**

## Simulated Stars Appear In Ads Without Consent

By PATRICK COFFEE

Celebrity deepfakes are coming to advertising.

Among the recent entries: Last year, Russian telecommunications company MegaFon released a commercial in which a simulacrum of Bruce Willis helps defuse a bomb.

Just last week, Elon Musk seemed to star in a marketing video from real-estate investment startup reAlpha Tech Corp.

And last month a promotional video for machine-learning firm Paperspace Co. showed talking semblances of the actors Tom Cruise and Leonardo DiCaprio.

None of these celebrities ever spent a moment filming these campaigns. In the cases of Messrs. Musk, Cruise and DiCaprio, they never even agreed to endorse the companies in question.

All the videos of digital simulations were created with deepfake technology, which uses computer-generated renditions to make the Hollywood and business notables say and do things they never actually

said or did.

Some of the ads are broad parodies, and the meshing of the digital to the analog in the best of cases might not fool an alert viewer. Even so, the growing adoption of deepfake software could eventually shape the industry in profound ways while creating new legal and ethical questions.

Authorized deepfakes could allow marketers to feature huge stars in ads without requiring them to actually appear on set or before cameras, bringing down costs and opening new creative possibilities.

But unauthorized, they create a legal gray area: Celebrities could struggle to contain a proliferation of unauthorized digital reproductions of themselves and the manipulation of their brand and reputation, experts said.

"We're having a hard enough time with fake information. Now we have deepfakes, which look ever more convincing," said Ari Lightman, professor of digital media and marketing at Carnegie Mellon University's Heinz College. *Please turn to page B4*



## The industry leader in artificial intelligence software.

RANK	COMPANY	2021 AI REVENUE
No. 1	Palantir	\$1,392M
No. 2	Microsoft	\$1,252M
No. 3	IBM	\$776M
No. 4	AWS	\$688M
No. 5	Google	\$536M

Sources: IDC, Worldwide Artificial Intelligence Platforms Software Market Shares, 2021: AI Is Being Used In More Unique Ways Than Ever (2022)

PALANTIR TECHNOLOGIES INC — PALANTIR.COM

The information presented in the table above has been compiled and analyzed by IDC using their methodology described in the Worldwide Artificial Intelligence Platforms Software Market Shares, 2021: AI Is Being Used In More Unique Ways Than Ever (2022) report contained on IDC's website (www.idc.com). We have not independently verified, and make no representations as to, the accuracy or completeness of the data contained in this report.



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## GE Cuts Earnings Outlook

Continued from page B1

GE said the moves would result in restructuring charges totaling about \$1.3 billion. It didn't say how many jobs would be affected by the moves. Mr. Culp has been streamlining the conglomerate, shrinking headquarters staff and revamping operations. Last week, the company said it was looking to sell its management-training academy.

Shares of GE fell 0.5% to \$72.97 and have declined 24% so far this year, compared with a 20% decline in the S&P 500 Index.

Overall, GE reported a second-quarter net loss of \$55 million, compared with the year-earlier profit of \$584 million. Excluding items, GE said its adjusted earnings were 35 cents a share, below Wall Street's estimate of 49 cents, and 53 cents in the year-earlier quarter. Revenue was \$19.08 billion versus \$18.57 billion a year ago. Analysts had projected \$18.77 billion, according to S&P Global Market Intelligence.

Quarterly revenue rose 24% in the aerospace business, which makes and services jet engines, and rose 6% in the healthcare business, which sells medical equipment. Revenue fell 15% from a year ago in renewables and 12% in the rest of the power business.

The company said it was able to raise prices in its aerospace division faster than its own costs rose and called pricing in its healthcare segment positive. Pricing also improved in its renewables unit but only enough to partially offset lower volume and other challenges.

GE had reported raising prices in all its segments during the second quarter and said in July it expected to continue to do so this year amid rising costs.

GE said earlier this year that it expected rising costs would outstrip its ability to raise prices, but that the gap would start to shrink in the second half, thanks largely to the company's efforts with its suppliers.

The company said Tuesday that it expects free cash flow for 2022 to come in around \$4.5 billion. After the second quarter, GE cut projections for 2022 free cash flow by about \$1 billion, from the \$5.5 billion to \$6.5 billion it had predicted in January.

Thomas Gryta contributed to this article.

## GM Trims Target for EV Sales

Continued from page B1

that demand remains strong through mounting economic challenges. Still, the tamped-down outlook for EV sales comes as GM tries to show investors that it can emerge as a contender in the growing electric-vehicle market.

GM Chief Executive Mary Barra said Tuesday that a slower-than-expected start to battery-cell operations at a new factory in Ohio will delay some EV sales. GM had expected to sell 400,000 EVs from early 2022 through the end of next year but has pushed out the time frame until mid-2024.

Ms. Barra told Wall Street analysts that it has taken longer than expected to hire and train workers and establish operations with the factory's joint-venture partner, Korea's LG Energy Solution. She said GM's longer-range goal of selling 1 million EVs in North America in 2025 is intact.

"This is just a slight shift in the acceleration," she said.

The CEO is under pressure on two fronts: to show GM can navigate rising interest rates and other mounting macro pressures on the car business, while also quickly standing up an EV business that today contributes little

to the bottom line. GM's quarterly results showed that its traditional business has performed well so far despite the higher borrowing costs and recessionary worries that historically hurt car sales.

GM reported a \$3.3 billion profit, driven by outside sales of big pickup trucks and SUVs, the company's biggest moneymakers. Revenue jumped 56% to \$41.9 billion, as the auto maker worked through a backlog of vehicles that it hadn't been able to ship the prior quarter because of parts shortages.

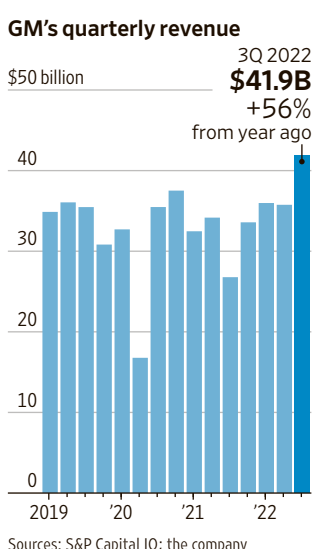
GM reaffirmed its full-year profit outlook of \$13 billion to \$15 billion in adjusted pretax profit. Third-quarter net pretax profit of \$4.3 billion amounted to \$2.25 per share, beating the average estimate of \$1.88 according to analysts polled by FactSet.

GM shares rose more than 3% Tuesday.

GM finance chief Paul Jacobson said the company hasn't detected a slowdown in the business despite the economic pressures.

"Certainly we're aware of the headwinds that are out there," Mr. Jacobson said. "Pricing remains strong. Demand remains strong for our products."

GM has logged two years of strong profit gains in the wake of the Covid-19 pandemic. Even though the computer-chip shortage has curbed output and commodity and logistics costs have soared, the prices U.S. car buyers have been paying remain at record or near-record levels. The supply shortages have allowed GM to give priority to



output of its most profitable vehicles—large pickup trucks and SUVs—further lifting profits.

Still, GM's EV sales haven't only fallen further behind market leader Tesla, but have also been surpassed by traditional rivals, including Ford Motor Co. and Hyundai Motor Co. GM said it had record sales in the third quarter of its top-selling EV, the Chevrolet Bolt.

GM and other traditional auto makers are racing to increase electric-car sales as investors eye the growth prospects of battery-powered vehicles. Tesla's market valuation of about \$685 billion, while down significantly this year, remains more than 10 times as large as that of GM.

GM shares had fallen 39% this year through Monday, driven down by investor concerns over rising commodity costs, continued supply-chain

troubles and a potential cooling in consumer demand.

In the third quarter, easing supply-chain constraints helped GM's bottom line. Production in North America—its main profit generator—soared to about 651,000 vehicles in the just-ended quarter, a 73% increase from a year earlier, according to research firm Wards Intelligence.

GM's pretax profit margin in North America rose to 11.2%, from 10.3% a year earlier, helped by a big increase in factory output of GM's largest pickup trucks.

In China, income from GM's joint-venture operations rose 22%, to \$330 million, as factories ramped up again following Covid-19 lockdowns.

"We haven't seen anything there in the short term that has given us any major concerns," Mr. Jacobson said. GM's driverless-car operation, San Francisco-based Cruise, posted losses of roughly \$500 million for the quarter and \$1.4 billion through September this year. Mr. Jacobson said the losses were expected as Cruise plans expansion to two more U.S. markets.

The nation's largest car company by sales benefited during the period from releasing tens of thousands of vehicles that got held up in the second quarter because of supply-chain snags. GM in June said it set aside nearly 100,000 vehicles due to a shortage of computer chips and other parts, denting second-quarter earnings. Much of that backlog was expected to be shipped in the third quarter.

## BUSINESS & FINANCE



The carrier's revenue per piece shipped increased 8.6% in the latest quarter, offsetting a 2.1% decline in the volume of packages.

## UPS Profit Withstands Volume Fall

By DEAN SEAL AND ESTHER FUNG

United Parcel Service Inc.'s profit climbed in the third quarter despite a drop in shipping volumes, as higher prices buoyed the business.

UPS Chief Executive Carol Tomé said the global economy outside the U.S. softened in the third quarter, but the delivery company managed to adjust its networks to changes in parcel volume.

Overall revenue for the Atlanta-based delivery company rose 4.2% to \$24.2 billion, as revenue per piece shipped climbed 8.6%, offsetting a 2.1% decline in the volume of packages.

The drop in shipping levels from a year ago is the latest sign of slackening demand across various modes of transportation ahead of what is typically the industry's busiest time of the year. UPS rival

FedEx Corp. last month reported steeper drops in shipping volumes amid a global economic slowdown, and cargo shipowners and trucking companies are also facing declines in demand.

UPS expects overall parcel volume in the coming peak period to decline from a year earlier, judging from its contracts with shippers. UPS executives added that they expect peak to be a little later this year, as inventory levels are in better shape than last year, when consumers were encouraged to shop earlier. There also is an extra delivery day during this peak season.

"We have not seen any demand destruction at this point," Ms. Tomé said. While UPS has been able to increase its revenue per piece by 23% since 2019, the company is planning to make more changes internally, such as introducing more automation in

its sorting facilities, to keep profit margin growth. If the company is able to squeeze savings out of its operations, it would be willing to pass some of those back to customers, said Ms. Tomé.

The company is planning to place more resources on improving productivity, in its new "bigger and bolder" strategy, a change from "better, not bigger" that had been focused on delivering more profitable packages.

There is uncertainty in the economic outlook for the U.S., with rising interest rates to tame high inflation trickling into consumer spending. "We're going to build more agility to our plan than we've seen before. We have to be able to turn on a dime," said Ms. Tomé.

While higher than last year, quarterly revenue was under analysts' expectations of \$24.31 billion, according to FactSet.

