

THE WALL STREET JOURNAL.

DOW JONES | News Corp ***** THURSDAY, AUGUST 11, 2022 ~ VOL. CCLXXX NO. 35 WSJ.com ★★★★★ \$5.00
DJIA 33309.51 ▲ 535.10 1.6% NASDAQ 12854.80 ▲ 2.9% STOXX 600 439.88 ▲ 0.9% 10-YR. TREAS. ▲ 3/32, yield 2.786% OIL \$91.93 ▲ \$1.43 GOLD \$1,795.60 ▲ \$1.60 EURO \$1.0300 YEN 132.89

What's News

Business & Finance

The pace of price increases slowed last month as energy costs dropped, pulling annual U.S. inflation down slightly from a four-decade high. The consumer-price index rose 8.5% in July from the same month a year ago, down from 9.1% in June. **A1, A2**

◆ **The Nasdaq entered** a bull market, rising 2.9% after the release of the inflation data, while the S&P 500 and Dow gained 2.1% and 1.6%, respectively. U.S. government bonds rallied. **A1, B1, B11**

◆ **Disney posted** a 26% jump in revenue, driven by record results at its theme parks division and the addition of more new subscribers than projected to Disney+. The company lowered its forecast for future Disney+ growth. **A1**

◆ **SoftBank said** it would sharply reduce its stake in Chinese e-commerce giant Alibaba, a move that preserves cash at SoftBank as it rides out a severe downturn. **B1**

◆ **A federal jury** in Chicago convicted two former traders at JPMorgan charged with manipulating gold prices, finding they used misleading orders to rig prices. **B1**

◆ **The SEC proposed** requiring large hedge funds to report their cryptocurrency exposure through a confidential filing known as Form PF. **B1**

◆ **Samsung Electronics** unveiled its latest models of two of the world's most-expensive phones. **B1**

◆ **United Airlines paid** a \$10 million deposit for 100 electric flying taxis, a sign it is growing more confident in the nascent technology. **B3**

World-Wide

◆ **Trump said** he declined to answer questions from the New York attorney general's office during his deposition in its civil-fraud investigation into the financial dealings of the former president and his company, asserting his Fifth Amendment rights on advice of counsel. **A4**

◆ **Federal agents' search** at Mar-a-Lago came after weeks of internal deliberation among senior Justice Department and FBI officials and marked an escalation of their investigation into Trump's handling of classified material, people familiar with the matter said. **A4**

◆ **An Iranian national** plotted to assassinate John Bolton and at least one other former Trump administration official, the Justice Department said. Mike Pompeo was notified that he was an intended target, according to a person close to him. **A3**

◆ **Investors approved** a two-year payment delay on roughly \$20 billion of Ukraine's foreign-currency debt, heeding calls from Washington and other governments to grant the nation a financial reprieve. **A7**

◆ **China declared** an end to its military exercises around Taiwan but reaffirmed its willingness to use force to take control of the self-ruled island. **A16**

◆ **AdImpact projects** political ad spending during the current two-year election cycle will more than double compared with the 2018 midterms and even exceed dollars spent in 2020 when the White House was in play. **A5**

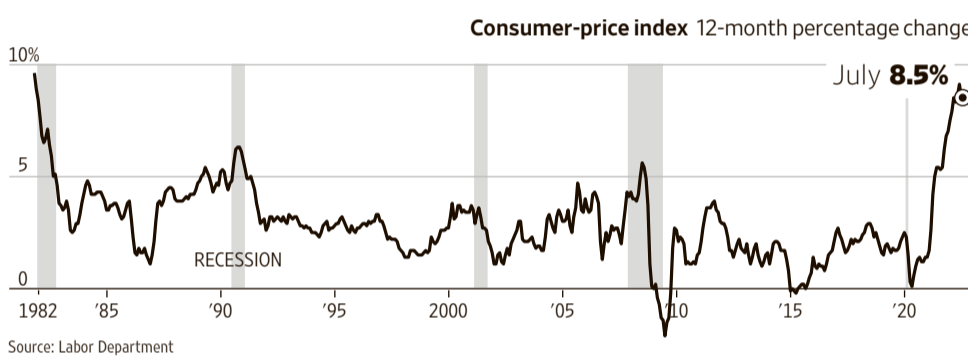
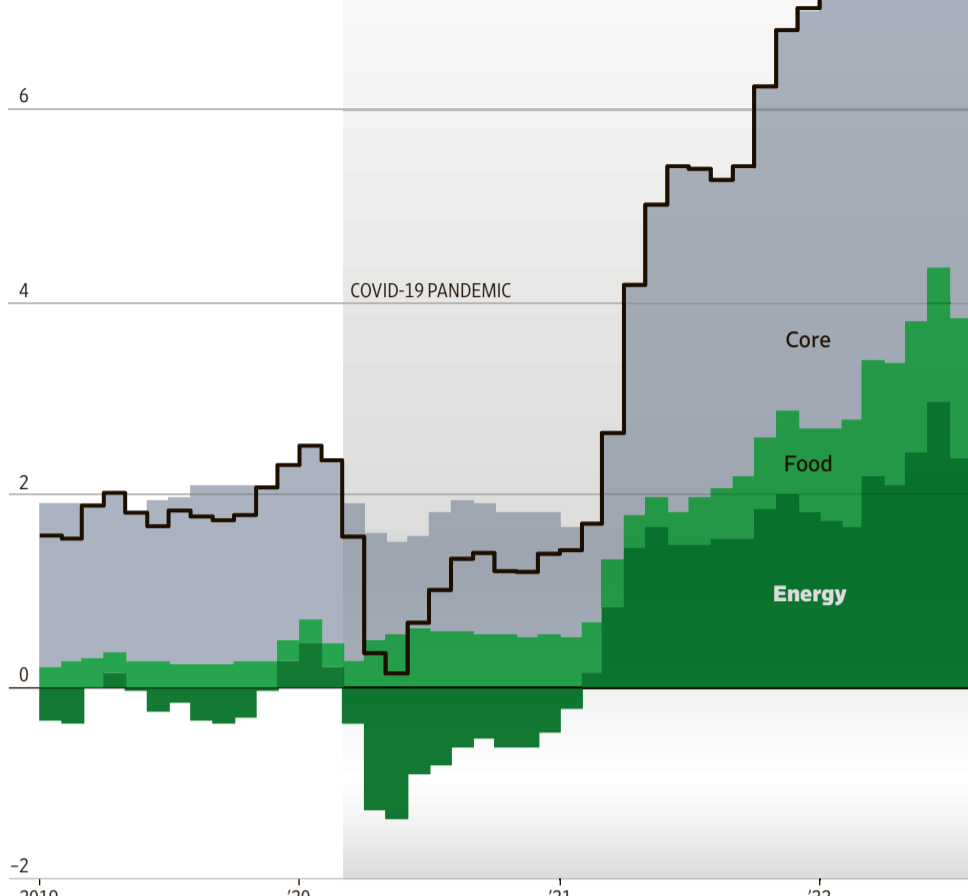
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The pace of price increases slowed in July from a year earlier, due in part to a month-over-month decline in energy costs, which have been a key driver of inflation.

Consumer-price index, 12-month percentage change
With percentage-point contributions by category



Source: Labor Department

Inflation Pace Slows Down as Fuel Costs Ease

By GWYNN GUILFORD

The pace of price increases slowed in July as energy costs dropped, pulling annual U.S. inflation down slightly from a four-decade high.

The Labor Department on Wednesday said the consumer-price index, a measure of what consumers pay for goods and services, rose 8.5% in July from the same month a year ago, down from 9.1% in June. June marked the fastest pace of inflation since November 1981.

On a monthly basis, the CPI was flat in July after rising for

25 consecutive months, the result of falling energy prices such as gasoline. Core CPI, which excludes often volatile energy and food prices, eased to 0.3% last month, down sharply from June's 0.7% gain.

U.S. stocks capped a strong rally Wednesday by roaring into the close, with the Nasdaq Composite Index back into bull-market territory. Yields on U.S. Treasuries fell.

Price pressures abated across energy categories, with

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◆ Where consumers won and lost in July..... A2

Tech-Led Nasdaq Enters Bull Market

By SAM GOLDFARB

The Nasdaq Composite is officially in a new bull market.

The technology-focused index rose 2.9% Wednesday, reflecting a rise of more than 20% from its low in mid-June. It climbed with other major indexes after a softer-than-expected inflation reading raised investor hopes that the Federal Reserve may soon moderate the pace of its campaign of interest-rate increases.

The recent rise in the Nasdaq ended its longest bear market since 2008 in the

depths of the financial crisis. It is still down 18% this year and was off 32% at its low on June 16.

Stocks have rallied in the past month after posting one of their worst first-half performances in decades, reflecting a popular bet on Wall Street that cooling inflation will permit the central bank to take a more supportive stance toward

Please turn to page A2

◆ Tech shares win renewed favor as market shifts..... B1
◆ Bonds rally on signs inflation may be easing..... B11

Disney Cuts Forecast for Streaming Growth

By ROBBIE WHELAN

Walt Disney Co. reported a better-than-expected 26% jump in revenue Wednesday, driven by record results at its theme parks division and the addition of more new subscribers than projected to its flagship streaming video platform Disney+.

Disney's results highlight the complex dynamics of the competitive streaming landscape. The company lowered its fore-

cast for future Disney+ growth, raised the prices on its streaming offerings, outlined plans for a new ad-supported tier of Disney+ and said nearly all of the streaming service's growth is coming from overseas.

The company's earnings this quarter reflect the difficulties it and rivals, such as Netflix Inc., face in attracting new customers domestically, where streaming options abound and many households

use one or more services. Plus, in an increasingly difficult economic environment, some households are rethinking spending on in-home entertainment, industry analysts have said.

Chief Executive Bob Chapek said he didn't think the price changes would result in any meaningful loss of streaming customers. "We believe that we've got plenty of price value room left to go," Mr.

Chapek said.

On a call with analysts, Chief Financial Officer Christine McCarthy ratcheted down its forecast for Disney+, saying it now expects a total range of 215 million to 245 million subscribers by September 2024, in part because it lost the right to air popular Indian cricket competitions.

A few months ago, Mr. Chapek said the previous target of 230 million to 260 million, set

by the company in December 2020, was "very achievable."

In the three-month period ended July 2, Disney+ gained 14.4 million new subscribers, bringing its global total to 152.1 million subscribers. Analysts were expecting 10 million additions, according to FactSet.

Wednesday's report brings Disney's total subscribers to 221.1 million customers across all of its streaming offerings, in-
Please turn to page A7

Ukraine Holds Line In Shattered Town

By YAROSLAV TROFIMOV

BAKHMUT, Ukraine—After spending several hours sheltering from Russian shelling in his basement, Yuri Vyshchepanko and his wife came up to the kitchen to get some water on Tuesday, and to call their daughter to say they are safe. That's when the house shook.

"Smoke everywhere, stink, darkness, we thought we're on fire," Mr. Vyshchepanko recalled an hour later as he was treated for moderate burns and cuts. He and his wife are lucky to still be alive. Accord-

ing to rescue workers, the Russian rocket that slammed into their home and punched through their ceiling failed to detonate.

Others aren't as fortunate. Russian artillery shells and rockets constantly rain on Bakhmut these days, destroying bit by bit a once elegant Ukrainian town of 72,000 people that used to be famous for

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◆ Kyiv sees weakness in foe after blasts..... A6
◆ Facing gas cuts, Europe dims lights..... A7



JULIA NIKHONSOV/ASSOCIATED PRESS

Trump Takes Fifth in Probe

Former President Donald Trump, departing Trump Tower on his way to the New York attorney general's office Wednesday for a deposition in a civil investigation, said he declined to answer questions, asserting his Fifth Amendment rights on advice of counsel. **A4**



THE FUTURE OF EVERYTHING
THE EDUCATION & LEARNING ISSUE
R1-8

When Prices Go Up in Japan These Days, Apologies Go Down

Inflation lets businesses ditch the habit of saying sorry for tiny price increases

By MIHO INADA AND ALASTAIR GALE

TOKYO—When the maker of a well-known Japanese popsicle lifted the sales price for the first time in a quarter-century a few years ago, dozens of executives and workers bowed deeply in apology in a somber television commercial. The company, Akagi Nyugyo Co., is now planning to raise the price of nearly three dozen other ice cream products. This time there'll be no displays of contrition.

"We're suddenly facing tsu-

nami of price increases" for materials, said marketing director Fumio Hagiwara. "We will raise prices in order to survive."