Earnings came in at \$3.1 billion, up from \$2.3 billion a year ago. Stripping out one-time items, adjusted earnings were \$2.99 a share, topping analyst expectations of \$2.84 a share, according to FactSet.

For the full year, UPS said it affirms expectations that revenue will reach \$102 billion and of adjusted operating margins at 13.7%. It expects capital expenditure to be reduced by \$500 million to \$5 billion.

UPS's drop in shipping was comparatively less than FedEx's. In its quarter ended Aug. 31, FedEx said shipping volumes fell 11% across its Express unit and 3% in its domestic Ground unit.

UPS and FedEx have been raising prices to offset a global slowdown. Both said they plan to raise shipping rates an average of 6.9% across most of their services, following an increase of 5.9% in 2022 and 4.9% in preceding years.

## Chipotle Boosted by Rising Burrito Prices

By HEATHER HADDON

Chipotle Mexican Grill Inc. said consumer demand remained strong for its burritos and bowls even after it raised prices again in recent months, though the chain's chief executive said inflation is wearing on some consumers.

The burrito chain said Tuesday its same-store sales grew 7.6% in the third quarter ended Sept. 30 compared with the year-earlier period. Higher prices helped drive some of the increase, with its average menu prices 13% higher compared with the same period last year, the company said. Chipotle said it has raised

prices several times in the past 12 months. This month, the Newport Beach, Calif.-based company raised menu prices in roughly 700 restaurants where it said further hourly wage increases were needed to improve staffing. Chipotle boosted wages between \$1 and \$3 an hour in those markets, which were scattered across the country, Chief Executive Brian Niccol said.

Mr. Niccol said that Chipotle hopes to avoid further price hikes and he expected that demand among its customers will remain strong, though he said consumer sentiment more broadly remains uncertain in the year ahead.

"Over time I think the consumer's balance sheet is getting chipped away," Mr. Niccol said. "I think you are going to definitely be in store for a demand slowdown."

Chipotle's shares fell 1.52% to \$1,560 in after-hours trading.

Many restaurants have raised prices this year, as executives said they have faced increasing costs. Prices at food-service businesses were up 8.5% in the 12 months ended September, the Labor Department said this month.

Chipotle said its order transactions declined 1% last quarter compared with last year. The company said its

food represented a good value compared with competitors and grocery store prices, which have also jumped this year. However, lower-income consumers have reduced their visits to restaurants, Chipotle and other chains have said.

For the third quarter, the burrito chain posted net income of \$257.1 million, or \$9.20 a share, up from \$204.4 million, or \$7.18 a share, a year ago. Adjusted earnings were \$9.51 a share, above analysts' expectations. Revenue rose to \$2.22 billion from \$1.95 billion. Analysts polled by FactSet expected \$2.23 billion.

—Denny Jacob contributed to this article.

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BUSINESS NEWS

# Higher Prices Boost Sales at Coca-Cola

Beverage giant still is preparing for recession, launching packages at lower price points

By JENNIFER MALONEY

Coca-Cola Co. raised its outlook for sales and profit for 2022, but said it was introducing packages at lower price points as it prepares for a global recession.

The beverage company's revenue increased 10% for the quarter ended Sept. 30, as consumers continued to absorb higher prices. Coca-Cola's prices were 7% higher, on average, than in the same period last year, said the company's finance chief, John Murphy.

In Europe and the U.S., Coca-Cola is detecting signs that inflation is pushing consumers to change their buying habits, shifting to store-branded water and juice and shopping more in dollar stores, Chief Executive James Quincey said at a conference call with analysts Tuesday.

In a recession, consumers tend to try to reduce the amount they spend on each shopping trip, making affordable price points important, he said. "Around the world that's absolutely what we're pursuing," he said.

The company is introducing packages at lower price points for consumers whose pocket-



Sales gained despite the impact of the stronger dollar, which dented revenue. Above, a market in Toluca, Mexico.

books are squeezed by inflation.

The new offerings include quarter-liter bottles and multi-packs with fewer cans in the U.S., refillable bottles in South Africa and new 750-milliliter and 350-milliliter bottles in Japan, company executives said.

U.S. and European business activity fell in October, pointing to a slowdown in U.S. and global growth, as higher

prices and interest rates weigh on consumer demand, Europe continues its economic conflict with Russia and China faces headwinds.

Mr. Murphy said it is clear that a recession is coming, but it isn't clear how consumers will respond.

"We've got to have the ability to pivot and adapt as we learn on the fly as to how consumers will react," he said in an interview.

He said the company would build on lessons from the past three years, when Covid-19 lockdowns closed restaurants, stadiums and movie theaters, forcing the beverage company to pivot.

Coca-Cola said it now expects organic revenue, a metric that strips out currency effects, acquisitions and divestitures, to increase 14% to 15% this year.

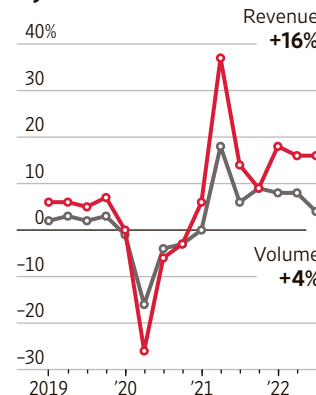
The company's global case

volume increased 4% in the latest quarter, driven by strong international sales.

The sales gain comes even as Coca-Cola reported a significant impact from the stronger dollar, which dented revenue by 8 percentage points. The company said organic revenue increased 16% year over year.

Overall for the quarter, Coca-Cola posted net income of \$2.8 billion, or 65 cents a share, compared with \$2.5 bil-

Coca-Cola's organic revenue and case volume, change from a year earlier



Source: the company

lion, or 57 cents a share, a year earlier.

Stripping out one-time items, the company said adjusted earnings were 69 cents a share. Analysts polled by FactSet had forecast adjusted earnings of 64 cents a share.

Revenue came in at \$11.1 billion, ahead of analyst estimates of \$10.5 billion.

—Sabela Ojea contributed to this article.

◆ Heard on the Street: Currency worries don't damp fizz... B15

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# 3M Trims Forecast as Consumer Demand Declines

By BOB TITA AND WILL FEUER

3M Co. cut its profit and sales forecast for the year, as weakening demand from customers and the U.S. dollar's strength against foreign currencies pulled down quarterly sales.

Sales of the industrial conglomerate's products, which include Scotch tape, bandages, furnace filters and safety

equipment, fell 3.6% from the same period last year, 3M said. Inflation weighed on consumer spending, and declining cases of Covid-19 reduced demand for the company's face masks, executives said.

Inflation continues to drive up the cost of materials and other expenses, while companies' moves to raise prices and pass along higher production costs are discouraging consumer spending, particularly

in electronics, where 3M supplies materials, executives said. Demand for back-to-school products this summer was weaker than expected because higher prices diminished consumers' purchasing power.

"Inflationary pressures remain persistent and broad based," said Monish Patolwala, chief financial officer, during a call with analysts.

The St. Paul, Minn.-based company said the strong U.S.

dollar lowered its sales in the quarter by about 5%, with unfavorable exchange rates reducing 3M's sales in foreign currencies when they are converted into dollars. The company predicted that foreign-currency translations would reduce sales for the year by about 4.5%, compared with its previous forecast of 4%.

Sales of disposable masks declined by \$130 million during the quarter from a year

earlier, the company said.

3M said it is proceeding with the spinoff of its healthcare business into a separate, public company. 3M continues to defend itself against personal-injury lawsuits filed over earplugs that it produced for the military, and chemicals produced years ago that were used in 3M's Scotchgard fabric coating and other products.

3M said it now expects sales for 2022 to decline by a

range of 3% to 3.5% from 2021's level, compared with the company's prior projection of a 0.5% to 2.5% decline. Adjusted earnings for 2022 are expected to be between \$10.10 a share and \$10.35 a share, the company said, down from its prior range of \$10.30 a share to \$10.80 a share.

Overall, for the three months ended Sept. 30, 3M reported a profit of \$3.86 billion, or \$6.77 a share.

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What makes these Barber half dollars (1892-1915), as well as the Walking Liberty half dollars (1916-1947), Ben Franklin half dollars (1948-1963) and JFK half dollars (1964), is that they are silver.

The 1964 Kennedy half dollars were removed from circulation for sentimental reasons. As the price of silver continued to increase, all pre-1964 silver half dollars disappeared from circulation as well.

As the nation adjusted to copper-clad coins, both businesses and consumers seemed to adapt to a country in which the half dollar did not generally circulate because most vending machines accepted nickels, dimes and quarters. The same with pay phones (which have also gone the way of the half dollar with the advent of the cell phone).

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TECHNOLOGY

WSJ.com/Tech

# Spotify Posts Big Gains in Subscriptions

Audio-streaming giant says customers can expect price hikes sometime in 2023

By ANNE STEELE

**Spotify Technology SA** posted a better-than-expected rise in revenue and users for the latest quarter as the audio-streaming giant turned its focus to achieving profitability.

Chief Executive Daniel Ek said in an interview Tuesday that subscribers can expect price hikes for the service sometime in 2023. The premium service in the U.S. has cost \$9.99 since Spotify was launched in the U.S. in 2011. Spotify has implemented dozens of price increases in markets around the world without losing customers, said Mr. Ek.

**Apple Inc.** on Monday increased the subscription price in the U.S. for its music service by \$1 a month, the first of any major company to break from the long-held \$9.99 a month for individual users. The company cited an increase in licensing costs.

"We have the same pricing power in the U.S.," said Mr. Ek, adding that Spotify will aim to reach an agreement with label partners that is advantageous from both sides.

For its third quarter, Spotify reported 456 million monthly active users, up 20% from a year earlier, and above the company's guidance. Paying subscribers, Spotify's most lucrative type of customer, climbed 13% to 195 million, also exceeding the company's expectations, thanks to promotions and household plans.

Spotify shares fell nearly 6% in aftermarket trading Tuesday. During the quarter, Spotify



Post Malone performs at a Spotify event. The company increased monthly active users by 20%.

introduced its expansion into audiobooks, the latest move in the company's evolution from a pure-play music service to a more diversified audio business. Users can now purchase and listen to a catalog of more than 300,000 titles from independent authors and major publishers on a pay per download basis.

Mr. Ek said Apple's App Store policies have hampered the rollout of its audiobook offerings, rejecting Spotify's prompts to direct users to make purchases through a web browser instead of inside the app. The move means Apple won't be taking up to a 30% commission for downloads. Spotify has been fighting Apple over its in-app purchase policies for years.

"This was an issue we antici-

pated but what we didn't anticipate was how stringent Apple would be in rejecting it," said Mr. Ek. "It highlights the absurdity of the current App Store regime we're seeing at the moment."

The Spotify app was rejected for not following the guidelines regarding explicit in-app communications to direct users outside the app to make digital purchases," said an Apple spokesperson. "We provided them with clear guidance on how to resolve the issue, and approved their app after they made changes that brought it into compliance."

Spotify said its results were affected by recent acquisitions including the audiobook company Findaway and the Wordle-inspired listening game Hear-

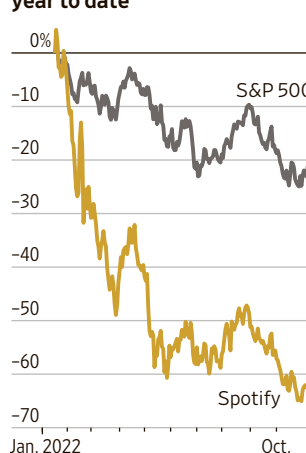
Free cash flow, a measure of the cash a company generates from operations and viewed by many investors as a proxy for performance, was €35 million, down from €99 million a year earlier and €37 million in the previous quarter.

Spotify posted a loss of €194 million, or 99 European cents a share, compared with a loss of €80 million a year earlier. For years, executives have said Spotify will give priority to investment over profits as the company works to attract users around the world and expand into new forms of audio.

Average revenue per user for the subscription business in the quarter rose 7% to €4.63, equivalent to \$4.61, but fell 1% on a constant currency basis.

The metric has been pressured as the company attracts

Share and index performance, year to date



Source: FactSet

new subscribers through discounted plans and lower prices in newer markets. Spotify began raising the price of its family plan over a year ago in dozens of markets, including the U.S., which has helped increase revenue on a per-user basis.

Subscriptions, the largest contributor to revenue, jumped 22% to €2.65 billion. Advertising revenue climbed 19% to €385 million. Ad revenue, which has become a particular growth area for Spotify as it expands its podcast business, made up 13% of total revenue for the period. The company noted slower than forecast ad growth, citing the challenging macroeconomic environment.

Spotify said it now has 4.7 million podcasts available on its service, up from 4.4 million in the previous quarter, and that the number of users who listened to shows in the period increased in the "substantial double-digits" from a year ago.

In all for the third quarter, revenue increased 22% to €3.04 billion, coming in above the company's guidance.

# SK Hynix Halves Spending On Chips

By JIYOUNG SOHN

SEOUL—**SK Hynix Inc.**, one of the world's biggest chip makers by revenue, halved its planned investments for next year due to a deterioration in market conditions, as the semiconductor industry's downturn continues.

Predicting a prolonged oversupply of memory chips, the South Korea-based SK Hynix said it would slash capital-expenditure spending by more than 50% from the current year. The company said its 2022 spending would be between 10 trillion to 20 trillion won, or roughly \$7 billion to \$14 billion.

SK Hynix is a dominant player in memory chips, trailing only Samsung Electronics Co. Last year, it ranked, alongside Samsung, Intel Corp. and Micron Technology Inc., as the biggest semiconductor firms in the world by revenue.

SK Hynix also owns and operates several facilities in China, where new U.S. export rules have added fresh barriers to production there. In a worst-case scenario for contingency planning, SK Hynix said it would consider exiting from the Chinese market if the U.S. restrictions make continued operations too difficult.

On Wednesday, SK Hynix reported net profit for the July-September quarter of 1.1 trillion won, a 67% decline from the prior year. Revenue reached 10.98 trillion won, a 7% drop from a year earlier.

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# Warner Hires Producer-Director Team to Head DC Studios Business

By ROBBIE WHELAN

**Warner Bros. Discovery** Inc. has tapped the veteran director-producer team of James Gunn and Peter Safran to lead DC Studios, the movie franchise that includes a stable of valuable superhero properties including Superman, Batman, Wonder Woman and Aquaman.

Mr. Gunn and Mr. Safran will serve as co-chairmen and co-chief executives of the studio and will report directly to David Zaslav, chief executive of Warner Bros. Discovery, the company said. Mr. Zaslav has

said he wants to put in place a 10-year-plan to rebuild DC and make it better compete with Walt Disney Co.'s Marvel.

In the past, the head of the DC superhero franchise has reported to the chairman of Warner Bros. Pictures, but as part of the restructuring of the studio, Msrs. Gunn and Safran will oversee all of DC's titles across multiple formats, including theatrical releases, television series and releases for Warner Discovery's HBO Max streaming service.

Mr. Gunn is a veteran of superhero films, known for writ-

ing and directing Marvel's three "Guardians of the Galaxy" movies, including a sequel set to be released next year. He also served as producer of two of the "Avengers" films. For DC, he wrote and directed 2021's "Suicide Squad" and has been involved as a writer in the "Scooby-Doo" franchise.

The duo has known one another for more than two decades, and Mr. Safran produced "Suicide Squad" as well as the DC movies "Aquaman" and "Shazam!" and the New Line Cinema horror movie series "The Conjuring."

# Simulated Celebrities In Ads

Continued from page B1  
lege of Information Systems and Public Policy.

U.S. lawmakers have begun to address the deepfake phenomenon. In 2019, Virginia outlawed the use of deepfakes in revenge porn, Texas outlawed them in political campaigns and California banned them in both. Last year, the U.S. National Defense Authorization Act instructed the Department of Homeland Security to produce annual reports on threats posed by the technology.

But experts said they aren't aware of laws specifically addressing the use of deepfakes in commercials.

Celebrities have had some success suing advertisers for the unauthorized use of their images under right of publicity laws, said Aaron Moss, chairman of the litigation department at law firm Greenberg Glusker. He cited Woody Allen's \$5 million settlement with American Apparel in 2009 over the director's unapproved appearance on a billboard advertising the risqué clothing brand.

Both Paperspace and reAlpha had lawyers review the videos and took steps to ensure viewers understood that the celebrities depicted didn't actually endorse the companies' products or participate in the making of the videos, the companies said.

The Paperspace video originally appeared on its own website and was designed to



A recent ad for reAlpha stars a deepfake version of Elon Musk.

educate users about deepfake technology, said Daniel Kobran, chief operating officer.

The Musk video by reAlpha included "robust disclaimers" establishing it as satire, said Christie Currie, chief marketing officer. So did a similar video reAlpha released last year, in which an ersatz version of the Tesla Inc. chief sat

little bit of risk with any parody type of content," Ms. Currie said in an interview, "but generally as long as it's meant to be educational, satirical, and you have disclaimers in place, there shouldn't be a problem as long as you're not pushing a transaction."

The likelihood that someone of Mr. Musk's stature would sue a startup for a deepfake video is low, and those companies might decide the risk is well worth the considerable publicity it would generate for them, Mr. Moss said.

"A lot of these companies purposefully get as close to the line as possible in order to almost troll the celebrities they're targeting," he said.

But the ease of creating deepfakes means some celebrities could soon be deluged by ads featuring their unauthorized, but very convincing likenesses, Mr. Moss said. It would be "death by a thousand cuts" if celebrities tried to go after every small business or individual creator that used the software, he added.

At the same time, the language in contracts written years before the technology existed may be vague enough to allow marketers to use existing footage to create new deepfake videos.

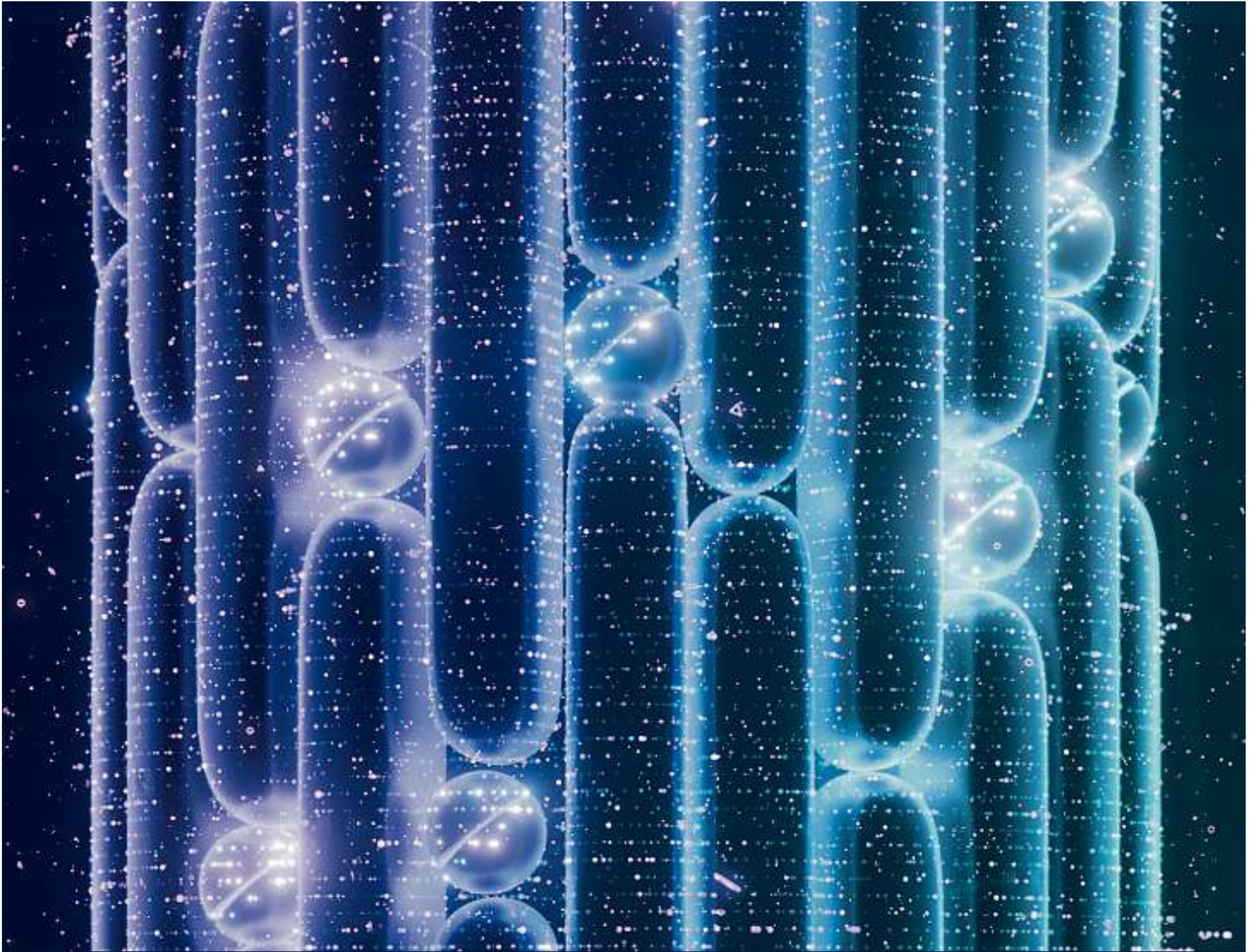
## 'Now we have deepfakes, which look ever more convincing'

in a bubble bath and explained the concept of Regulation A+ investing, or equity crowd-

funding.  
The first Musk video went live days after reAlpha launched a public offering under regulation A+ in 2021. The video eventually accumulated 1.2 million views on YouTube and drew active interest in reAlpha from "22K people in 83 countries," Ms. Currie said in an email. She added that the company avoided tying the video directly to its fundraising efforts.