Apologies have long been an important lubricant for smooth communication in Japan. Conversations between friends, neighbors and co-workers are littered with habitual apologies for trivial inconveniences, such as asking for an elevator door to be held open momentarily.

Businesses routinely apologize to customers, even for
Please turn to page A8

A Lithium Colossus Fails Its Big Test

South America isn't meeting battery needs

By RYAN DUBE

SALAR DE ATACAMA, Chile—Hailed as the Saudi Arabia of lithium, this California-sized chunk of terrain accounts for some 55% of the world's known deposits of the metal, a key component in electric-vehicle batteries.

As the Chinese EV giant BYD Co. recently learned, tapping into that resource can be a challenge. Earlier this year, after BYD won a government contract to mine lithium, indigenous residents

took to the streets, demanding the tender be canceled over concerns about the impact on local water supplies. In June, the Chilean Supreme Court threw out the award, saying the government failed to consult with indigenous people first.

"They want to produce more and more lithium, but we're the ones who pay the price," said Lady Sandón, president of one of two Atacameño indigenous hamlets that filed a lawsuit against
Please turn to page A8

U.S. NEWS

Where Consumers Won and Lost in July

BY RINA TORCHINSKY

U.S. consumers paid more to eat in July, facing higher prices for peanut butter, meats, eggs and other foods than the month before, the Labor Department said Wednesday.

Shoppers also saw prices climb last month for a range of other goods and services, including medical care, new vehicles and household furnishings, as well as falling prices for used cars and clothing.

Prices for gasoline, air travel and hotels also eased in July, good news for Americans hoping to squeeze in another vacation this summer.

Add it all up, and the department's overall inflation measure—the consumer-price index—was flat in July compared with June.

But the CPI was 8.5% higher in July from a year before, a rapid rate, though slower than June's 9.1% annual pace, which was the fastest since November 1981.

Here are some notable seasonally adjusted price changes in July from June.

Energy

Gasoline prices dropped 7.7% in July, after shooting up for months due to high crude prices and a shortage of refinery capacity. The average cost of a gallon of regular gasoline in the U.S. peaked above \$5 in June and has fallen since then to around \$4 a gallon, according to OPIS, an energy-data and analytics provider owned by Dow Jones & Co., publisher of The Wall Street Journal.

Natural-gas prices fell 3.6% from the prior month, while electricity prices rose 1.6%.

Food

Food prices overall rose 1.1% in July, the seventh consecutive monthly increase of 0.9% or more. They climbed across all of the major categories, including meats, poultry, fish and eggs, dairy products, fruits and vegetables, nonalcoholic beverages, food eaten at home and food eaten away from home.

Breakfast eaters saw prices rise not just for eggs, but also for breakfast sausage, bacon, toast, cereals and bakery prod-

ucts. Coffee prices rose 3.5%.

Peanut-butter sandwich fans faced higher prices to assemble the lunchbox staple. Prices for peanut butter and breads other than white bread climbed 3.5%. White bread prices climbed 2%.

Hot dog grillers got a break with the 6.1% fall in the prices of frankfurters.

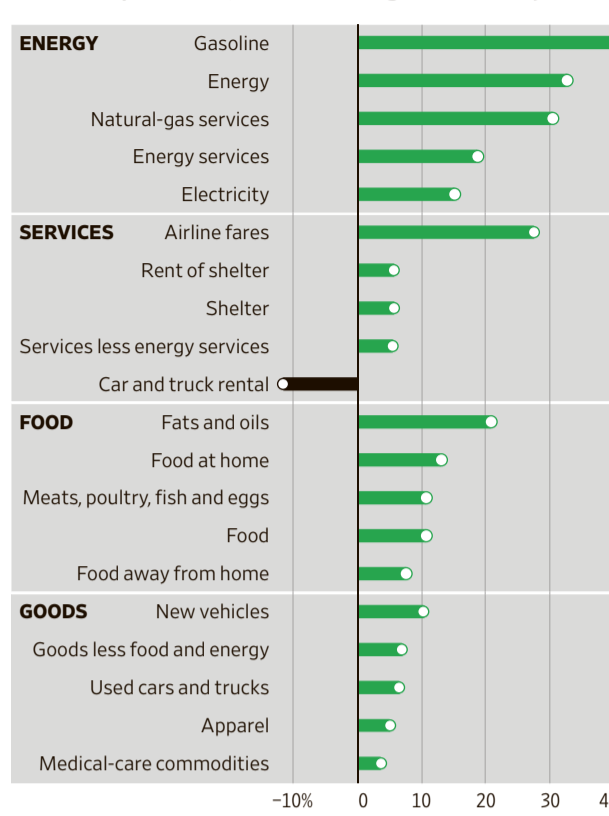
Transportation

Airline fares declined 7.8% in July, as the industry struggled with staffing shortages and travelers faced frequent delays. Car and truck rental prices fell 9.5%. Prices rose 0.6% for new vehicles, while declining 0.4% for used cars and trucks.

Housing and lodging

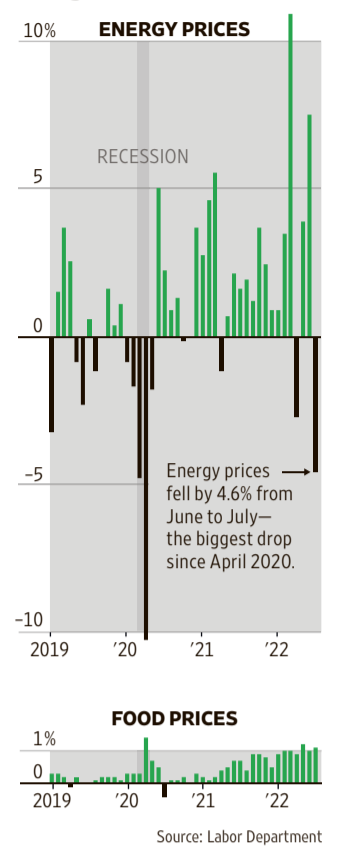
Rents increased 0.7% in July. Owners' equivalent rent—what homeowners would have to pay each month to rent their own houses—rose 0.6%. Meanwhile, prices for lodging away from home—such as hotel room rates—declined 2.7% in July, as travelers ventured out after earlier pandemic restrictions.

Consumer-price index, 12-month change ended in July



*Seasonally adjusted

Change from a month earlier*



Source: Labor Department

Pace of Inflation Slows Down

Continued from Page One gasoline down 7.7% in July from the prior month. Used-car prices, up sharply earlier in the pandemic, also dropped on a month-to-month basis, as did airline fares and apparel.

Grocery prices were up 1.3% in July from the prior month and rose 13.1% in July from a year ago, the fastest annual pace since 1979. Costs of dining out also rose.

"It's kind of a mixed blessing for individual households—they probably like what they see on gasoline prices coming down, but they're still seeing the pain on the food side," said Brian Bethune, an economist at Boston College.

The average national price of a gallon of regular unleaded gasoline fell to \$4.00 on Wednesday, more than \$1 cheaper than in mid-June but still higher than a year ago, according to OPIS, an energy-data and analytics provider owned by Dow Jones & Co., publisher of The Wall Street Journal.

Food prices could moderate in coming months as supply improvements filter through to consumers, Mr. Bethune said. "For the things that really eat a hole in our pockets, gasoline and food, we've seen the turning point in gasoline and I think we're on the cusp of



While energy prices abated, groceries climbed 1.3% monthly and 13.1% from a year ago.

some declines in food," he said.

Elevated inflation is the by-product of rapid growth as the U.S. rebounded from the Covid-19 pandemic, fueled in part by lower interest rates and government stimulus. The Federal Reserve faces the challenge of tightening monetary policy to cool the hot labor market and slow demand enough to curb inflation, but not so much as to set off a recession.

Fed officials lifted interest rates in both June and July, and will meet again in September to consider a further increase. Fed Chairman Jerome Powell has said the central bank wants to see clear and convincing evidence that price pressures are subsiding

before slowing or suspending rate increases.

The slowdown in the monthly measure of core inflation was upbeat news for the Fed, said Omair Sharif, who leads forecasting firm Inflation Insights. But inflationary pressures continue to broaden, which could stymie the sustained step down in core inflation that the Fed is looking for, he said.

"While the moderation in core inflation was a good sign, it seems like the Fed still has some work to do," said Mr. Sharif.

Despite last month's moderation, core prices were up 5.9% in July from the same month a year ago.

While the Fed targets overall inflation measures, it sees core prices as a better indicator of future inflation. Economists and policy makers are watching the latter in particular for signals that inflation is on a path to hit the Fed's 2% target within a couple of years. An elevated rate of price gains adds pressure on the Fed to increase rates aggressively.

Easing demand for goods as consumers shift spending toward services, as well as improving supply chains, has brought down the rate of price gains for goods, which had been a major driver of the inflation surge.

July tends to be a big month for discounting, in part

because of Amazon Prime Day, Mr. Sharif said. Price gains in airfares and hotels have also eased as pent-up demand for summer travel wanes.

But big moves in a few individual prices might not matter much, Mr. Sharif said, since the Fed will want to see pressures moderating across a range of goods and services.

Slowing growth is also a factor. The U.S. economy shrank at an annual rate of 0.9% from April through June, marking the second straight quarterly decline and stoking fear that a recession is imminent.

Still, high prices and shortages are a reality for many consumers. New parents Michael Tutas and his wife, Jessica Baryla, of Charlotte, N.C., scrambled to buy a home, a bigger car and newborn supplies before their baby arrived in May.

"While my wife was in labor, I was out looking for formula," said Mr. Tutas, a systems analyst at Wells Fargo. Stores have struggled to stock baby formula because of a monthslong shortage.

He and Ms. Baryla gave up on hopes of buying a midsize SUV Honda after four months on the wait list, and set their sights on a similar Audi—only to find that the chip shortage meant most models lacked a key safety feature. Mr. Tutas flew to Lexington, Ky., to pick up a model that included the technology at a dealership there.

Price pressures remain strong in part because the labor market is unusually tight. The U.S. added 528,000 jobs in July, sending payrolls slightly be-

yond their prepandemic level, and the jobless rate ticked down to 3.5%, matching the lowest in more than 50 years.

High demand for workers is driving wage growth, though not enough to offset inflation. Increased labor costs from worker shortages are prompting many employers to raise prices. Meanwhile, strong gains in hiring are pumping more money into the economy, propping up overall demand as inflation erodes spending power.

Housing costs, which have been accelerating fast, are an underlying source of price pressures and a major component of the CPI—nearly one-third of overall CPI and two-fifths of the core index. Those measures contributed nearly 1.9 percentage points to the overall inflation rate in July, up from 1.7 percentage points in June.

Housing-cost pressures also tend to persist. That could keep inflation readings higher than actual price pressures in the economy, which is one reason some economists worry that the Fed could tighten too much, causing demand to fall and risking a recession.

"They're looking at a measure of inflation that lags reality, and that was one of the factors that got them behind the curve—it was why they were a year late in raising rates," said economist Robert Fry of Robert Fry Economics LLC. "They were too late in tightening, and I think they're going to be too late in easing."

One positive sign for the Fed is that inflation expectations fell in July.

Nasdaq Enters Bull Market

Continued from Page One markets.

The S&P 500 added 2.1% on Wednesday, and the Dow Jones Industrial Average rose 1.6%, or

535 points. Those indexes have risen 15% and 11%, respectively, from their lows about two months ago but are still down 12% and 8.3% in 2022.

The tech and consumer discretionary sectors have been two of the biggest drivers of the broader market's rally. That marks a change from much of the year when investors took shelter in defensive stocks in the utilities, consumer staples and healthcare segments.

The shift in leadership has

coincided with a steady decline in government-bond yields.

The yield on the benchmark 10-year U.S. Treasury note fell to 2.786% on Wednesday from an 11-year high of 3.482% on June 14.

Wednesday's consumer-price-index data eased investors' immediate fears that persistent inflation would force more-aggressive action by the Fed. Higher interest rates make money more expensive, a shift that takes a heavy toll on

stocks trading with high valuations.

"The initial impressions are that this is a sign that inflation may be finally starting to head in the direction that we would all like it to be heading," said Jake Jolly, senior investment strategist at BNY Mellon Investment Management. "We're still very far from being out of the woods here."

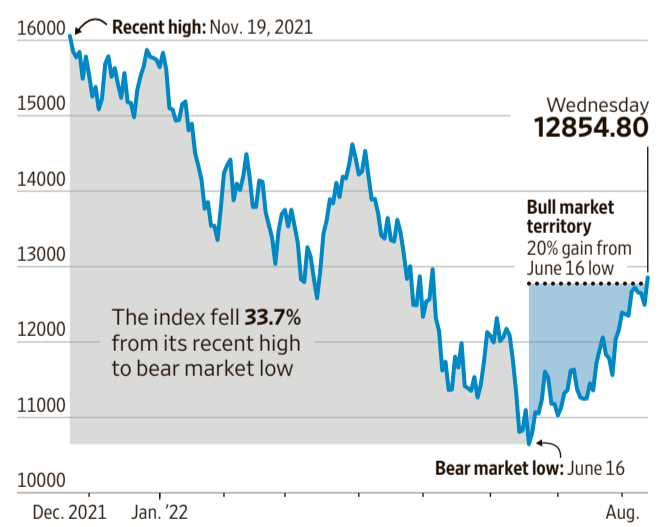
Among the biggest gainers Wednesday were tourism and travel companies that have been hit by the uncertainty of the pandemic recovery. Norwegian Cruise Line Holdings, Royal Caribbean and Carnival ranked among the top-performing S&P 500 firms. Financial firms also surged, led by card issuers Discover Financial Services, Capital One Financial and Synchrony Financial.

The report caused investors to bet that the Fed won't have to raise short-term rates as high, or at least as fast, as they had previously anticipated. That in turn pulled down Treasury yields, which largely reflect the expected path of short-term rates, and lifted stocks, which are sensitive to both interest rates and the economic outlook.

Lower yields have helped boost shares of tech companies during markets' recent rebound.

Blake Gwinn, head of U.S. rates strategy at RBC Capital Markets, said after the report that it is still "way too early" for the Fed, or investors, to declare victory over inflation. Still, he said, "the softer print takes some of the pressure" off the Fed to raise rates by another 0.75 percentage point in

Nasdaq Composite



Source: FactSet

September and sets the stage for a more robust debate among officials about the proper way forward.

After ratcheting up their interest-rate expectations for most of the year, investors in recent weeks have started betting more heavily that the U.S. economy will soon enter a recession—if it isn't in one already—forcing the Fed to eventually start cutting interest rates to stimulate growth.

The trend toward lower yields was interrupted on Friday when investors were confronted with a surprisingly strong jobs report.

But longer-term yields had already started to edge down again earlier this week.

Some analysts said the decline in bond yields Wednesday morning was one reason why stocks rallied.

Expectations for a smaller

rate increase mean a company's future earnings are worth more today, lifting its share price. "That lower discount rate is certainly helping," JP Covello, senior investment strategist at Bessemer Trust, said.

Many investors believe that if the Fed raises interest rates aggressively now, it is more likely to cause a bad economic downturn that would lead to more rate cuts later. As a result, shorter-term yields have climbed above longer-term yields—a phenomenon known as an inverted yield curve that has often been a harbinger of recessions. Wednesday's move, though, made the yield curve slightly less inverted, reflecting bets that the economy might have a better chance of avoiding a painful slowdown.

—Karen Langley contributed to this article.

CORRECTIONS & AMPLIFICATIONS

The name of Micron Technology Inc. was given incorrectly as Micron Technologies Inc. in some editions Wednesday in a Page One article about the semiconductor industry.

A Page One article on Wednesday about the search for classified information at former President Donald Trump's home was by Sadie Gurman, Alex Leary and Aruna Viswanatha. In some editions, the third byline was incorrectly given as Natalie Andrews.

The city of Pella, Iowa, plants tulip bulbs in the fall, which bloom for the Tulip Time festival each spring. An Aug. 2 Page One article about Pella Corp. incorrectly said the bulbs were planted in the spring.

Santa Rosa, N.M., is east of Albuquerque. In some editions on Wednesday, a U.S. News arti-

cle about an arrest in the killings of Muslim men in New Mexico incorrectly said Santa Rosa is west of Albuquerque.

The Chinese province of Hainan was misspelled as Haihan in a map on Tuesday with a World News article about a Covid-19 outbreak in Sanya.

Two first-edition copies of the U.S. Constitution exist in private hands. A Personal Journal article on Wednesday about hedge-fund billionaire Kenneth Griffin incorrectly said only one copy survives outside institutions.

A Review essay on July 23 about Russia's nuclear strategy was accompanied by a photo showing a Russian intercontinental RS-24 Yars missile. The caption incorrectly identified it as a short-range Iskander missile.

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

Social Security Headed for Big Payout

BY ANNE TERGESEN

Social Security recipients are on track to receive the highest cost-of-living increase in more than four decades next year.

Social Security checks get an inflation adjustment every year based on the Consumer Price Index for Urban Wage Earners and Clerical Workers. In determining the cost of living adjustment, or COLA, the Social Security Administration compares the average figures for July, August and September to the index's average level over the same period a year earlier.

The relevant July CPI, released Wednesday, rose 9.1% over the past 12 months. That is higher than the headline inflation number, measured by the Consumer Price Index for All Urban Consumers, of 8.5%. The official Social Security COLA will be set following September's data.

If inflation remains at the current level, on average, over the next two months, the approximately 70 million retirees and disabled people who receive Social Security benefits could see their monthly checks rise by about 9.6% in 2023, according to estimates from the nonprofit Senior Citizens League which advocates for protecting and strengthening Social Security and Medicare benefits.

For the government, the higher monthly Social Security checks will mean having to hand over more money. For retirees, however, the increase is welcome news after a year in which the stock and bond markets fell and many retirees on fixed budgets lost purchasing power from rising inflation.

Next year's COLA increase is on track to be the highest since 1981, when Social Security benefits rose 11.2% to keep pace with inflation. Social Security benefits rose 5.9% this year, a pace that failed to keep pace with inflation.

The Social Security Administration won't announce the official cost of living adjustment for 2023 until October. But the latest inflation data provides a strong clue as to what recipients might expect.

With a COLA of 9.6%, the average monthly Social Security check for retired workers would rise by about \$160 in 2023.



The complaint said an individual was offered \$300,000 to kill John Bolton, left. Mike Pompeo, right, was also an intended target, according to a person close to him.



LEFT TO RIGHT: LOGAN CIRIUS/AGENCE FRANCE-PRESSE/GETTY IMAGES; KAREN PULVER FOGHT/REUTERS

Iranian Accused of Plot to Kill Bolton

Pompeo also notified that he was a target of retaliatory attempt to assassinate officials

BY DUSTIN VOLZ
AND VIVIAN SALAMA

An Iranian national plotted to assassinate at least two former Trump administration officials, the Justice Department said, in what it described as a likely retaliation for the 2020 killing of a prominent Iranian general.

A criminal complaint unsealed Wednesday said Shahram Poursafi, 45 years old, of Tehran, tried to kill one of former President Donald Trump's national-security advisers, John Bolton, by offering to pay an individual in the U.S. \$300,000. Agents affiliated with Mr. Poursafi conducted surveillance on Mr. Bolton.

Former Secretary of State Mike Pompeo was also notified that he was an intended target, according to a person close to him. The charging document mentions a second "job" that Mr. Poursafi had intended to pursue against a "former high-ranking United States Government official from the Trump administration," but didn't mention Mr. Pompeo by name.

The Justice Department said the attempts were probably a response to the U.S.'s killing of Iran's Islamic Revolu-

tionary Guard Corps commander, Maj. Gen. Qassem Soleimani, in January 2020.

In an interview, Mr. Bolton, who was also United Nations ambassador and a senior State Department official under President George W. Bush, said that shortly after Gen. Soleimani's death, he received a call from the Federal Bureau of Investigation to warn him of an assassination threat. The FBI typically warns American citizens against such threats.

Mr. Bolton left the White House in September 2019 amid a disagreement with Mr. Trump over Afghan peace talks and other foreign policy issues. Mr. Pompeo, who was Mr. Trump's first CIA director and is a former member of Congress, served throughout Mr. Trump's term in office.

Axios was first to report that Mr. Pompeo was the second senior U.S. government target.

"Trump lifted my Secret Service protection the day I resigned," Mr. Bolton said in the interview, adding that some administrations temporarily extend that protection for senior officials who depart the government as a precaution.

He never experienced any attacks or attempts on his life during that period, he said. However, as the FBI's investigation grew more serious, he was granted Secret Service protection in December 2021



Shahram Poursafi in 2021

by the Biden administration, he said.

In court documents, the Justice Department said Mr. Poursafi was working on behalf of the IRGC Quds Force, an elite unit responsible for its foreign operations, and attempted to pay individuals in the U.S. to carry out the killing in Washington, D.C., or Maryland. Mr. Poursafi, who couldn't be reached for comment, is at large and outside the U.S., the Justice Department said.

"Iran's plot to assassinate a U.S. official on U.S. soil is an outrage—and their continuing attempts to carry out lethal operations against Americans should concern us all," FBI Director Christopher Wray said.

"This case is the result of hard work by many, and the FBI will

continue to confront Iranian aggression and protect Americans, at home and abroad."

The White House said the alleged plot wouldn't derail negotiations in Vienna on restoring the 2015 nuclear pact between Iran and six world powers. The U.S. and European officials said Monday the text for an agreement had been completed and that it was up to Iran to decide whether to take or leave the deal.

"Should Iran attack any of our citizens, to include those who continue to serve the United States or those who formerly served, Iran will face severe consequences," White House national security adviser Jake Sullivan said.

According to court documents, Mr. Poursafi asked an unnamed U.S. resident whom he had previously met online to take photos of Mr. Bolton last October and claimed they were for a book he was writing. The U.S. resident introduced Mr. Poursafi to another person who was a confidential informant working for federal authorities, prosecutors said. Over encrypted messaging, Mr. Poursafi offered the individual \$250,000 to "eliminate" Mr. Bolton, and the amount was later negotiated up to \$300,000, prosecutors said.

The informant later asked Mr. Poursafi for help locating Mr. Bolton, and Mr. Poursafi shared his work address in Washington, as well as screen-

shots from an online map tool that included a street view of Mr. Bolton's office, prosecutors said. The screenshot shared included information that said the address was "10,162 (kilometers) away," officials said, which is the rough distance from Tehran to Washington.

In February, Mr. Poursafi told the informant that the informant needed to kill Mr. Bolton within two weeks and said that someone else had checked the area around Mr. Bolton's home and hadn't detected any security presence, according to court papers.

Searches by federal authorities later uncovered images of Mr. Poursafi wearing a uniform with an IRGC patch, and Mr. Poursafi never denied being affiliated with the group, officials said.

Mr. Poursafi is charged with using interstate commerce facilities to commission a murder-for-hire plot and providing material support to a transnational murder plot.

Gen. Soleimani was killed in a U.S. airstrike when traveling in a convoy in Baghdad. His death immediately sparked fears of Iranian retaliation among U.S. officials and security experts.

Both Messrs. Bolton and Pompeo have long espoused hawkish foreign-policy views on Iran.

—Andrew Restuccia
in Washington
contributed to this article.



Former New York Lt. Gov. Brian Benjamin, center, is seeking to have charges of bribery and other offenses dismissed.

Prosecutors Face Hurdles in Bribery Case Against Ex-New York Official

BY CORINNE RAMEY
AND JAMES FANELLI

Federal prosecutors in Manhattan faced a test in a closely watched public corruption case Wednesday as lawyers for former New York Lt. Gov. Brian Benjamin pushed to have charges of bribery and other offenses dismissed.

Mr. Benjamin, a Democrat who resigned in April, is accused of soliciting campaign donations while a state senator from a New York developer in exchange for steering public funds to the developer's nonprofit.

He has pleaded not guilty to charges of bribery, honest-services wire fraud and related conspiracies.

The U.S. Attorney's Office for the Southern District of New York has a history of bringing public-corruption charges against elected offi-

cial, including winning the convictions of two powerful state lawmakers and a top aide to a former governor. But the Benjamin allegations are different because the bribe involves campaign contributions as opposed to benefits like cash payments or sham jobs.

Prosecutors have been hesitant to bring these cases because courts have set a high bar for proving corruption when campaign contributions are part of an alleged scheme, said Harry Sandick, a former federal prosecutor in Manhattan. "There are probably lots of people who have a stake in a particular governmental decision who receive campaign contributions and could have a role in resolving that issue," said Mr. Sandick, now a partner at Patterson Belknap Webb & Tyler LLP.

Courts have broadly held that for elected officials to be

convicted of public-corruption offenses related to campaign contributions, there must be a specific agreement to make the contribution in exchange for government action.

In 1991, the U.S. Supreme Court overturned the extortion conviction of Robert McCormick, a West Virginia lawmaker who received payments from a lobbyist representing doctors during his re-election campaign. While in office, Mr. McCormick then sponsored licensing legislation sought by the doctors.