"There's obviously always a





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# THE PROPERTY REPORT

## Timeshare Model Comes to Office Space

Tenants occupy same place on alternating days, saving rent while offering hybrid work

By KONRAD PUTZIER

Hybrid work schedules for most companies mean splitting time between remote work and time in the office. For the startup **Frontier Talent Inc.**, it also means rotating through the same office space with another company.

Frontier employees head to their San Francisco office on Mondays, Wednesdays and Thursdays. After two of those days, they pack their laptops, clean up their desks and throw away any trash so their work area will be clean when another company moves in for its turn using the space.

Thousands of companies across the U.S. are still grappling with exactly how much office space they need when many employees are in the workplace only part of the week. A growing number of companies now let their employees work part time from home but still want them to be

together in the office at least a few days a week to foster collaboration. That means offices are either mostly full or mostly empty, depending on the day of the week.

Enter Codi: The flex-office-space company manages about 50 furnished, private offices and coordinates office sharing so that the same set of desks, huddle rooms, whiteboards and snacks can be used by two to three different companies that occupy that same space on different days of the week.

These arrangements, which are something like a timeshare rental for offices, mean companies pay only for those days when their offices are likely occupied. About 35% of Codi's customers lease an office for fewer than five days a week, said Chief Executive Christelle Rohaut.

The office timeshare concept doesn't work for everyone. It is geared toward smaller companies and startups that do most of their work on laptops and don't store sensitive information in bulky servers or filing cabinets.

"We have everything in the cloud anyway," said Piero Molino, CEO of machine-learning-platform startup Predi-



Elliot O'Connor's Frontier Talent shares a San Francisco office.

base, which pays roughly \$6,000 a month to use a Codi office in downtown San Francisco every Tuesday and Wednesday.

At Frontier, a job-recruit-

ment company, founder Elliot O'Connor was working remotely during the pandemic in a variety of apartments when he realized he missed not having an office.

"I've just been spending

crazy amounts of time in my bedroom for the last two years," he said. "I just felt like I needed a change." Getting a membership at a co-working space was an option, but Mr. O'Connor preferred a private office that would be his alone when he was in the building.

But because Mr. O'Connor is the only one of Frontier's 20 employees based in the Bay Area, he had little interest in coming to the office five days a week, or for spending money on more days than he needed.

"If we're not going to need it, then we may as well not pay for it," he said.

So he settled on the San Francisco office, a roughly 900-square-foot ground-floor space. Frontier pays about \$1,500 a month for the space on a three-month lease.

Mr. O'Connor said he doesn't even know who occupies his space on Tuesday and Friday. He said the space's three users do a good job of keeping it clean and throwing away trash at the end of the day, and the only items left behind by the other tenants are monitors.

"We're all adults," he said.

For some companies, cut-

ting back on days means they can afford more space.

Fuzzy, a pet-telehealth company based in San Francisco, initially sought a 2,000-square-foot office, said the company's general counsel, Dave Toomey. It is now leasing about 3,000 square feet—but only for Tuesdays and Wednesdays. At roughly \$8,000 a month, the price tag is about half of what a similar office would cost under a traditional lease, Mr. Toomey said.

Like Mr. O'Connor, Predibase's Mr. Molino said he has no clue who the office's other tenants are. The office has a fridge, and food left behind by yesterday's occupier is fair game in keeping with the arrangement's sharing spirit, he said. "We're not going to fight over a granola bar," he said.

Mr. Molino sometimes keeps personal items in the office's lockers but mostly leaves little behind. If it weren't for the strangers coming in the rest of the week, he added, he would leave books and papers on his desk.

"It actually keeps the space from becoming more of a mess," he said.

## Pensions' Appetite for Commercial Real Estate Fades

By PETER GRANT

U.S. public pension funds, after pouring new money into commercial real estate at a record rate during the first half of the year, are cooling fast on the sector and cutting back on new investments.

These retirement funds made \$32.6 billion worth of new financial commitments to office buildings, warehouses, hotels and other commercial properties in the first six months of 2022, according to Ferguson Partners, a professional services firm that tracks the industry. Those investments, made through financial firms and funds, were up nearly

40% from the 2021 period.

Demand for property was intense in the first half partly because investors were still returning to the market after the disruptions caused by the early stages of the pandemic, according to Scott McIntosh, a Ferguson director. In the early months of 2022, when inflation was starting to be more of a concern, numerous investors viewed real estate as a good inflation hedge, he said.

"Real estate was generating strong returns," Mr. McIntosh said. "We were seeing strong rental growth and strong transaction volume through 2021 and a lot of that momentum flowed into the first half of 2022."

But rising borrowing rates are bad news for such an interest-rate-sensitive sector. Growing recession fears, meanwhile, could prevent property owners from raising rents as aggressively as they have been doing.

Ferguson hasn't completed tallying third-quarter pension-fund commitments, but Mr. McIntosh said it is likely they will fall in the year's second half.

Private-equity funds and other real-estate investors that rely on pensions and other institutions when they are raising money for their new funds say they have noticed the difference. "It's harder out there," said Jona-

than Gray, president of Blackstone Inc., on an earnings call last week about the institutional fundraising climate.

Real-estate funds managed by private-equity firms have raised \$112.8 billion from pension funds and other institutional investors globally as of Oct. 20 compared with \$157.9 billion in the period last year, according to data firm Prequin. Market participants believe fourth-quarter fundraising will be much lower than the record \$80 billion raised in the 2021 fourth quarter.

The slowdown in fundraising is one reason that commercial property sales are slumping. Investors purchased

\$172.2 billion worth of commercial property in the third quarter, down 21% from the same period last year, according to data MSCI released last week. The decline in sales, in turn, is putting pressure on prices. Pensions and other big investors are reluctant to make commitments to new funds now because they don't know how far values will drop if there is a recession.

Many pensions are limiting new commitments to real estate because of something in the investment world known as the denominator effect: These pensions want to limit their property holdings to a certain percentage of their total port-

folio. Real-estate holdings as a percentage of total holdings were rising earlier in the year in part because the stock-market position was shrinking rapidly. In some cases, that meant pension funds had too much exposure to real estate relative to their overall benchmarks, and now they need to reduce those positions.

Some pensions also are targeting possible opportunities involving troubled properties in an economic downturn. The Connecticut Retirement Plans and Trust Funds, for example, is looking to "take advantage of the lack of capital in certain areas" as well as "distress in the market," said a spokeswoman.

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BUSINESS NEWS

# Meta's WhatsApp Restores Service After Global Outage

By NEWLEY PURNELL

HONG KONG—Meta Platforms Inc.'s popular WhatsApp messaging service suffered a global outage Tuesday, with some users saying they were unable to use it for more than an hour.

"We know people had trouble sending messages on WhatsApp today," a WhatsApp spokeswoman said. "We've fixed the issue and apologize for any inconvenience." She didn't respond to a question about what caused the outage.

DownDetector, which tracks website outages, said it had received more than 28,000 reports from India that WhatsApp had stopped working around midday local time. It registered more than 4,000 reports from Hong Kong and more than 67,000 reports from the U.K. In the U.S., where the outage occurred during the night, DownDetector registered more than 4,600 reports by users.

WhatsApp has more than 2 billion users globally. India is its biggest market, home to over 400 million users.

Temporary interruptions of social-media platforms, cloud companies and various websites are relatively common in the U.S. and elsewhere. But few services are used so widely for communications ranging from the mundane to the critical as WhatsApp.

In India and elsewhere friends and family members use WhatsApp, which is free, to share updates, photos and videos, and businesses increasingly use the platform to communicate with their customers.

Meta's services went offline for as much as six hours last year, disrupting access for businesses and users around the world. Its core platforms and apps including WhatsApp, Instagram and Facebook Messenger were affected by what Facebook called networking issues.

Amazon.com Inc.'s cloud-computing unit, Amazon Web Services, suffered several outages in December, disrupting U.S. cryptocurrency and video-streaming companies that use its cloud infrastructure.

# Museum to Display Digital Art

By KELLY CROW AND ROBBIE WHELAN

Digital artist Mike Winkelmann, who goes by Beeple, rarely visited art museums before he sold a digital collage at Christie's for nearly \$70 million last year. Now, he is building a museum of his own.

Speaking at The Wall Street Journal's Tech Live conference, Mr. Winkelmann said he is constructing a 50,000-square-foot exhibition space in Charleston, S.C., to display digital art, including his own.

Part of the space will be used as a studio, but Mr. Winkelmann said he has dedicated a large portion of the property to serve as a public museum.

Mr. Winkelmann said he intends to use his museum to showcase the works of digital artists he admires but thinks aren't getting enough exposure in the mainstream art market. He said he doesn't plan to sell these artists' works because he wants the museum to remain a noncommercial space.

He also plans to change the content of exhibitions on a quicker timeline than most traditional art galleries or museums do.

"The pacing and the programming, I think there's ways to make that entire process sort of automated, instead of taking months to put on a show and have it be the exact same show for three months," Mr. Winkelmann said. "Some kid in India—you send me the right file? I'll put it up on the screen."

In recent years, Mr. Winkelmann has visited museums around the world to get a better sense of how curators and visitors present and interact with digital art. He said that his South Carolina exhibition space would focus on "the actual experience of digital art, rather than the speculation surrounding it."



Mike Winkelmann is constructing a 50,000-square-foot exhibition space in Charleston, S.C.

Digital artists are facing dismal demand for their works tagged with nonfungible tokens—which serve as digital receipts on the blockchain—compared with the frenzy that took hold at the height of the Covid-19 pandemic. When the cryptocurrency market nearly collapsed this spring, it took the market for NFT-based art with it: The auction house Christie's has sold only \$4.6 million of NFTs during the first half of this year, compared with \$150 million last year.

Mr. Winkelmann said he intends to capitalize on lessons he learned as an NFT digital-art phenom to help other, emerging artists during the downturn.

He said he expects digital art to survive the current market climate, but added that a winnowing of lesser artworks is likely to occur, the same way

NFT technology that doesn't have entertainment value or broad utility will probably lose value and disappear.

"We are definitely in a crypto winter," he said. "People are hyperfocused on prices and things like that, and I think the correct focus would be who is building things that will have long term value in the space. ...The fundamental technology has not changed in the last six months. If you're focused on delivering products that people find enjoyable or useful, you'll be fine."

Mr. Winkelmann said he pulled some of his own fortune out of cryptocurrencies before the market fell flat, but has since reinvested it.

He joins a litany of major artists opening their own museums, and he expects his to show digital art differently than

the proliferation of immersive art productions popping up lately that center on artists such as Vincent Van Gogh. He also said he can do better than the handful of blue-chip galleries showing room-engulfing digital art.