The high court found that penalizing lawmakers for supporting legislation that benefits campaign contributors would effectively be criminalizing ordinary political activity.

In recent years, the Supreme Court in additional rulings has limited the reach of bribery law when applied to

public officials, including a 2016 decision that threw out the corruption conviction of former Virginia Gov. Bob McDonnell.

Other prominent prosecutions involving campaign contributions include 2015 charges against Sen. Robert Menendez, a New Jersey Democrat, and a 2009 indictment against former Illinois Gov. Rod Blagojevich, also a Democrat.

After a mistrial in Mr. Menendez's case, a judge acquitted him of some counts. At prosecutors' request, the judge dismissed the remaining charges.

Mr. Blagojevich was convicted of 18 charges after two jury trials, though a federal appeals court later vacated five of those counts. In 2020, former President Donald Trump commuted Mr. Blagojevich's sentence.

Walgreens Is Found Liable Over Opioids In San Francisco Suit

BY JENNIFER CALFAS

A federal judge found Walgreen Co. helped exacerbate the opioid epidemic in San Francisco, the latest decision in opioid-related lawsuits aimed at pharmacy chains.

Walgreens, the largest retail pharmacy in San Francisco, for more than a decade failed to adequately halt suspicious orders of opioids that could be used illegally, U.S. District Judge Charles R. Breyer said in an opinion issued Wednesday. He found the company liable "for substantially contributing to the public nuisance," the opioid epidemic, in San Francisco, he wrote.

"The city has fought hard and continues to do so, but the opioid epidemic, which Walgreens helped fuel, continues to substantially interfere with public rights in San Francisco," Judge Breyer wrote.

Walgreens pharmacies dispensed hundreds of thousands of suspicious prescriptions in the city between 2006 and 2020, according to the judge's decision. Pharmacists weren't given enough resources to perform the necessary steps to prevent this, the judge wrote.

Fraser Engerman, a spokesman for Walgreens, said the company plans to appeal the decision. Walgreen Co.'s parent company is **Walgreens Boots Alliance Inc.**, which operates pharmacies in the U.S. and internationally.

"As we have said throughout this process, we never manufactured or marketed opioids, nor did we distribute

them to the 'pill mills' and internet pharmacies that fueled this crisis," Mr. Engerman said. "We stand behind the professionalism and integrity of our pharmacists, dedicated healthcare professionals who live in the communities they serve."

A subsequent trial will determine how much Walgreens owes, the judge said.

The civil lawsuit was brought by the city and county of San Francisco in 2018 against Walgreens and other companies, including manufacturers Teva Pharmaceuticals and Allergan, and distributor Endo Pharmaceuticals Inc. It also named distributors McKesson Corp., AmerisourceBergen Corp., and Cardinal Health Inc., as well as drugmaker Johnson & Johnson.

Walgreens was the only defendant not to settle by the end of a trial that started in April. Attorneys representing San Francisco brought a public-nuisance claim against Walgreens for allegedly contributing to the opioid epidemic.

"It is fantastic after five years of litigation for a spotlight to be put on Walgreens's continued focus on profit while just completely disregarding its responsibilities under the Controlled Substances Act," said Peter Mougey, a lawyer for San Francisco in the case.

Mr. Engerman, the Walgreens spokesman, said it was "misguided and unsustainable" for the city to invoke public nuisance law to address the opioid crisis.

U.S. NEWS

Tone of FBI Quest Changed Over Time

Around lunchtime on June 3, a senior Justice Department national security supervisor and three FBI agents arrived at former President Donald Trump's Mar-a-Lago home in

By Alex Leary,
Aruna Viswanatha
and Sadie Gurman

Florida to discuss boxes with government records sitting in a basement storage room along with suits, sweaters and golf shoes.

A few days later, the FBI sent a note asking that a stronger lock be installed on the storage room door, signing off: "Thank you. Very truly yours, Jay Bratt, chief of counterintelligence and export control section."

In the following weeks, however, someone familiar with the stored papers told investigators there may be still more classified documents at the private club after the National Archives retrieved 15 boxes earlier in the year, people familiar with the matter said. And Justice Department officials had doubts that the Trump team was being truth-

ful regarding what material remained at the property, one person said. Newsweek earlier reported about the FBI source.

Two months later, two dozen Federal Bureau of Investigation agents were back at Mar-a-Lago with a warrant predicated on convincing a federal magistrate judge that there was evidence a crime may have been committed. After hours at the property, the agents took the boxes away in a Ryder truck.

Many elements of what happened between those events—one seemingly cordial, the other unheard-of—remain unknown. But the episode points to a sharp escalation in the Justice Department's inquiry into Mr. Trump, which also includes an investigation into the events leading up to the Jan. 6, 2021, riot on the Capitol. And it has prompted outrage from Republicans, who have rallied around Mr. Trump as he contemplates running again for president.

The mystery may only be resolved by the Justice Department's next steps. FBI Director Christopher Wray, appointed by Mr. Trump in 2017, on Wednes-

day referred questions to the Justice Department, which declined to comment.

Mr. Trump and his lawyers contend they have cooperated with a monthslong effort by the government to retrieve some of the material he took from the White House and expressed outrage with Monday's unannounced visit to Mar-a-Lago. A timeline of events, they say, demonstrates this cooperation, down to quickly fulfilling the June request to place a new lock on the storage door.

Monday's search came after weeks of internal deliberation among senior Justice Department and FBI officials and marked an escalation of their investigation into Mr. Trump's handling of classified material, people familiar with the matter said.

The controversy began after Mr. Trump left office, when the National Archives and Records Administration reached out to his team to ask for what it thought were missing records. The archives in January retrieved 15 boxes of documents and other items from Mar-a-Lago.

All official documents are required to be turned over under the Watergate-era Presidential Records Act.

The boxes contained some documents that archives officials described only as "classified national security information," prompting them to refer the matter to the Justice Department for investigation.

Aides to Mr. Trump have

Justice Department officials had doubts that the Trump team was being truthful.

said they had been cooperating with the department to get the matter settled. The former president even popped into the June 3 meeting at Mar-a-Lago, shaking hands. "I appreciate the job you're doing," he said, according to a person familiar with the exchange. "Anything you need, let us know."

Five days later, Trump attorney Evan Corcoran received

an email from Mr. Bratt, the chief of the Justice Department's counterintelligence and export control section, who oversees investigations involving classified information.

"We ask that the room at Mar-a-Lago where the documents had been stored be secured and that all the boxes that were moved from the White House to Mar-a-Lago (along with any other items in that room) be preserved in that room in their current condition until further notice," according to what was read to the Journal over the phone.

Mr. Corcoran wrote back, "Jay, thank you. I write to acknowledge receipt of this letter. With best regards, Evan." By the next day, according to a person familiar with the events, a larger lock was placed on the door. It was the last communication between the men until Monday's search of Mar-a-Lago, according to the person.

On June 22, the Trump Organization, the name for Mr. Trump's family business, received a subpoena for surveillance footage from cameras at Mar-a-Lago. That footage was

turned over, according to an official.

On a sunny Monday morning, Aug. 8, a new set of agents arrived and began a search for documents at around 9 a.m. The warrant, signed by a judge in Palm Beach County, refers to the Presidential Records Act and possible violation of law over handling of classified information, according to Christina Bobb, a lawyer for the former president. The warrant hasn't been made public by Mr. Trump, nor has the inventory of documents retrieved by the government.

At the end of the day, the agents hauled away roughly 10 more boxes of material, some of the people said. The seized documents remain with the FBI's Miami field office, a person familiar with them said.

In the days since then, Mr. Trump's associates have been reaching out to defense attorneys to see if they would represent Mr. Trump in the matter, a sign of concern over the former president's potential legal trouble.

—Deborah Acosta
contributed to this article.



FBI agents conducted a search of former President Donald Trump's Mar-a-Lago home in Florida on Monday. Above, a view of Mar-a-Lago on Tuesday.

Trump Takes Fifth During New York Inquiry

By CORINNE RAMEY
AND JAMES FANELLI

Donald Trump said he declined to answer questions from the New York attorney general's office during his deposition in its civil-fraud investigation into the financial dealings of the former president and his company.

In a statement Wednesday, Mr. Trump said he was following the advice of his counsel to assert his right under the Fifth Amendment of the Constitution to not answer questions. "When your family, your company, and all the people in your orbit have become the targets of an unfounded, politically motivated Witch Hunt supported by lawyers, prosecutors, and the Fake News Media, you have no choice," Mr. Trump said.

He said the search of his Florida residence Monday by federal agents also affected his decision. "I have absolutely no choice because the current Administration and many prosecutors in this Country have lost all moral and ethical bounds of decency," he said.

The federal agents' search in Florida is related to White House documents and is separate from the state attorney general's office's probe.

New York Attorney General Letitia James took part in the deposition, a spokeswoman for her office said. The spokeswoman also confirmed that Mr. Trump invoked his Fifth Amendment right against self-incrimination.

Since 2019, Ms. James has been investigating whether Mr. Trump and his company made false representations to banks, tax authorities and insurers for financial gain. Her office has said that it had collected significant evidence indicating that the Trump Organization used fraudulent or misleading asset valuations to obtain loans, insurance coverage and tax deductions.

Mr. Trump and his company have denied wrongdoing. He has said Ms. James, a Democrat, is motivated by politics.

In December, the attorney general's office subpoenaed Mr. Trump and two of his adult children to testify. The Trumps then asked a judge to block the subpoenas, arguing that the probe was improper and that Ms. James would inappropriately share information she gained from the subpoenas with the Manhattan district attorney's office, which is conducting a parallel criminal investigation.

State Supreme Court Justice Arthur Engoron ordered the Trumps to testify. An appeals court upheld his decision.

Watch a Video

Scan this code for a video on the probe by the New York attorney general.

Silence on Mar-a-Lago Search Spurs Questions

By JAN WOLFE

The FBI search of former President Donald Trump's Mar-a-Lago home Monday was unprecedented, prompting days of global news coverage and commentary on motivations, implications and ramifications.

Key players no one has heard from: the Justice Department or the FBI.

That silence has prompted leading Republicans to demand an explanation from Attorney General Merrick Garland as well as to criticize the operation as politically motivated overreach.

Prominent Democrats have said they want the Justice Department to pursue its investigation wherever it leads without interference; the White

House has been largely mum.

Mr. Trump's lawyers, while speaking publicly about some aspects of the search, have declined to provide key details such as which documents the agents took away.

The result: The public is in the dark about basic facts and key questions that the operation raised in one of the most controversial and high-profile FBI actions in years.

People familiar with the matter have said the search, which was backed by a warrant from a Florida federal magistrate, related to potential violations of laws regarding storage of presidential records and handling of classified information.

Mr. Trump's lawyers have questioned why the search was necessary given they already had corresponded with the Justice Department about protecting and handling the documents at issue.

Asked about the search Wednesday at a news conference in Omaha, Neb., FBI Director Christopher Wray said "that's not something I can talk about" and referred questions to the Justice Department, which declined to comment.

Mr. Wray also condemned threats made against agents and law enforcement. The FBI's action prompted a social-media firestorm, including calls for violence by extremists and wild theories about the government's motivations.

"Any threats made against law enforcement, including the FBI, as with any law enforcement agency, are deplorable and dangerous," he said.

The Justice Department's reticence in the case is in keeping with longstanding policy of not commenting on investigations while they are ongoing, even though the circumstances of this case are unique in involving the search of a former president's home.

It is unclear what further action the Justice Department is considering regarding the records. The department also has launched an extensive probe of

the events leading up to the Capitol riot on Jan. 6, 2021, including actions by White House officials and Mr. Trump.

The policy of not commenting is designed to allow the FBI and prosecutors to work in private and to protect those under investigation, and publicly addressing the search could affect the integrity of the probe, said Randall Eliason, a law professor at George Washington University and a former federal prosecutor.

The search was made public by the former president Monday evening in a statement in which Mr. Trump called the action "prosecutorial misconduct, the weaponization of the Justice System, and an attack by Radical Left Democrats who desperately don't want me to run for President in 2024."


Since then, Justice Department officials have declined to provide basic details about the search, such as whether Mr. Garland or other top Justice Department officials signed off

The public is in the dark about basic facts and questions the operation raised.

on it, as would be likely in such a high-profile and politically sensitive case.