Blockchain technologies represent "a much more sort of meaningful way to collect this work," Mr. Winkelmann said.

"You could have collected it before, collect prints or collect floppy drives, but it wasn't that popular," he said. "It didn't resonate with people the same way."



For more on The Wall Street Journal's virtual conference, visit [techlive.wsj.com](https://techlive.wsj.com)



Gamers check out the Microsoft Xbox at a fair in Germany.

# Microsoft Profit Falls

Continued from page B1 from 50% in the same quarter last year.

As companies grapple with high inflation, rising interest rates and economic worries, Microsoft says they use its software and cloud services more for efficiency and flexibility.

"Moving to the cloud is the best way for organizations to do more with less today," Microsoft Chief Executive Satya Nadella said in the earnings call Tuesday.

Fluctuations in the value of the dollar have also made Microsoft's numbers look worse, and Ms. Hood said the currency would continue to be a factor in its current quarter.

The WSJ Dollar Index, which tracks U.S. currency performance against other currencies, is up close to 15% since the beginning of the year. Microsoft gets close to half of its sales overseas and a strong dollar means the money it earns in foreign currency translates into fewer dollars.

Microsoft shares have fallen 26% so far this year, slightly better than the tech-heavy Nasdaq Composite Index which has slipped 29%. Over the same period, Apple Inc. shares have fallen 16% while Meta Platforms Inc. has tumbled 59%.

Earlier this month Microsoft said it was laying off employees to adjust to evolving business prospects. It didn't say how many people it was cutting.

In July, the software maker said it had plans to cut positions, affecting less than 1% of its workforce of over 200,000.

Mr. Playter said he intends to use his museum to showcase the works of digital artists he admires but thinks aren't getting enough exposure in the mainstream art market. He said he doesn't plan to sell these artists' works because he wants the museum to remain a noncommercial space.

Mr. Playter brought Spot

# Robot Maker Feels Spurred by Rivalry

By SEBASTIAN HERRERA

The robotics industry can benefit from the growing competition happening now—including from Elon Musk—said Robert Playter, chief executive of Boston Dynamics.

Boston Dynamics, known for its four-legged robot "dog" named Spot, has been working on robotics for three decades, and Mr. Playter said that it is expanding its efforts amid growing activity by rivals. Mr. Musk recently unveiled a prototype of a humanoid robot being developed by his electric-vehicle company, Tesla Inc., that he said would cost less than a car.

"I'm a competitor at heart," Mr. Playter said at the Wall Street Journal's Tech Live conference on Tuesday. "The Tesla team are making great progress. In one year, they'll make a couple machines from scratch—that's remarkable. They're shining a spotlight on the importance of this technology. That only helps us."

Mr. Playter brought Spot

onto the stage to show off its capabilities, including finding its balance when pushed and testing an arm that can grab items. In the next several years, Boston Dynamics could unveil new robots with multiple arms, he said.

Robots, particularly those in warehouses, have made advances in recent years, though challenges remain to making them into profitable businesses. Last year, Boston Dynamics announced a robot called Stretch that it developed in response to rising demand for automation in warehouses. Stretch can reach up to 10 feet inside of a truck to pick up and unload boxes up to 50 pounds each. The robot has a mobile base that can maneuver in any direction and navigate obstacles and ramps, as well as a robotic arm and a gripper.

Warehouse robotics were largely pioneered by companies such as Kiva Systems, which

Amazon.com Inc. purchased in 2012 and has since made central to automation inside its warehouses. Amazon has recently shown a growing interest in robots both in and out of its facilities. The company this year agreed to purchase Roomba maker iRobot for \$1.7 billion and in 2021 unveiled a home robot named Astro.

Boston Dynamics recently signed a pledge not to weaponize its robots. Mr. Playter said his company eventually wants to put robots in homes and is focused on making them feel safe to humans.

"We see a future where robots like this are going to be ubiquitous," he said. "We'll be working among them. There's great potential for this industry. But for it to grow to its potential, people have to trust them."

Warehouse robotics were largely pioneered by companies such as Kiva Systems, which

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# 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.
IF Late filing.
q Trading exemption from Nasdaq requirements.
N NYSE bankruptcy.
V Trading halted on primary market.
W 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: Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg. Includes sub-sections A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, S, T, U, V, W, X, Y, Z.

Table with columns: Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg. Includes sub-sections J, K, L, M, N, O, P, Q, R, S, T, U, V, W, X, Y, Z.

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Table with columns: Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg. Includes sub-sections P, Q, R, S, T, U, V, W, X, Y, Z.

New Highs and Lows

The following explanations apply to the New York Stock Exchange, NYSE Arca, NYSE American and Nasdaq Stock Market stocks that hit a new 52-week intraday high or low in the latest session. \* CHG Daily percentage change from the previous trading session.

Table with columns: Stock, Sym, 52-Wk H/L, Chg, Stock, Sym, 52-Wk H/L, Chg, Stock, Sym, 52-Wk H/L, Chg, Stock, Sym, 52-Wk H/L, Chg. Includes sub-sections H, I, J, K, L, M, N, O, P, Q, R, S, T, U, V, W, X, Y, Z.

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Advertisement for 'Dividend Changes' with a table of company symbols, dividends, and dates.

Advertisement for 'Cash Prices' with a table of commodity prices for various goods like wheat, oil, and metals.



# Think crypto is none of your business? Think again.

The world has changed.

But finance hasn't changed with it.

It's not fast enough.

Not efficient enough.

Not innovative enough.

If you've had enough of 'not enough'  
then you're ready for a new approach.

You're ready for money that moves  
across borders in seconds, not days.

You're ready for markets  
that never close.

You're ready for central banks  
with advanced digital currencies.

You're ready for a transformative  
era in finance.

**You're ready for crypto.**

[ripple.com/crypto-means-business-ny](https://ripple.com/crypto-means-business-ny)

Crypto Means Business



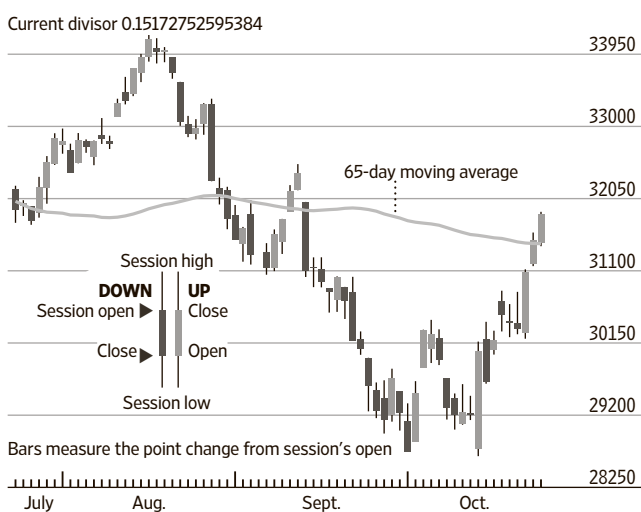


MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

31836.74 ▲ 337.12, or 1.07%
High, low, open and close for each trading day of the past three months.



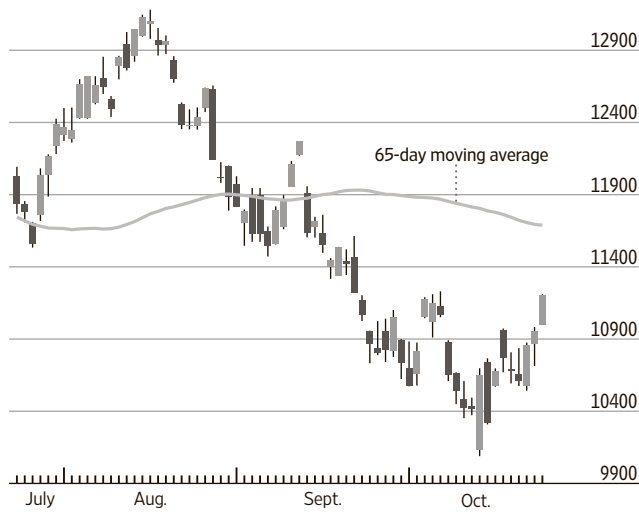
S&P 500 Index

3859.11 ▲ 61.77, or 1.63%
High, low, open and close for each trading day of the past three months.



Nasdaq Composite Index

11199.12 ▲ 246.50, or 2.25%
High, low, open and close for each trading day of the past three months.



Major U.S. Stock-Market Indexes

Table listing various stock market indexes including Dow Jones, Nasdaq Stock Market, S&P 500, and Russell 2000, with columns for High, Low, Close, Net chg, % chg, 52-Week High/Low, and YTD % chg.

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6 p.m. ET as reported by electronic trading services...

Most-active issues in late trading

Table of most-active issues in late trading, listing companies like ProShares UltraPro QQQ, Alphabet CI A, and SPDR S&P 500 with their respective price changes.

Percentage gainers...

Table of percentage gainers, listing companies like MicroSect FANG+ -3X Invr, ChampionX, and Direxion Dly Semi 3 Bear.

...And losers

Table of percentage losers, listing companies like Taysha Gene Therapies, Skechers USA CI A, and NexTier Oilfield Solns.

Trading Diary

Volume, Advancers, Decliners

Table showing trading volume, number of advancers, and decliners for NYSE and NYSE Amer. markets.

International Stock Indexes

Table of international stock indexes by region/country, including MSCI ACWI, Euro STOXX, and various regional indices.

Percentage Gainers...

Table of percentage gainers in international markets, listing companies like Medpace Holdings, Weber, and Canopy Growth.

Most Active Stocks

Table of most active stocks, listing companies like Mullen Automotive, ProShares UltraPro QQQ, and Snap.

Percentage Losers

Table of percentage losers in international markets, listing companies like Mana Capital Acquisition, TuanChe ADR, and Barfresh Food Group.

Volume Movers

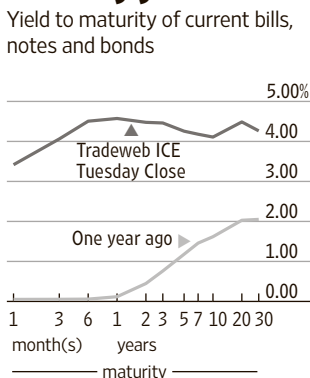
Table of volume movers, listing companies like Revolution Hlthcr CI A, Endurance Acqn CI A, and Tishman Speyer II CI A.

CREDIT MARKETS

Consumer Rates and Returns to Investor

Table showing U.S. consumer rates for various loans and returns to investor for different investment products.

Treasury yield curve



Forex Race



Corporate Borrowing Rates and Yields

Table showing corporate borrowing rates and yields for various bond indices like U.S. Treasury, Aggregate, and High-Yield.

CURRENCIES & COMMODITIES

Table showing U.S.-dollar foreign-exchange rates and commodity prices for various international currencies and goods.

Commodities

Table showing commodity prices for items like oil, natural gas, and gold.