"Justice Department investigations typically proceed in relative secrecy," Mr. Garland said at a recent news conference when asked about Trump-related investigations. "If we let all possible witnesses know exactly where we are, at exactly what moment, it makes it very difficult to do our job of ensuring that the laws are not violated and that those who are accountable are brought to justice."


Senate Minority Leader Mitch McConnell (R., Ky.) has joined the many Republican lawmakers calling for an im-



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U.S. WATCH

WASHINGTON, D.C.

U.S. Budget Deficit Shrank 30% in July

The federal deficit narrowed 30% in July compared with a year earlier, as the government reported a \$211 billion monthly gap between revenue and spending.

The drop in the budget deficit this year is the product of the end of a burst of federal spending last year and rising government revenue this year.

Government outlays fell 15% to \$480 billion in July after programs administered last year such as expanded unemployment benefits ended, the Treasury Department said Wednesday. Government revenue, not adjusted for calendar differences, rose 3% to \$269 billion.

Over the first 10 months of the fiscal year ending Sept. 30, government spending has fallen 18% and receipts have increased 24%. The deficit this fiscal year so far is \$726 billion, 71% lower than the \$2.5 trillion deficit the government ran during the same period last year, according to the monthly budget statement.

The nonpartisan Congressional Budget Office projects that the deficit will fall to \$1 trillion this fiscal year from roughly \$2.8 trillion the previous year.

—Andrew Duehren

WASHINGTON, D.C.

FTC to Start Writing Data-Privacy Rules

The Federal Trade Commission is expected to begin writing federal rules to expand online

privacy protections as soon as Thursday, according to people familiar with the matter.

If adopted, the rules could impose significant new responsibilities on businesses that handle consumer data, including potentially barring certain kinds of data-collection practices, the people said.

The move is the latest indication of the five-member commission's more aggressive posture under its chairwoman, Lina Khan, a Democrat who has been a vocal critic of big business.

The new FTC rule could take years to enact, and the commission could follow several different paths, the people said. One option would be to declare certain data collection practices unfair or deceptive.

—John D. McKinnon

NEW YORK CITY

Congestion Pricing Range Proposed

Drivers entering the heart of New York City would pay an extra \$9 to \$23 as soon as the end of next year under a plan aimed at reducing congestion in the country's most congested city.

Details on the plan, known as congestion pricing, were included in an environmental assessment released Wednesday that is part of the federal regulatory process.

The tolls aren't expected to be put into effect until the end of next year at the earliest, and would be the first of their kind used in the U.S. Other cities including London, Stockholm and Singapore have used similar plans.

—Associated Press

U.S. NEWS

Political Ad Spending Seen Outpacing the 2020 Cycle

By JOHN MCCORMICK

A top advertising-industry observer projects political ad spending during the current two-year election cycle will more than double as compared with the 2018 midterms and even exceed dollars spent in 2020 when the White House was in play.

AdImpact, a company based just outside Washington, says in a report that total spending is on pace to reach close to \$9.7 billion. That compares with about \$4 billion in the 2018 cycle and about \$9 billion in the 2020 cycle, it said.

The figures include spending on broadcast, cable, satellite and streaming television, as well as on radio and online. They include races for Congress, governorships and other down-ballot contests and aren't inflation-adjusted.

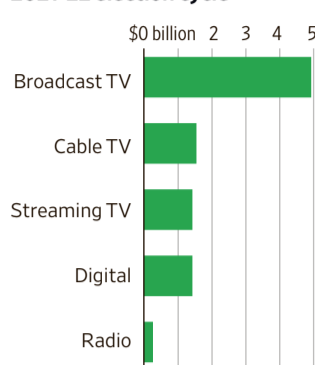
"An increasingly polarized electorate and easily accessible online fundraising tools have been major factors propelling this surge in spending," the report says. "It no longer takes a presidential ticket at the top of the ballot to push a cycle near the \$10 billion threshold."

Online fundraising platforms such as ActBlue for Democrats and WinRed for Republicans have helped candidates and issue groups tap into a growing number of small-dollar donors. "We continue to see more dollars coming into the system," Kyle Roberts, AdImpact's chief executive, said in an interview.

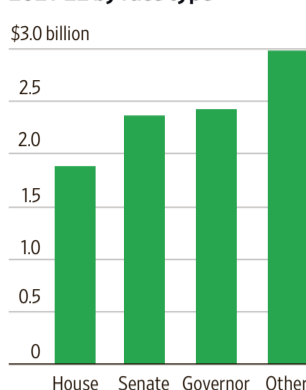
Midterm elections are typically less costly than those that include presidential races, so this cycle's heavier spending is a boost to broadcasters and others. The increase comes as overall ad spending is showing signs of a slowdown amid signals that rising inflation is starting to weaken consumer spending.

So far this cycle, AdImpact

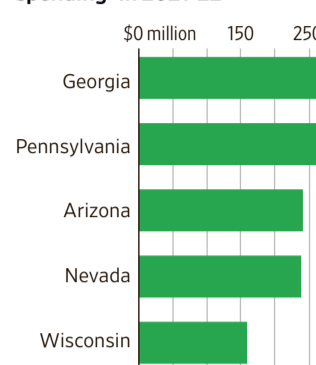
Projected political ad spending nationwide by category for 2021-22 election cycle



Projected political ad spending* nationwide for 2021-22 by race type



Top five Senate races for projected ad spending* in 2021-22



* Includes spending on broadcast, cable, satellite and streaming TV, as well as on radio and online. Source: AdImpact

says roughly \$5 billion in ads have already run or are booked to do so between now and the Nov. 8 election. A campaign's final three months typically account for about two-thirds of total spending, and many expected ad buys haven't yet been placed.

A growing number of political ads are appearing on TV screens connected to the Internet by streaming-video players such as those made by Roku Inc. Campaigns are increasingly gravitating to the streaming platforms because ad placement there is more financially efficient than traditional broadcast TV, with voter groups and geographic areas more easily targeted.

AdImpact says connected television, or CTV, represents about 13% of the overall political spending and the firm estimates total spending on such platforms will grow to \$1.4 billion by November.

Even with the growth of digital advertising, broadcast TV remains the dominant platform for political ads. AdImpact projects more than half of the spending for this cycle will be placed on local TV stations.

AdImpact predicts almost \$4.3 billion will be spent on

House and Senate races, while \$2.4 billion will go to campaigns for governor. A further \$3 billion is expected to be spent on other down-ballot races.

The surge reflects the high stakes faced by both parties and special interests trying to influence the first midterm election of Democrat Joe Biden's presidency. Republicans

The surge reflects the high stakes and the special interests vying for influence.

would be able to significantly pare down his agenda if they can win control of at least one chamber of Congress.

AdImpact says Senate races in Arizona, Georgia, Ohio, Nevada, Pennsylvania and Wisconsin have already surpassed \$100 million apiece in advertising. In the 2018 cycle, only Florida's Senate race exceeded \$100 million.

Among House races, AdImpact projects a 40% increase in spending over the 2020 cy-

cle and a 60% increase when compared with 2018. California is the state projected to have the most House-related ad spending at \$259 million for the cycle.

Another major factor for the heightened spending: There are 36 gubernatorial elections this year, following contests in Virginia and New Jersey last year. That is up significantly from the total in the last election cycle, but comparable with 2017-2018.

The report says ad spending on gubernatorial races this cycle has already nearly matched the total spending for the full 2018 cycle and is on pace to roughly double when compared with four years ago.

With roughly \$143 million in the primary alone, AdImpact says Illinois has hosted the most expensive race for governor this year. Billionaire Democratic Gov. J.B. Pritzker and hedge-fund billionaire Ken Griffin have both spent heavily.

AdImpact's estimates were generated by building a spending model for each race that factored in the competitiveness of a seat, past spending levels, the varying costs of different media markets and candidate cash-on-hand reports.



SAND STARS: Junior lifeguards took part in a competition to prove their lifesaving skills Wednesday in Hermosa Beach, Calif.

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WORLD NEWS

Kyiv Sees Weakness in Enemy After Blasts

Ukraine stopped short of taking responsibility for explosions at Crimean military base

By ISABEL COLES
AND ANN M. SIMMONS

Ukrainian officials seized on explosions that rocked a Russian military base as a sign of Moscow's vulnerability, as Kyiv steps up a counteroffensive to reverse Russia's territorial gains.

Kyiv didn't take responsibility for Tuesday's blasts at the Novofedorivka air force base on the Crimean Peninsula, but officials and citizens celebrated, mocking Russian claims that it was a minor incident caused by an ammunition explosion.

The blasts coincided with a

Ukrainian counteroffensive in the south that was aimed at pushing Russian forces from territories they occupied quickly after the start of the war in February. Ukraine, which in recent months has lost ground in the east, has sought to degrade Russian supplies, reinforcements and weapons behind the front lines to grind down the Russian military.

For Russia, images of explosions far from the front lines, in a part of Ukraine known as a vacation resort, brought the war closer to home.

Russian state TV largely ignored the incident, but some prominent pro-Kremlin propagandists expressed irritation. Margarita Simonyan, editor in chief of state-controlled media organizations RT and Rossiya Segodnya, called for calm and

continued support for Moscow's military. "Whatever happens, your duty is to support your country, your people and your army," she said on Telegram.

A spokesman for Ukraine's Air Force Command said Russia kept several warplanes at the base. The intensity of the blast indicated an aircraft-weapons depot was hit, he said.

Russian officials said no aircraft was destroyed. "Visual evidence proves Russia lost at least four Su-30SMs (multirole aircraft) and seven Su-24M(R)s (strike/tactical reconnaissance aircraft)," said Oryx, an open-source site that tracks military-equipment losses.

On Wednesday, local authorities loyal to Russia started assessing the damage to homes and other infrastructure around the base, which bor-

ders a popular tourist resort.

Crimea's governor, Sergei Aksyonov, said on Telegram that the situation in Novofedorivka has been "recognized as a municipal emergency." More than 250 people were at a temporary housing center, and as many as 62 apartment buildings and 20 commercial structures were damaged, he said. Russia has opened a criminal case into the explosions, he added.

Ukrainian officials mocked Russia over the explosions. Ukraine's Ministry of Defense said on Facebook that it couldn't determine the cause of the explosions, but warned of the dangers of igniting fires by careless smoking.

"The Ministry of Defense of Ukraine would like to remind everyone that the presence of occupying troops on the terri-

tory of Ukrainian Crimea is not compatible with the high tourist season," it said in a tweet.

Ukraine's military said Wednesday that nine enemy planes were destroyed in the previous 24 hours, without specifying where. One person was killed, the Crimean health ministry said. The governor said 14 people were wounded.

The blasts in Crimea occurred as Ukraine seeks to roll back Russian gains in the south. The operational command said Ukrainian forces destroyed a Russian ammunition depot in the Kherson region. In recent weeks, Kyiv has sought to isolate Russian forces there by striking bridges and other infrastructure to hinder resupply.

Ukrainian forces Wednesday said a strike disabled a bridge near the Kakhovka hydroelec-

tric power station in Kherson.

Russia has requested a meeting of the United Nations Security Council on Thursday in connection with attacks on the Zaporizhzhia nuclear power plant, said TASS.

Ukraine has accused Russia of shelling in the vicinity of the plant. Russia in turn has blamed Kyiv's forces for launching strikes on the facility.

The plant has been controlled by the Russians since the early days of the war, but Ukrainian staff are still operating it.

Foreign ministers of the Group of Seven nations on Wednesday urged Russia to hand back full control of the plant to Ukraine.

"It is Russia's continued control of the plant that endangers the region," they said in a joint statement.

Ukraine Holds Line Amid Ruin

Continued from Page One

its sparkling wines—and now is finding itself as the primary target of Moscow's offensive in the eastern Donbas region.

Russian forces started pushing toward Bakhmut more than a month ago, after seizing the towns of Severodonetsk and Lysychansk 30 miles northeast of here, in Moscow's last significant gain in Donbas. Since then, Ukrainian forces have been holding the line, with heavy fighting every day east of the road connecting Bakhmut to the town of Siversk to the north.

Despite preparations for a possible Ukrainian counteroffensive in the southern Kherson region, the war's main effort for now continues in the Donbas. Roads are clogged with Ukrainian military traffic as fresh heavy weapons, troops and ammunition pour in. The 20-mile front line from Bakhmut to Siversk is a constant sequence of plumes rising from artillery hits and the fires they cause.

"We have stopped the Russians here, and they aren't able to advance," said a Ukrainian artillery captain. "It's hard, there are losses, everything around here is smashed up by artillery. They still have an advantage in firepower, but not for long because they are running out of steam," he said. "They have more quantity, but we have better precision."

Minutes later, a 122 mm howitzer under his command, operating off a feed supplied by Ukrainian drones, fired at a Russian infantry unit that had been spotted as it tried to push forward. The unit turned around. The Russians also have plenty of drones in the air: Earlier that morning, a suspected Russian kamikaze drone slammed into a tank in the captain's unit, damaging its machine gun but leaving the rest largely intact.

Random shelling

The Russian way of war here, as in other Donbas cities that Russia captured since February, such as Popasna, Mariupol or Severodonetsk, consists of indiscriminate shelling that makes these urban areas uninhabitable and eventually indefensible.

"They try to crush and crush with artillery, without having particularly talented commanders or great successes in modern tactics," said Col. Serhiy Cherevatyi of the



A wounded Ukrainian soldier arrived at a field hospital on the Bakhmut frontline. Below, Ukrainians boarded a bus to evacuate the city.



Ukrainian military's Eastern Command that oversees the Donbas campaign.

Aware of the wholesale destruction and the large civilian casualties wherever Russian forces approach, Ukrainian authorities have repeatedly urged all inhabitants of Ukrainian-controlled Donbas—and in particular front-line cities such as Bakhmut—to move to safer parts of the country. Some 20,000 residents remain in the city, said Maryna Ivanushkina, the Bakhmut municipality official in charge of evacuations. While Russia and its proxies seized roughly one-third of Donbas in 2014, and then another third this year, Ukraine still controls a chunk of Donbas about the size of Lebanon.

"We are actively trying to convince everyone to leave the city because we understand

that the fall and the winter will be very difficult," Ms. Ivanushkina said as she checked two minibuses packed with civilians abandoning their hometown. "There will be no heating, and continuing active combat means that there may not be any power, water and telecommunications either."

In one of the minibuses, Maria Petryshyna, 72 years old, said she had no idea where she was heading. "Anywhere. I just want to get as far away as possible from here. It is too loud at night, impossible to sleep anymore. The hole in our apartment building, on the second floor, is bigger than my height," she said.

Bidding goodbye to their daughter and two grandchildren in the second minibus were a couple who fled the city of Horlivka in 2014, and moved

to Bakhmut from an area closer to Lysychansk in May. "Tanya, please make sure to call," the mother called out. "Mom, Mom, don't cry," the daughter shouted back.

While some Bakhmut grocery shops and pharmacies are still open, life in the city is quickly fizzling away, with essential services beginning to collapse and the few coffee and fast-food shops that were opened weeks ago now boarded up. Streets are blocked off. While Russian media has reported the area to have been seized by the Wagner Russian mercenary group, it remains, for now at least, under Ukrainian control. Fighting is so far from the city that no gunfire can be heard, even at night.

"The enemy is trying to sow panic and chaos in the city as much as it can. And now that the Russians are closer and can hit it with field artillery, more and more civilians are brought here every day," said surgeon Dmytro Androshchuk, medical chief of the Hospitaler Battalion that helps operate the area's only remaining medical facility.

Most civilian doctors escaped Bakhmut long ago, and the regular military hospital also evacuated last month. That has left a team made up of Hospitalers—medical volunteers attached to the Ukrainian army—and medical staff seconded from three Ukrainian army brigades defending Bakhmut, to treat and stabilize the wounded before they are transferred to fully functional hospitals further west.

The recent deployment of

fresh Ukrainian artillery units has led to a fall in casualties coming in, Dr. Androshchuk said. "When our artillery is working, we have less work," he said. "There used to be days when we didn't have time to eat and slept only three to four hours a night, with 10 to 15 casualties coming in at a time. Now, sometimes we manage to get a full night's sleep with just the emergency shift managing the flow."

Russia's use of cluster munitions to hit residential neighborhoods has become commonplace here, Dr. Androshchuk said. These weapons are far from precise.

On Monday morning, Volodymyr Skuban was picking spring onions on a small vegetable patch that he owns near a drab apartment block where he lives west of Bakhmut. One Russian rocket with cluster bomblets slammed into a wall behind the building, and another somewhere in the overgrown area behind. Mr. Skuban, hit in his knee and bleeding, crawled through the vegetation for about an hour until neighbors spotted him and, stepping carefully so as not to trigger another explosion, tried to stop the bleeding and called in the ambulance. He got to Dr. Androshchuk in time.

Changing allegiances

One of these neighbors said the experience of the recent months has made him change his once favorable views of Russia and President Vladimir Putin. "In January, I would have voted for Putin with both of my hands," he said. "Now, I just want to cut off every one of his fingers, one by one, slowly. So many people have died because of what he has done."

There are, however, others in Bakhmut—particularly among the minority that remains in the city—who hope for Russia to take it over. Several locals have been detained for actively collaborating with Russian troops, officials said.

"Not everyone is for Ukraine here. Some will go and report you later to the Russians," whispered one woman as she stood outside one of the open grocery shops waiting for her turn to come inside. "Those are the real scoundrels. In the morning they come and get welfare payments from the Ukrainian state, and in the evening they guide Russian fire onto the city."

Iran Trains Russia To Use Its Drones, U.S. Says

By DION NISSENBAUM

Iran has begun training Russian officials to use its advanced drones, according to the Biden administration, the latest sign that Moscow plans to use Tehran's military weapons to try to seize a new aerial advantage in Ukraine.

Iranian officials launched the training in recent weeks as part of an agreement for Tehran to send hundreds of drones to Russia, according to a U.S. official, who cited recently declassified U.S. intelligence.

The Biden administration first released intelligence last month on the secret talks between Russia and Iran in an effort to deter the two countries from following through on plans to use the drones against Ukrainian forces. But the recent training suggests that Iran and Russia are still preparing to send the drones into battle. Russia and Iran have rejected the U.S. allegations.

The Kremlin and Russia's Defense Ministry didn't respond Wednesday to requests to comment. Iran's foreign ministry denied that the country is involved in providing drones to Russia.

Last month, the U.S. released unclassified images that the White House said showed Russian officials visiting an Iranian military drone base. The U.S. said Iran showed the Russian delegation two different kinds of drones that could be used in Ukraine: the Shahed-129, a Predator-style drone that can fly more than 1,000 miles with missiles, and the Shahed-191, a flying-wing drone capable of carrying missiles for about 300 miles.

Both drones would provide Moscow with valuable new firepower to use against Ukraine, which has been deploying Turkish drones against Russian forces with great effect.

National security adviser Jake Sullivan said last month that Russia "deepening an alliance with Iran to kill Ukrainians is something that the whole world should look at."

Iran has emerged as one of the world's most feared drone developers. The U.S. and Israel have accused Iran and its proxies of using its drones to carry out attacks against Saudi Arabia's oil industry, American forces in Syria, and ships in the Persian Gulf.

U.S. officials say that Russia has turned to Iran for help in countering American military support for Ukraine. The U.S. is sending Ukraine more than 500 small kamikaze-style battlefield drones. And Turkey has provided Ukraine with 50 more advanced drones that the military has used to destroy Russian convoys and warships. The Turkish Bayraktar drone has been so effective that Ukrainians wrote a folk song celebrating it.

Turkish media reported this week that Baykar, the Turkish company that makes the Bayraktar, is in the process of building a drone factory in Ukraine.

—Aresu Egbali
contributed to this article.



Ukrainian soldiers repaired a tank after it was hit by a Russian drone on the front line around Bakhmut.

WORLD NEWS

Facing Gas Cuts, Europe Dims Lights

By DAVID UBERTI AND ELIZA COLLINS

BERLIN—Lights illuminating many of the German capital's monuments are going dark. Officials here and in the Netherlands have urged residents to take shorter showers.

Across Europe, national and local governments are pushing to curtail energy usage as Russia cuts its gas shipments in response to Western sanctions during the war in Ukraine.

The emerging policies, which focus on public spaces, aim to conserve energy and help stockpile reserves, officials and experts say, as well as send a message to residents who may need to cut back.

The new steps fit with a strategy that the European Union's 27 governments agreed to last month. Amid concerns that Russia could stop supply-

ing energy, the bloc agreed to a nonbinding plan to curb its gas consumption by 15% over eight months, and set priorities to determine which industrial sectors would be most affected.

"Every kilowatt-hour that we save right now saves for the winter," said Belit Onay, mayor of Hannover, Germany, which is attempting to cut municipal energy usage 15% through its own plan, unveiled in late July.

The city in northern Germany is dialing down temperatures in public pools and gyms, while planning to cut heating to municipal buildings as colder weather approaches.

The push has positioned the city to weather the coming months depending on how low temperatures go, Mr. Onay said.

In Berlin, officials said they would turn off about 1,400 lights around public spaces and landmarks, such as the Victory Column, Charlottenburg Palace and Jewish Museum. Nearby Potsdam has lowered water temperatures in the public pools and saunas.

Munich has turned off hot water in city offices and most city fountains are dry at night. About half the city's traffic lights are turned off during off-peak times. A spokesman for the city said tents at this year's Oktoberfest won't be heating their beer gardens with gas.

The German economy minister told Der Spiegel earlier this



Protestant Berlin Cathedral is among the city's roughly 1,400 public spaces and landmarks dimming or shutting off lights to conserve energy.

summer he had shortened his showers to conserve energy.

As winter approaches, individual households, which comprise more than one-third of German gas usage, also will have to change their lifestyles or swallow higher prices, said Dr. Veronika Grimm, a member of the German Council of Economic Experts, a state-appointed advisory panel.

The German initiatives come as governments across Europe have put in place measures of their own.

Dutch officials in recent months have encouraged residents to take less than five-minute showers as part of an energy-saving campaign.

Italy limited air conditioning in public buildings to no lower than 77 degrees Fahrenheit, and capped heating at about 70 degrees Fahrenheit.

This week, the Spanish government followed suit with a decree limiting air conditioning in public and commercial spaces to no lower than 81 degrees Fahrenheit and maxed out heating at 66 degrees Fahrenheit through 2023.

The country has mandated that automatic doors be installed to ensure air doesn't escape. The government estimates changes in behavior could reduce energy demand by 5% in the short term.

The leader of the Madrid region said her community won't comply, writing in a tweet that the restrictions would generate insecurity and hurt tourism.

Pere Alemany, an executive board member of the Barcelona Chamber of Commerce,

said while the measures are a good thing, there would need to be more time before the rules are enforced. He said it would be helpful to offer government subsidies for small businesses to comply with the regulations.

To reach that number and offset Russian gas, energy production must grow while industries and households cut consumption, said Georg Zachmann, a senior fellow at Brussels-based think tank Bruegel.

Government orders to limit air-conditioning and heating could help, he said. Other measures, such as reduced lighting, provide minor savings, but are "a signal to everybody that it is serious and you have to do your part," Mr. Zachmann said.

Japan's Ministry of the En-

vironment launched a "cool biz" campaign in 2005, in which government buildings sought to save energy by mandating internal temperatures be set no lower than 82 degrees Fahrenheit. Employees were encouraged to forgo neckties and jackets, and wear short-sleeved shirts, so as to work more easily in the warmer offices.

In Berlin, many of the lights throughout the city center have been turned off. Anna Soler, a 31-year-old Ph.D. student visiting from Barcelona, said she was glad to see Berlin's largest church was mostly dark. "It's good that we people become aware of how much electricity we spend and we waste," she said.

—Bastian Brinkmann contributed to this article.

Investors Approve Pause in Ukraine's Debt Payments

By CAITLIN OSTROFF AND ALEXANDER SAEEDY

Investors approved a two-year payment delay on roughly \$20 billion of Ukraine's foreign-currency debt, heeding calls from Washington and other allied governments to grant the embattled nation a financial reprieve as it burns through cash.

Ukraine asked bondholders last month to push back payments of interest and principal on a clutch of dollar- and euro-denominated government bonds, with a combined face value of nearly \$20 billion, by two years. The government's request came as little surprise to creditors, who had expected that Kyiv would need to restructure its debts as the war dragged on.

Friendly governments that are themselves lenders to Ukraine, including the U.S., U.K., France and Germany, sup-

ported the payment delay, and urged bondholders to approve the requests. Ukraine's Finance Ministry also said it received indications of support from major holders of its bonds, including BlackRock Inc., Fidelity Investments, Amia Capital LLP and other investors.

Results of the vote released Wednesday showed the holders of about 75% of the outstanding bonds agreed. Investors in Ukraine's securities linked to its gross domestic product also approved changes to the coupon payments of those assets.