COMMODITIES

wsj.com/market-data/commodities

Futures Contracts

Metal & Petroleum Futures table with columns for Open, High, Low, Settle, Chg, Open interest. Includes Copper-High, Gold, Palladium, Platinum, Silver, Crude Oil, NY Harbor ULSD, Gasoline, and Natural Gas.

Agriculture Futures table with columns for Open, High, Low, Settle, Chg, Open interest. Includes Corn, Oats, Soybean Meal, Soybeans, Wheat, and Cattle-Feeder.

Interest Rate Futures table with columns for Open, High, Low, Settle, Chg, Open interest. Includes Ultra Treasury Bonds, Treasury Bonds, Treasury Notes, 5 Yr. Treasury Notes, 2 Yr. Treasury Notes, 30 Day Federal Funds, 10 Yr. Del. Int. Rate Swaps, Three-Month SOFR, and Eurodollar.

Currency Futures table with columns for Open, High, Low, Settle, Chg, Open interest. Includes Japanese Yen, Canadian Dollar, British Pound, Swiss Franc, Australian Dollar, Mexican Peso, and Mini S&P 500.

BANKRATE.COM MMA, Savings and CDs

Average Yields of Major Banks table showing yields for various terms (1-MO, 2-MO, 3-MO, 6-MO, 1-YR, 2-YR, 2.5YR, 5YR) for Savings, Jumbos, and Weekly change.

Consumer Savings Rates

Below are the top federally insured offers available nationwide according to Bankrate.com's weekly survey of highest yields.

High yield savings table listing bank names, phone numbers, and yields for various terms like 1-month, 3-month, 6-month, and 1-year CDs.

High yield jumbos

High yield jumbos table listing bank names, phone numbers, and yields for 6-month, 1-year, 3-year, and 5-year CDs.

Notes: Accounts are federally insured up to \$250,000 per person. Yields are based on method of compounding and rate stated for the lowest required opening deposit to earn interest.

Borrowing Benchmarks

Money Rates

Key annual interest rates paid to borrow or lend money in U.S. and international markets. Rates below are a guide to general levels but don't always represent actual transactions.

Money Rates table with sections for Inflation, U.S. consumer price index, International rates, Prime rates, Overnight repurchase, U.S. government rates, and Discount.

Exchange-Traded Portfolios

Largest 100 exchange-traded funds, latest session

ETF table listing various exchange-traded funds with columns for Symbol, Price, Chg, YTD, and %.

Bonds

Tracking Bond Benchmarks

Return on investment and spreads over Treasuries and/or yields paid to investors compared with 52-week highs and lows for different types of bonds

Broad Market Bloomberg Fixed Income Indices table showing returns and spreads for various bond indices.

High Yield Bonds (CE BofA) table showing returns and spreads for high yield bond indices.

U.S. Agency Bloomberg Fixed Income Indices table showing returns and spreads for U.S. agency bond indices.

Global Government Bonds: Mapping Yields

Yields and spreads over or under U.S. Treasuries on benchmark two-year and 10-year government bonds in selected other countries; arrows indicate whether the yield rose (▲) or fell (▼) in the latest session

Global Government Bonds table showing yields and spreads for various international government bonds.

Corporate Debt

Prices of firms' bonds reflect factors including investors' economic, sectoral and company-specific expectations

Investment-grade spreads that tightened the most...

Investment-grade spreads table showing current, one-day change, and last week's spreads for various corporate bonds.

...And spreads that widened the most

Spreads that widened table showing current, one-day change, and last week's spreads for various corporate bonds.

High-yield issues with the biggest price increases...

High-yield issues with price increases table showing current price, one-day change, and last week's price for various high-yield bonds.

...And with the biggest price decreases

High-yield issues with price decreases table showing current price, one-day change, and last week's price for various high-yield bonds.

Notes: Estimated spread over 2-year, 3-year, 5-year, 10-year or 30-year hot-run Treasury; 100 basis points=one percentage pt.; change in spread shown is for 2-spread.

Source: MarketAxess



BUSINESS & FINANCE

Trader Seeks Wider Market for Diamonds

Company hopes to give gems the same liquidity as gold, other commodities

By RYAN DEZEMBER

A diamond is forever, but maybe not for much longer. Spot trading in commoditized clusters of diamonds started in September and the firm behind the electronic exchange aims to launch a futures contract next year on the Minneapolis Grain Exchange. An exchange-traded fund is next up in Diamond Standard's plans to get the gems included in the indexes that steer commodity fund investments.

"That's the inflection point our early investors are waiting for," said Cormac Kinney, founder and chief executive of Diamond Standard, which has been buying about 10,000 diamonds a week and selling plastic-encased, equally valued clusters to investors.

Mr. Kinney is aiming for something similar to what happened when gold became financialized. Once investors could buy and sell gold without hauling around bars of it, commodity funds and others made allocations that elevated the price of the precious metal to new heights.

ETFs and new futures contracts flop all the time, to be sure. And functioning markets in investment diamonds have been elusive, despite investor interest that flares up during periods of high inflation, like now, when people are anxious to squirrel away wealth.

Buying diamonds is the easy part. The problem is selling them. Many buyers pay retail but sell to dealers at wholesale prices. Though diamonds have dependably risen in value over the decades, it can take years to make up for the markup.

Diamonds also are idiosyncratic, with thousands of combinations of color, clarity, carat and cut, and usually valued by



CEO Cormac Kinney and wife Mimi So at Diamond Standard's Manhattan office. The firm packages equally valued clusters of diamonds on coins to be sold to investors.

subjective appraisal. You can cut a gold bar in two and the halves will equal the whole, but two half-carat diamonds don't add up to a 1-carat stone.

Fungibility, more than opaque pricing or illiquidity, is the biggest hurdle for investment diamonds, said Olya Linde, a Zurich-based partner at consulting firm Bain & Co., who specializes in energy and natural resources.

"If anyone solves that, that's the first big step toward unlocking the investment demand," she said. "This is where the real technology, artificial intelligence and machine learning, probably can come in."

Mr. Kinney, a computer scientist, believes he has cracked the code to commoditizing diamonds. He has run a quantitative hedge fund and created and sold trading programs and other software, including to News Corp, which owns The Wall Street Journal.

He got into diamonds when he met his wife, Mimi So, a dealer of gemstones and designer of fine jewelry. Buying

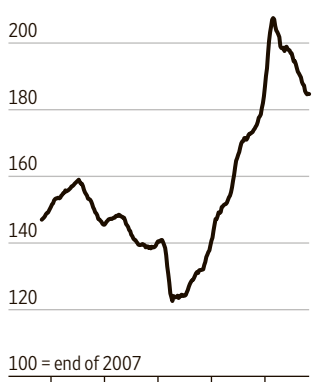
an engagement diamond for someone like her was daunting. He had access to a trove of market data from her business and went about choosing a diamond the same way he approached quantitative trading.

"I put together a huge spreadsheet of different diamonds and analyzed how their price changed based on carat, the color, clarity," Mr. Kinney said. He bought a 5.01-carat D VVS1 diamond for his bride. A decade later, after building trading systems and working on statistical arbitrage and optimization of factor models, Mr. Kinney returned to diamonds.

"He always questioned, 'Why would the price change so much? Why if you buy something at one price, and the next day you went to unload it, would it be so different,'" Ms. So said.

Mr. Kinney decided that the way to commoditize diamonds was to group them in equally valued clusters. To do that, he would need to create a type of yield curve that organized values by thousands of combina-

Zimnisky Global Rough Diamond Price Index



Note: Weekly data. Source: Paul Zimnisky

tions of characteristics, so that diamonds could be organized in equal bunches.

The values were constantly changing. The data set could never be completed. He decided he couldn't write an algorithm to produce the curve. Diamond Standard would discover prices instead by buying thousands of diamonds.

The firm, which has Fifth

avenue offices near Manhattan's diamond district, got started last year by raising \$75 million in an offering of its coins, using the money to buy the stones that would go in them.

Priced at \$5,000, each coin wound up with either eight or nine stones, or between about 3.125 carats and 3.4 carats. The stones are suspended in a disc of plastic resin along with a wafer that works like a credit-card chip and uses blockchain technology to ensure authenticity. Bars, which will be sold in a coming offering, will be worth 10 coins. The futures contracts will be for 20 coins, or two bars.

Diamond Standard now buys diamonds from dealers as needed to meet demand for its coins, which are minted in New York after the stones are examined by the Gemological Institute of America. Some buyers have coins delivered to their homes. Most are stored in a vault in Delaware, where there is no sales tax.

Coins recently traded for

\$5,700 on Diamond Standard's electronic exchange, and the average spread between bids and asking prices has been about 1%.

Diamond prices rose during the pandemic when competition from fancy vacations and other experiential spending dried up. They exploded during the bonanza of betrothal that followed the lockdowns. "It went nuts," said Paul Zimnisky, who publishes a price index for rough diamonds. "Everyone was sold out."

After reaching records early this year, prices have declined. Though demand is threatened by economic uncertainty, China's Covid-19 lockdowns and a more normal pace of engagements, Mr. Zimnisky said sanctions on Russian diamonds and the lack of major new mines should support prices.

If Diamond Standard's coins take off, it will need a lot of stones. Mr. Kinney said he is counting on the market liquidity to encourage people who have been holding diamonds forever to finally sell.

Ridgemon Equity Closes \$2.35 Billion Midmarket Fund

By LAURA KREUTZER

Ridgemon Equity Partners has collected \$2.35 billion for its latest midmarket growth fund just as the environment for overall private-equity fundraising is getting tougher.

The Charlotte, N.C.-based firm, which traces its roots to a private investment unit of Bank of America Corp., said it closed Ridgemon Equity Partners IV LP ahead of its \$2 billion goal. The firm garnered support from investors that include the El Paso Firemen & Policemen's Pension Fund in Texas and the State of Wisconsin Investment Board, according to pension disclosures.

Ridgemon has raised a larger fund than the firm's predecessor vehicle, which closed on \$1.65 billion in 2018, as overall private-equity fundraising has slowed. During the third quarter of the year, firms brought in \$119.6 billion globally, down more than 17% from the second quarter, according to a report from law firm Paul, Weiss, Rifkind, Wharton & Garrison LLP.

Overall private-equity fundraising has steadily declined from the highs of 2021. During the first half of this year, fundraising hit \$247 billion, a 43%

drop from the same period in 2021, WSJ Pro Private Equity has reported, citing data from Preqin Ltd.

At least \$1.8 billion of commitments to the new Ridgemon fund came from investors that had backed the firm's previous funds, according to Managing Partner Jack Purcell. "Over time, there's been such resiliency of the [private-equity] asset class," Mr. Purcell said. "Smart asset allocators recognize that."

Ridgemon typically makes investments ranging from \$100 million at the smaller end to \$400 million or \$500 million at the larger end in midsize

companies across three broad industry categories: business and technology services, industrial growth products or services and healthcare, according to Mr. Purcell. He added that the firm often backs founder- or family-owned companies in which it is the first institutional investor.