"There's a very clear rationale for passing this," said Daniel Wood, a portfolio manager at William Blair Investment Management, who voted in favor of delayed payments on Ukraine bonds he holds. The situation, he said, is unique. "Why would you divert that [money] to bondholders

when the money is needed elsewhere at the moment?"

The approval of the deferrals is expected to save Ukraine's government up to \$6 billion in payments on its sovereign debt, according to Timothy Ash, a strategist at BlueBay Asset Management.

The move also will help Ukraine avoid defaulting on its obligations because of a growing cash shortfall. Kyiv narrowly avoided default in 2015, instead reaching a debt-relief deal with its creditors. Private creditors agreed to a 20% write-down in the face value of their Ukrainian bonds, and to push back maturities on government debt by four years. The GDP-linked securities were issued then as a sweetener for creditors.

Some investors only submitted last-minute approvals, leaving the outcome uncertain until roughly an hour before

the voting deadline, according to people familiar with the matter. Creditors holding nearly half of a \$912 million bond due later this year didn't give indication that they approved until late Tuesday afternoon, the people added.

Creditors agree to a 2-year delay on about \$20 billion of foreign-currency debt.

If those creditors hadn't signed off, Ukraine would have had to pay the bond in full when it matured or risk defaulting on its debts.

To secure approval for changes to its GDP-linked securities, Ukraine agreed to pay

holders a consent fee. In exchange, investors agreed to halve the maximum payment they will receive in 2025: to 0.5% of Ukraine's GDP from 1%. The government also secured options allowing it to redeem the securities starting in 2024.

Without a restructuring, the GDP securities could have become a major financial burden. These securities entitle investors to payments equivalent to a portion of Ukraine's growth in GDP when it exceeds 3%. Ukraine's economy is likely to boom if it eventually repels the Russian invasion, as aid potentially totaling hundreds of billions of dollars flows into the country for reconstruction.

The changes reduce the risk that Ukraine would have to pay a large part of its postwar economic recovery to financial investors.

However, Ukraine's finances

remain under extreme pressure. The Finance Ministry in Kyiv has estimated its financing shortfall stands at roughly \$5 billion a month, with tax revenue covering only 30% to 40% of its spending needs, which include heavy military expenditures.

Ukraine has foreign-exchange reserves of just over \$22 billion, according to central-bank data, down from \$31 billion at the start of the year.

Kyiv on Friday formally requested additional fiscal assistance from the International Monetary Fund, which provided a \$1.4 billion loan to the government in March.

The U.S. and Europe have pledged some \$25 billion in financial assistance, but only \$6 billion in loans and grants have been disbursed to Ukraine as of early August, government figures show.

FROM PAGE ONE

Disney's Revenue Jumps 26%

Continued from Page One including ESPN+ and Hulu, surpassing Netflix, its chief streaming rival. Netflix last month reported it had 220.67 million subscribers.

Disney shares rose about 7% in after-hours trading to \$120.11.

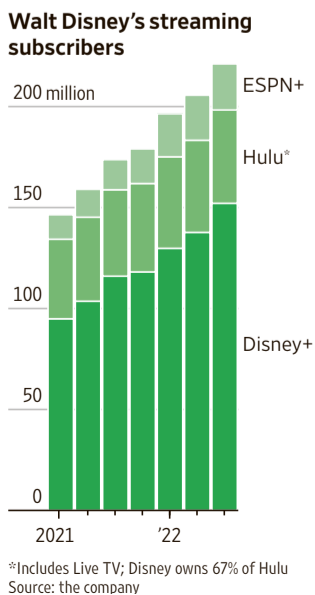
Overall for the third quarter, the world's largest entertainment company reported profits of \$1.41 billion, or 77 cents a share, up from \$918 million, or 50 cents a share, in the year-ago period. Revenue increased to \$21.5 billion, above the average analyst estimate of \$20.99 billion on FactSet.

Sales at the parks, experiences and products division—which includes Disneyland, Walt Disney World and four resorts in Europe and Asia and has historically been Disney's most profitable segment—reached \$7.4 billion for the quarter, a record, and was up 70% from a year earlier. The division posted profits of \$2.2 billion for the quarter, up from \$356 million a year ago. "Demand has not abated" at the parks, Ms. McCarthy said. Since reopening in 2021 after pandemic-related closures, Disney's theme parks

haven't been running at full capacity, but a new online reservations system and ride-reservation apps have helped the company better respond to demand and generate more revenue per visitor.

Ms. McCarthy said that if economic conditions worsen, Disney could tweak the reservation system to allow more visitors in on certain days, but as of now, demand is outstripping available spots.

Disney's direct-to-consumer segment, which includes video streaming, lost \$1.1 billion in the third quarter, widening from a loss of \$293 million a year earlier. Since Disney+ launched in late 2019, the segment has lost more than \$7 bil-



lion. On Wednesday, Ms. McCarthy said Disney's estimate for overall spending on content for fiscal 2022 had fallen slightly, from \$32 billion to \$30 billion.

Disney gave a launch date of Dec. 8 and outlined pricing information for its previously announced ad-supported tier of Disney+ in the U.S., a new product designed to expand the reach of the company's streaming business. The price of the ad-free stand-alone Disney+ service will rise from its current level of \$7.99 a month in the U.S. to \$10.99 a month, or \$109.99 a year. The new, basic Disney+ service with ads will cost \$7.99 a month.

The premium Disney streaming bundle, which includes ad-free versions of Disney+ and Hulu, as well as a version of sports-focused ESPN+ with ads, will remain at its current price of \$19.99 a month in the U.S., while a bundle that includes all three services, but with ads on Hulu, will rise in price by \$1 a month, to \$14.99.

Mr. Chapek defended the price increases, saying that when it was launched, Disney+ was among the most competitively-priced streaming offerings and that the company has added more and higher-quality content to the service. "I think it's easy to say that we're the best value in streaming," Mr. Chapek said Wednesday.

Over the past year, Mr. Chapek and other top Disney executives have signaled an increased focus on international markets

for growing its streaming business. Disney is spending heavily to produce hundreds of local-language television shows in countries such as India, and over the summer, Disney+ launched in 53 new countries and territories, mainly concentrated in Eastern Europe, the Middle East and North Africa.

Pricing for a Disney+ subscription in many of these new markets runs below the \$7.99 a month that American customers pay. Still, Disney+'s average monthly revenue per paid subscriber—a key metric in streaming businesses—stood at \$6.27 in North America, compared with \$6.29 internationally, excluding Asia's more inexpensive Disney+ Hotstar service.

Disney+ Hotstar, the service used by Disney's 58.4 million subscribers in India, produces just \$1.20 a month per user. Some analysts and former Disney executives predict that losing cricket streaming rights will result in millions of canceled accounts over the next year.

The flagging growth of North American Disney+ subscriptions is likely the result of a glut of content being released in movie theaters and on several streaming services, as well as fatigue from the Star Wars and Marvel superhero movie franchises, said Francisco Olivera, a Disney shareholder who manages a small family fund based in Puerto Rico that has about 15% of its holdings in Disney stock.

—Sarah Krouse contributed to this article.

Advertisement for Microsun lighting. Features a floor lamp and a desk lamp, both labeled 'solyte XL'. Text includes 'Bright. Clear. Healthy Light.', 'Microsun's high-output light now in an LED floor lamp', 'Flexible & Adjustable', 'Directional Light Source', '5 Brightness Levels', '4000K Vivid Full Spectrum Light, 95+ CRI', 'SAVE 25%* Promo Code WS228', 'Floor Lamp NOW \$195*', 'Desk Lamp NOW \$120*', 'microsun.com', and '888-328-8701'.

FROM PAGE ONE

Lithium Colossus Fails Test

Continued from Page One
the auction. A BYD spokeswoman declined to comment. Similar setbacks are occurring around the so-called Lithium Triangle, which overlaps parts of Chile, Bolivia and Argentina. Production has suffered at the hands of leftist governments angling for greater control over the mineral and a bigger share of profits, as well as from environmental concerns and greater activism by local Andean communities who fear being left out while outsiders get rich.

At a time of exploding demand that has sent lithium prices up 750% since the start of 2021, industry analysts worry that South America could become a major bottleneck for growth in electric vehicles.

"All the major car makers are completely on board with electric vehicles now," said Brian Jaskula, a lithium expert at the U.S. Geological Survey. "But the lithium may just not be enough."

In Bolivia, the government nationalized its lithium industry years ago and has yet to produce meaningful amounts of the metal. Mexico, a smaller player, also recently nationalized lithium. Argentina's output is only starting to take off.

'Strategic resource'

Here in Chile, where lithium is already tightly controlled, President Gabriel Boric's new leftist government plans to create a state lithium company after criticizing past privatizations of raw commodities as a mistake. A new constitution, if approved in a September referendum, would strengthen environmental rules and indigenous rights over mining.

"This is a strategic resource for the energy transition," said Chile Mines Minister Marcela Hernando. Ms. Hernando recently told Chile's congress that while the government didn't have the know-how to mine lithium on its own, it would insist on majority control of any joint venture with private firms.

A few years ago, Chile was the world's largest lithium producer, turning out slightly more than Australia. While Chile has expanded output at its existing operations by 80% since 2016 to about 140,000 tons annually, it hasn't opened a new mine in about 30 years. It now produces about half as much as Australia, which has quadrupled its output in the past five years, according to the USGS.

Unlike oil, which is produced all over the globe, lithium is less common. South America, Australia and China are the key locations. Outside South America, it's extracted from hard-rock. In the region, lithium is found in salty, underground water that is evaporated by the sun after being pumped into large man-made ponds. South America's lithium is less expensive to produce, but miners say the drawback is it takes far longer to build a mine—about eight years.

Chilean officials and environmentalists worry about the impact on water supplies. Willy Kracht, Chile's undersecretary of mining, said recently that up to 2,800 cubic meters of water are needed to pro-



Evaporation ponds at an Albemarle Corp. lithium mine in Chile, above, are part of a water-intensive process that also involves a brine reservoir, below.

duce one ton of lithium in Chile, versus 70 cubic meters for a ton of copper.

Environmentalists believe that mining has caused some nearby lagoons to dry up, harming the population of wild flamingos that rely on them to feed on shrimp and build nests. "The damage is irreversible," said Cristina Dorador, a biologist who was a member of a special assembly that wrote the draft for Chile's new constitution.

Lithium miners deny their operations have affected lagoons, which they monitor with local communities.

In 2017, Tim Fernback was upbeat about his lithium project in Chile, a free-market leader in the region that has usually welcomed foreign miners digging up copper and other metals. His Vancouver-based firm, LiCo Energy Metals, acquired property in the Salar de Atacama, a vast salt flat surrounded by snow-capped volcanoes.

Meeting the locals

Mr. Fernback, who was LiCo's chief operating officer, said he met with locals to explain the firm's plans and offered to build a plant to provide clean drinking water. He thought the meetings went well. When it came time to drill through the salt-crust surface, residents blocked roads in protest, citing environmental concerns. Believing the project was hopeless, LiCo abandoned Chile in 2019.

"It felt like back stabbing," said Mr. Fernback. "We went in there, we spent a lot of money on the property, which we had to exit. Who else is going to want to do that?"

Chile lost its global lead on lithium in part because the state has maintained tight control since the 1970s, when Gen. Augusto Pinochet's military dictatorship declared it a strategic resource because it is a component in nuclear bombs.

The two lithium miners that operate here rent their land from a state agency, which limits how much they can produce. Export also requires a special permit from the government's nuclear agency.

To expand its output, U.S.-based Albemarle Corp. signed a new contract in 2016 that requires it to pay royalties of up to 40%, an industry high. Hoping to add value domestically rather than just export raw material, the government required Albemarle to provide up to 25% of its lithium production at a low market price to companies processing it lo-



cally. The company also gives part of its sales to indigenous communities.

"If lithium regulation in Chile was like copper regulation, I can assure you there would be a lot more mines," said Albemarle's country manager in Chile, Ignacio Mehech. "We have to be able to produce the lithium that the world needs."

The operating environment for lithium miners is set to get even more complicated given the rise of a new group of left-wing leaders in Latin America, a region whose history is marked by battles over the state's role in the development of its natural riches.

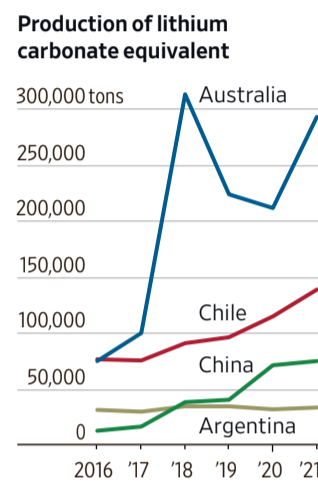
With economies battered by the pandemic and people grappling with soaring inflation, officials in some Latin American nations say robust state control over lithium will help boost local development and pad public coffers.