Ridgemon has already backed its first deal out of the new fund with an investment in Crete Mechanical Group. The company provides heating, ventilation, and air conditioning, or HVAC; electrical, plumbing and building automation services to customers in industrial, multi-

family real estate, government, healthcare, education and other sectors.

"It's emblematic of the type of opportunities we invest in," said Mr. Purcell. "It was founder-owned by two individuals. We did a bespoke recapitalization, but the founders retained a stake."

Ridgemon connected with Crete in part thanks to an earlier investment the firm had made in the HVAC sector through its third fund. In 2019, the private-equity firm invested in Munch's Supply LLC, a Chicago-area supplier of HVAC equipment that in 2021 combined with appliance parts

distributor Marcone, a portfolio company of private-equity firm Genstar Capital. Ridgemon retained a minority stake in Munch's, which, since the firm's initial investment, has more than tripled its earnings, according to Ridgemon Managing Partner John Shimp.

Mr. Shimp said that Ridgemon had been evaluating the HVAC sector for many years before backing Munch's Supply and through that work, as well as its ownership of Munch's, built relationships with bankers and executives in the market and established a reputation for its sector expertise, ultimately leading it to Crete.

New Highs and Lows

Table with columns for Stock, 52-Wk % High/Low, and 52-Wk % Change. Lists various stocks and their performance metrics.

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Mutual Funds

Large table providing mutual fund data, including fund names, NAV, YTD % Ret, and other performance metrics. Includes sections for Fund and Net YTD % Ret.



## BANKING &amp; FINANCE

## HSBC Logs 46% Earnings Decline

By JOSH MITCHELL  
AND ELAINE YU

HSBC Holdings PLC reported a 46% drop in third-quarter profit and named a veteran banker as its new chief financial officer, putting him in the mix as a possible successor to the top job at the global banking giant.

London-based HSBC, Europe's largest bank by market value, said profit was reduced by a one-time hit from the sale of its French retail unit. Profit was also damped because the bank socked away cash to prepare for potential pickups in bad loans in the U.K. and in China's property markets.

The bank said that, otherwise, it continues to benefit broadly from interest-rate increases by central banks. These have boosted the income HSBC earns from interest paid by consumers and businesses.

The lender is nearly three years into a broad restructuring, during which it has retrenched from North America and parts of Europe to shift resources to Asia and the Middle East.

The bank appointed Georges Elhedery, 48 years old, as its new finance chief. He is succeeding Ewen Stevenson, who is stepping down from the job at the end of the year and leaving the bank in April.

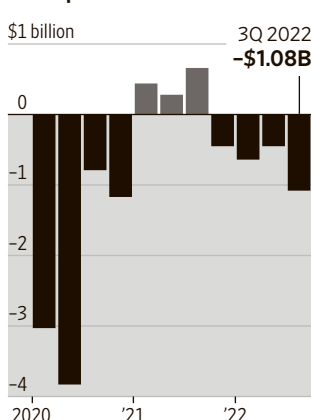
Mr. Elhedery is currently the co-chief executive of HSBC's global banking and markets team, which will now be run solely by Greg Guyett. The bank said it made the change after reviewing its executive committee with a focus on succession planning.

HSBC Chief Executive Noel Quinn said that he plans to remain in his role for years to come but that the bank had reached an inflection point to start looking for potential successors.

"There is no change to my commitment as a consequence to these people moves," Mr. Quinn told reporters Tuesday. He called Mr. Elhedery "an exceptional leader" in a statement.

HSBC's profit fell to \$1.9 billion in the July-through-September quarter from a year earlier, the bank said Tuesday. Analysts had expected it to report about \$1.15

## HSBC's quarterly provision for expected credit losses



Source: the company

billion in profit, according to estimates compiled by the bank.

The bank took a \$2.4 billion charge tied to the planned sale of its French retail-banking operations, a disposal that is part of its pivot to Asia.

The bank set aside \$1.1 billion of provisions for expected credit losses. It said that was due to economic uncertainty, inflation, rising interest rates and "ongoing developments" in China's commercial real-estate sector. The higher ex-

pected credit losses are a contrast to the third quarter of 2021, when HSBC released nearly \$700 million of provisions amid rising profit. It later revised that figure down to about \$600 million.

HSBC executives said they believe the bank will absorb those losses while still meeting its financial targets. "The overall quality of our loan book remains good," said Mr. Stevenson, the outgoing CFO.

HSBC reported revenue of \$11.6 billion in the third quarter, down from \$12 billion a year earlier.

American banks Citigroup Inc., JPMorgan Chase & Co. and Wells Fargo & Co. reported increases in third-quarter revenue this month, but they have also prepared for tough times ahead. The banks have put hundreds of millions of dollars in reserve to prepare for a rise in customers falling behind on loans if the economy falters.

HSBC has said that, for now, it is benefiting from interest-rate increases by central banks to curb inflation. Those rate increases enable banks such as HSBC to charge higher rates for consumer and

business loans, earning more in interest.

But HSBC faces several risks.

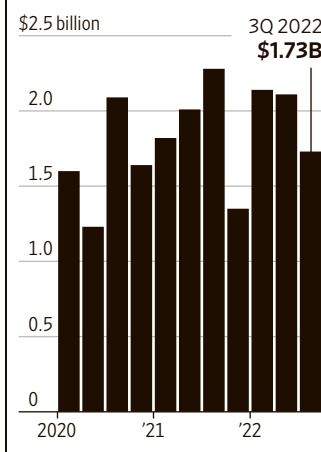
More expensive credit will make it harder for many households and businesses to stay on top of their loans and some will default, which would ultimately eat into HSBC's earnings. A global economic downturn would threaten to sap demand for HSBC's products, such as commercial loans and mortgages.

Under Mr. Quinn and Chairman Mark Tucker, HSBC is also attempting to head off a push from its largest shareholder, China's Ping An Insurance, to potentially split off the company's Asian operations from its other businesses.

In the first nine months of 2022, HSBC's Asian units generated 80% of the bank's pre-tax profit. Growth is slowing in the region, but the hit to major Asia-focused banks like HSBC will be mild, Moody's Investors Service said in a report this month.

HSBC's Hong Kong-listed shares closed 5.1% lower. They have fallen more than 14% this year.

## UBS's quarterly net profit



Source: the company

## UBS Profit Slides, but Eclipses Estimate

By MARGOT PATRICK

UBS Group AG reported a 24% decline in third-quarter net profit, as corporate deal making slowed and its wealthy clients pulled back on investments.

Revenue was down 19% at UBS's investment bank and 4% in its wealth-management arm, with some of the reduced activity offset by gains from selling two businesses. Net profit was \$1.73 billion for the quarter, more than the \$1.5 billion analysts had expected.

In the wealth-management arm, falling stock markets and gyrating currencies reduced customer balances, resulting in lower fees. Fees also dropped from fewer new transactions in the quarter.

But wealth clients channeled \$17.1 billion in net new fee-generating assets to the bank, after almost no net inflows in the second quarter.

UBS said it would continue a program to buy back shares for around \$5.5 billion this year.

UBS is one of the world's largest wealth managers by assets and in terms of its international scale. It serves the global rich with banking and wealth management and competes in some areas on Wall Street.

The bank is regarded as more stable than many European peers because much of its lending is in conservative Switzerland or to the very wealthy—and because it scaled back its investment bank after the global financial crisis. UBS's relative stability contrasts with the turmoil at its main domestic rival, Credit Suisse Group AG, which is due to give a restructuring update on Thursday.

UBS has been expanding in the U.S. to also serve the not-as-rich. It was going to pay \$1.4 billion to buy digital adviser Wealthfront and tap into its technology, but it abandoned the deal in September without giving a reason.

A bright spot for UBS in the quarter was net interest income, which grew on rising interest rates. Banks can make more money when rates are rising, because the gap grows between what they pay for deposits and the interest that they can earn on new loans.

UBS said net interest income rose 14% in its wealth-management and personal- and corporate-banking businesses.

## Investor Calls for Overhaul of Korea's KT&amp;G

By DAVE SEBASTIAN

An investment firm founded by a former Carlyle Group Inc. executive has acquired a minority stake in a South Korean tobacco conglomerate and is calling for a business overhaul and the spinoff of its ginseng business, according to a letter viewed by The Wall Street Journal.

Sanghyun Lee, who served as Carlyle's head of Korea from 2011 to 2019, now runs Flashlight Capital Partners Pte. Ltd., an activist-investment firm based in Singapore. It has built a roughly 1% stake in KT&G Corp., said people familiar with the matter.

Flashlight Capital has held private discussions with the leadership of KT&G, which was previously known as Korea Tobacco & Ginseng, over the past six months, the investment firm's letter said. The company is one of South Korea's largest tobacco sellers, with a market capitalization equivalent to about \$8.5 billion, according to FactSet.

Apart from owning cigarette brands such as Esse and Raison, KT&G sells ginseng, an herbal root used in medicines and food, and makes pharmaceutical raw materials and drugs. The company dates to 1883, when a predecessor was founded as a state-run tobacco manufacturer.

It was privatized in 2002 and is now an international company with the equivalent of \$3.6 billion in sales in the recent financial year.

KT&G's shares have risen 13% in the year to date, compared with a 25% decline in South Korea's benchmark Kospi over the same period. However, the company's share price is close to where it was 15 years ago, Flashlight Capital's letter said.

It added that KT&G also trades at a steep discount to its peers and the broader



Employees sort six-year-old ginseng on the production line at a Korea Ginseng Corp. factory in Wonju, South Korea.

market.

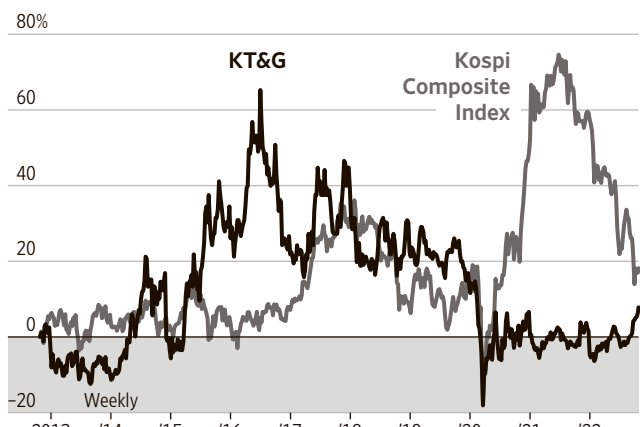
Flashlight Capital is pushing for "heat-not-burn" products to account for at least half of KT&G's total tobacco revenue by 2027, the letter said, citing the rise in alternative tobacco products.

The investment firm also wants KT&G to separate its ginseng business from its core tobacco business to unlock the former's value and expand it globally.

"From our perspective, it defies logic that a ginseng business is owned by a tobacco company," it said.

Flashlight is pushing for KT&G to divest itself of non-core businesses such as its real-estate development arm, the letter said. It wants the company to triple the size of its share-buyback program and improve on environmental, social and corporate gov-

## Share-price and index performance, past 10 years



Source: FactSet

ernance matters.

In 2006, billionaire activist Carl Icahn and another investor called for the Korean company to boost its ginseng business, increase its divi-

dend, buy back shares and sell real estate. Mr. Icahn eventually profited from his stake after the company adopted some of his suggestions. Flashlight Capital is asking

KT&G to put shareholder-nominated directors and plans to nominate directors with capital-markets experience, operational expertise and public-company board experience, according to the letter and the people familiar.

The hedge-fund manager Whitebox Advisors LLC also has a stake in KT&G, a Whitebox representative said, and so does the investment-management firm Oasis Management Co. Ltd., said the people familiar with the matter.

"We believe there is substantial upside in KT&G's business for all stakeholders," an Oasis representative said in an emailed statement.

KT&G also counts U.S. firms First Eagle Investment Management LLC, Vanguard Group Inc. and BlackRock Inc. as investors, according to FactSet.

## Claims Related to Hurricane Ian Hurt Results at Chubb

By LESLIE SCISM

Chubb Ltd. posted a 56% decline in net income in the third quarter, as Hurricane Ian claims in Florida dented results, while strong pricing conditions continued to buoy its worldwide business-insurance operations.

Chubb, one of the world's biggest insurers by market capitalization and premium volume, said its premium growth continued to exceed the impact of inflation and other higher costs of claims.

Chubb's customers range from multinationals to small businesses. It also insures homes and other personal property of wealthy people, farmers' crops and middle-income consumers around the globe who buy accident and supplemental health insurance.

Of publicly traded carriers to report third-quarter earnings so far, Chubb is one of the

biggest by market share in Florida. Chubb is the third-biggest commercial-property insurer by premium volume and ranks in the top-10 of its home insurers, according to data from Moody's Investors Service.

Driven by Ian's damage, Chubb said its catastrophe costs were \$1.16 billion, including \$975 million from Hurricane Ian, net of reinsurance. That was roughly level with the year-earlier period, which also was a tough quarter for property insurers. Then, Hurricane Ida struck Louisiana and delivered tornadoes and catastrophic flooding as it made its way to the Northeastern U.S. Chubb's year-earlier third-quarter catastrophe costs totaled \$1.15 billion, mostly from Ida.

Publicly traded property insurers' catastrophe totals for Ian as disclosed so far in third-quarter results indicate that industrywide insured



Owners of homes damaged by Ian in Daytona Beach Shores, Fla.

damage will be in the \$50 billion to \$60 billion range, Wall Street analysts said. If that holds, Ian would become the nation's second-costliest natu-

ral disaster to property insurers, displacing Ida, whose insured damage stands at an estimated \$36 billion, according to the Insurance Informa-

tion Institute.

The carrier's most-recent net income totaled \$812 million compared with \$1.83 billion a year earlier. Net income was hurt by realized losses of \$502 million, principally due to the mark-to-market impact on derivatives and certain investments as well as sales of fixed-income securities in the rising interest-rate environment.

The company's core operating income, which excludes items considered nonrecurring and is closely followed by Wall Street analysts, rose 15% to \$1.33 billion.

Chubb Chief Executive Evan Greenberg said all major areas of the company had contributed to the improvement, calling underwriting results excellent "despite an active catastrophe quarter." He said the company is "focused on inflation and staying on top of it in terms of both pricing and reserving."

Consolidated net premiums written, an important measure of revenue growth, were up 14% to \$12.02 billion. Within that, property-and-casualty net premiums written were up 8.5%. The company's life-insurance operations saw a more-than-doubling of premiums to \$1.27 billion, reflecting the acquisition of an Asian business from Cigna.

Commercial pricing, including changes both in premium rates and what is covered in a policy, increased 8.5% in North America and 11% in international operations in constant dollars, which excludes the impact of foreign-exchange movements. Pretax net investment income totaled a record \$979 million, up 13%. Chubb said it capitalized on rising interest rates, deploying cash at an average reinvestment rate of 5.8%, compared with a 3.4% yield on the company's investment portfolio.



MARKETS

# Intel Self-Driving Unit Prices at High End



Mobileye is set to start trading Wednesday on Nasdaq.

By Corrie Driebusch

Intel Corp.'s self-driving car unit **Mobileye Global Inc.** priced its initial public offering at \$21 a share, a dollar above the top of its targeted range, according to people close to the deal.

Mobileye raised \$861 million by selling 41 million shares, valuing the company at roughly \$17 billion, the people said. That is more than the \$15.3 billion Intel paid for Mobileye in 2017 but a far cry from the \$50 billion or more that the chip giant originally set its sights on when it unveiled plans for the listing late last year.

The Wall Street Journal previously reported that Intel was expected to price the IPO at or above the top of its targeted range of \$18 to \$20 a share.

Pricing any IPO right now is tricky given the parlous state of the market. Sharp swings in major stock indexes as interest rates barrel higher have hammered the IPO market in 2022. IPOs in the U.S. had raised only \$74 billion so far this year, putting 2022 on track to be the worst year for new issues in decades, according to Dealogic.

Technology companies broadly have been among the hardest-hit sectors over the past 12 months, with the Nas-

daq Composite down 26% from this point last year compared with the S&P 500's roughly 15% loss. Driverless-car technology was in hot demand several years ago, but that has also cooled. Mobileye faces stiff competition, including from Google parent Alphabet Inc.'s Waymo and Amazon.com Inc.'s Zoox.

Intel and its underwriters were determined to plow forward with the IPO, expected to be the last major listing of the year, with the chip maker's chief executive, Pat Gelsinger, having said that Intel doesn't need the money that the Mobileye offering would generate. Listing Mobileye gives the self-

driving car unit a higher profile and attract more business, he has said.

To get the deal done, Intel adjusted its offering, selling fewer shares than planned—representing only about 5% to 6% of those that will ultimately be outstanding. It also lined up what are known as cornerstone buyers for roughly 40% of the deal.

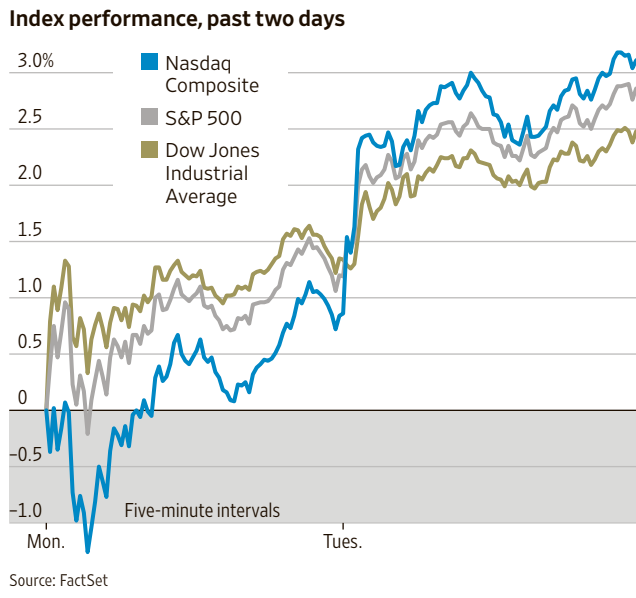
Executives and underwriters overseeing the deal are keen for the shares to trade well, so they were mindful of not pricing them too high.

Mobileye is set to start trading Wednesday on the Nasdaq stock exchange under the symbol MBLY.

## Stocks Extend Rally

Continued from page B1  
its highest closing level since 2008. The two-year yield, which is closely tied to central-bank policy expectations, edged lower to 4.477% from 4.498%, retracing a larger move immediately following the housing data.

**TUESDAY'S MARKETS** Falling long-term yields propelled segments of the stock market most sensitive to interest rates. Shares of utilities and real-estate firms—that offer high dividends and sometimes compete with bond yields—gained 2% and 3.9% as of early



Tuesday afternoon, respectively.

That marked the largest one-day gain for the S&P 500 real-estate sector in over two years, according to Dow Jones Market Data.

"This is a pretty broad-based rally, but clearly the leadership is in rate-sensitive sectors," added Mr. Hogan.

Growth segments of the market also saw gains, as investors place more value on those companies' future earnings when interest rates are lower. Technology and consumer discretionary stocks rose

1.9% and 2.3%, respectively. Nearly all of the S&P 500 11 sectors were in the green, except shares of energy firms.

Higher mortgage rates crimped housing demand, denting red-hot home price inflation that has buoyed headline inflation measures.

Stocks turned higher following the data release because some investors saw the drop in demand as a sign that the Federal Reserve's monetary tightening is reining in inflation.

Hopes and bets are building that the Fed could be approaching a point at which the



Meta is among the companies reporting in coming days. A Meta store in Burlington, Calif.

central bank feels comfortable easing the pace of interest rate increases.

Fed officials are expected to raise interest rates by another 0.75 percentage point next week but are also expected to debate a smaller increase toward the end of the year, offering investors hope that the worst could be behind them.

A slowdown in the pace of rate increases wouldn't necessarily indicate a shift toward easy monetary policy, said Quincy Krosby, chief global strategist at LPL Financial.

"It would be very dangerous

for the market to assume a 0.50-point rate increase at the Fed's December meeting is a 'pivot,'" said Ms. Krosby.

**General Motors** offered a positive glimpse into the industrial segment of the economy. Shares of the auto manufacturer rose \$1.29, or 3.6%, to \$37.01 after reporting earnings that were ahead of forecasts.

In coming days, Apple, Facebook owner Meta Platforms and Amazon.com are due to report.

Indexes for U.S. listed Chinese stocks are recovering some of Monday's record losses

after President Xi Jinping's political-shake-up to kick off his third term. The Nasdaq Golden Dragon China Index rose 4.6% following a 14% drop on Monday.

In commodity markets, Brent crude, the international oil benchmark, gained 0.3% to \$93.52 a barrel.

The Stoxx Europe 600 gained 1.4%. Early Wednesday, Japan's Nikkei 225 was up 1.2%, Hong Kong's Hang Seng Index was up 2.1%, the Shanghai Composite was up 1.3% and South Korea's Kospi was up 0.9%. S&P 500 futures fell 0.9%.

**AUCTION RESULTS**  
Here are the results of Tuesday's Treasury auction. 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.

TWO-YEAR NOTES	
Applications	\$108,656,339,400
Accepted bids	\$42,000,045,400
* noncompetitively	\$1,372,259,400
* foreign noncompetitively	\$100,000,000
Auction price (rate)	99.839071 (4.460%)
Interest rate	4.375%
Bids at clearing yield accepted	56,825
Cusip number	91282CF09

The notes, dated Oct. 31, 2022, mature on Oct. 31, 2024.

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