It's a gamble, however, that risks derailing lithium production if government demands make it too costly and difficult

for overseas investors with the expertise and capital to build mines, say industry analysts. Public enterprises, meanwhile, risk mismanaging the resource in a region where state-run firms have long been mired in corruption and nepotism.

"Latin America specializes in killing golden geese and one of the quickest ways to do so is through resource nationalism," said Benjamin Gedan, a Latin America expert at the Washington-based Woodrow Wilson Center who closely tracks the region's lithium industry. "This boom could very quickly turn to bust if bad policies are brought forward."

Mr. Gedan calls Bolivia the ultimate cautionary tale. One of the world's poorest nations, Bolivia nationalized lithium in 2008 under ex-President Evo Morales, who promised to turn the country into a mining power that builds batteries and electric vehicles. The government created a state lithium company, Yacimientos de Litio Bolivianos, or YLB. Bolivia spent about \$900 million



the edge of the salt flat, residents expected lithium to bring jobs and modernity. But the village's roads remain unpaved. The nearest hospital is an hour and a half away. There are no police, banks or Wi-Fi. Young people, unable to find work, migrate to Chile.

Donny Ali, a Rio Grande native, built the Hotel Lithium, anticipating an influx of business people. Today, the hotel's eight rooms are empty. "This place remains forgotten," said Mr. Ali.

Like others in Potosi, Mr. Ali was suspicious of outsiders wanting to develop Bolivia's lithium, believing locals wouldn't benefit. Now, he believes foreign companies are needed.

"The nationalization policy hasn't taken us down a good path," he said. "They've used the state's resources but there's nothing to show for it." Bolivia's Energy Ministry and YLB didn't respond to requests for comment.

Bright spot

The brightest spot for lithium output in South America has been Argentina, which so far has been more open to private investment, a source of much-needed foreign currency for the cash-strapped government. Officials provide companies with tax stability agreements and have eased some currency controls that suffocate other sectors, according to firms that operate there.

As a result, the country has received an influx of investors, such as Anglo-Australian miner Rio Tinto PLC, Chinese battery maker Ganfeng Lithium Co. and French multinational Eramet SA. Global auto giants are increasingly betting on Argentina too, with Toyota holding a stake in a local mine. Ford and BMW have deals to receive Argentine lithium.

Argentina could hit 230,000 tons by the end of the decade, about a six-fold increase from now, according to the government.

Some observers note Argentina's failure to develop other promising resources, including a massive shale gas deposit in the far south that elicited a similar rush of excitement a decade ago. The ruling Peronists have a history of intervening in key economic sectors and reneging on agreements. And, some lawmakers are already calling for a greater state role over lithium.

Inflation Curbs Apologies

Continued from Page One
small issues such as failing to answer the phone quickly. Train operators will broadcast apologies on platforms when train services are as little as a minute late. A price change would typically be accompanied by a serving of humble pie.

Now that the global wave of inflation has reached Japan's shores—after around three decades of stable or falling prices—businesses have broken free of the "sorry" pastime.

When food company Yaokin Inc. raised the price for its

flagship umaibo puffed corn snack by 2 yen—about 1.5 cents—to 12 yen in April, it published a message about the change on Twitter that might have seemed too blunt only a few months earlier: "We need to make a profit so that we can continue to ensure the survival of the snack industry."

As if to acknowledge it was being less contrite than some might expect, it published a separate newspaper ad quoting a snack wholesaler: "This is no time to be wasting money on an apology ad."

In a marketing firm's survey about the umaibo price hike, almost 70% of people selected a response that read: "It's kind of amazing that the price has never been raised before." The snack first went on sale 42 years ago.

Yuko Ueda, a 41-year-old homemaker who was recently

out buying a box of sushi for dinner, said the disappearance of apologies wasn't surprising now that the cost of everything is rising.

"When prices go up, I would expect better customer service or better products rather than apologies," she said.

Mitsuko Komeda, a 52-year-old owner of a beauty salon, said Japan's relatively mild inflation rate of around 2.5% might mean businesses didn't feel the pressure to apologize so much.

"Look at other countries. They're raising prices much more," she said.

Yasuyo Yamanaka, a 38-year-old accountant who was eating a bowl of noodles at Ichiyoshi Soba in Tokyo on a recent afternoon, said apologies help show businesses care about their customers, and foster loyalty.

"I believe this is a sense probably only shared by Japanese," she said.

Apologies are an expected part of basic manners in Japan, where work colleagues might see you as inconsiderate if you don't apologize for taking a vacation. That could mean you're not invited the next time the team goes out for lunch together.

It's even considered good manners to apologize for problems that aren't your fault. In the early stages of the Covid-19 pandemic, the head of the national soccer association said he was "deeply sorry for causing concern and trouble to others" by catching the virus.

Some management books tout the use of apologies as a weapon for success. A long-running manga series about a hapless policeman features a story line in which the main

character gets recruited to a new job because of his skill at apologizing, developed through numerous screw-ups.

The change in etiquette for businesses this year is partly because companies no longer need to worry so much about looking like the lone bad guy, since nearly everyone is charging more.

Some people are suspicious of stealth price hikes by businesses taking advantage of the movement of the herd.

"I understand costs for fuel and fertilizer have gone up," said Atsushi Takashina, a 67-year-old retiree, while munching on snacks outside a Tokyo shopping mall. "But when it comes to food, I feel some are taking advantage of a general rise in prices to raise prices."

Meanwhile, the governor of the Bank of Japan, who has been trying to stoke mild inflation for years to kick-start

the economy, apologized recently after facing criticism for saying consumers were becoming more accepting of price increases. "It was not my intention to say" that, Haruhiko Kuroda said. "I apologize for the confusion."

Companies are still making efforts to be sensitive. Instead of an apology, one go-to strategy when raising prices is to ask for customers' "understanding." Torikizoku, a chain of restaurants specializing in low-cost grilled chicken, recently raised prices and said it sought customers' understanding as it faced "ever mounting raw materials and energy costs."

Back in December, Ichiyoshi Soba, the Tokyo noodle restaurant, put up signs to show its remorse for raising the price of everything on its menu by 7 cents. "We're really sorry to our customers," it said.



Albemarle provided solar panels for local residents such as Juana Gutierrez and Gerardo Cruz.



MICHELLE GROSCHOPF FOR THE WALL STREET JOURNAL (2)

A view of the ocean, left, from the Motel 6 Santa Barbara Beach, below

fee and powdered creamer in the lobby each morning.

Patricia Dawes, a psychologist from Montreal, paid \$1,600 including taxes for two rooms for two nights during a two-week road trip from San Francisco to Los Angeles with her family in late July. It was almost as pricey as their weeklong stay at a Los Angeles Airbnb.

Ms. Dawes and her husband, Jaime Samayoa, had never stayed at Motel 6. (Nor had I, as best I can recall.) "I never had a great feeling about it," she says. "It always looked like off-the-side-of-the-road super sketch."

The rooms were a tight squeeze with two beds in them, but the family came to love the place. They enjoyed the proximity to the beach, ocean views from the pool, Adirondack chairs on the small deck above the pool and the retro décor.

"I'm pleasantly surprised, I have to say," she says.

Debra Szuster was nervous when her husband booked the Motel 6 for a surprise six-night beach vacation. The Denver couple had stayed at one in Albuquerque a dozen years or so ago and found it to be nothing special.

She knew the Santa Barbara motel was different when they pulled into the parking lot.

"We drove up and I'm like, 'This is going to be all right,'" she says. "Even from the outside it looked really clean and well-maintained."

Ms. Szuster loved the location and the room décor, but says she wouldn't stay there again at rates that averaged \$225 a night including taxes during their stay in late July. She says she likes to travel on a budget.

"It's not exactly luxury accommodations," she says. "I'd go someplace else and take my chances."

A Motel 6 representative wouldn't comment on the rates in Santa Barbara relative to the rest of the chain, but in a statement said: "While rates may vary by destination or travel date, we remain committed to our cost-effective value proposition."

Veteran hotelier Sanjay Patel, chief executive of Los Angeles-based family business Sanj Hotels, bought the motel in June for \$14 million after having his eye on it "for ages." The company owns five other Motel 6s in California.

He says the outside room rates in Santa Barbara are driven by market factors and that they bring higher expectations—expectations he plans to start addressing.

First on the list: in-room coffee makers. Then better mattresses.

"Once you're paying this kind of number, some of these privileges should happen in the room," he says.

There are no coffee makers in the room but you can find free coffee and powdered creamer in the lobby each morning.

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Priciest Motel 6 Earns Its Stars

This California lodge—the chain's first—can charge 70 times more than the \$6 a night it did in 1962



CARRY ON

DAWN GILBERTSON

Santa Barbara, Calif.

"WHERE ARE YOU STAYING?" asked the 20-something bartender at an East Beach gastropub.

I was a little embarrassed to tell him, given the luxury resorts and inns that dot this coastal enclave near the homes of Oprah, Prince Harry and Meghan Markle.

"Motel 6," I said.

Before he could pass judgment, I asked him to guess the nightly room rate.

\$150? Nope. \$250? Nope. \$350? Higher.

I was paying \$426 for a night. Before taxes.

The 52-room motel is best known as the first Motel 6 in the country. It opened 60 years ago this summer with \$6 room rates. (That's nearly \$59 in 2022 dollars.) But it also holds another, unofficial distinction: It's the priciest Motel 6.

Room rates at other Motel 6s soar during peak season and special events—a location in Scottsdale, Ariz., is asking \$699 a night during next year's Super Bowl. But the Motel 6 Santa Barbara Beach regularly commands the highest rates in the chain of 1,225 Motel 6s in the U.S. and Canada.

And it regularly sells out, thanks to its prime location in a

tony, year-round vacation destination. It's so busy, the motel's new owner hasn't been able to spend the night there yet. He bought the place from Motel 6 parent Blackstone Group in June.

Is any budget motel worth \$400, or even \$300, a night? Average daily rates in economy lodging averaged \$81.77 January through June, according to the latest data from industry analytics firm STR.

The short answer: yes, relatively speaking.

I checked in (without identifying myself as a reporter) for two weekend nights in late July, booking two weeks in advance. Other guests I met paid between \$225 and \$450 a night before taxes. Those lower rates come thanks to AARP and early booking discounts. My first night's stay was \$407 before taxes.

Neighboring hotels, including the Mar Monte Hotel and the sprawling Hilton Santa Barbara, charged more than \$800 the weekend I visited. The Motel 6 Santa Barbara Beach isn't in the same league by any measure, but it also isn't your father's motor lodge.

The property sits just off Cabrillo Boulevard, where those fancier hotels are located, and is only 200 steps from the sand. I didn't rent a car and walked to the beach, Stearns Wharf and downtown.

My room, 220, had an ocean view, a surprise upgrade from the front-desk clerk after I paid a \$20 early check-in fee and



tipped her for fixing an error in my reservation.

The rooms have strong boutique-hotel vibes thanks to a multimillion-dollar renovation completed in 2020.

An orange sign on the wall says "Relax." Two mints sit on opposite corners of the inspirational notecard on the nightstand. "You can't stop the waves but you can learn to surf," reads the quote from mindfulness guru Jon Kabat-Zinn.

There's a blue retro minifridge and a rain showerhead in the decent-size bathroom. The toiletries aren't name-brand, but also aren't standard budget-hotel issue.

The Serta pillowtop mattress is comfy enough, too. The hotel's new owner disagrees and says he wants new mattresses.

This place still has some budget motel in its DNA. The Amana air conditioner in the room is so old-school, you can find YouTube hacks on how to keep the fan running. The tiny hair dryer is bolted to the wall. The bedspreads are flimsy, the walls thin. And a sign taped to the outdoor ice machine by the pool urges guests not to fill their coolers with ice, so there's enough for everyone.

There are no coffee makers in the room but you can find free coffee

Is This Heaven? No, a Fertile Field

By JOHN JURGENSEN

Dyersville, Iowa

"FIELD OF DREAMS" is a quiet constant, a baseball movie that has been stirring feelings in people for 33 years. Suddenly it's producing a bumper crop of business, too.

Major League Baseball built a tentpole event here with last summer's inaugural "MLB at Field of Dreams," which climaxed with a Chicago White Sox walk-off home run against the New York Yankees. The Fox broadcast drew more TV viewers than any regular-season game in 16 years. The rural pageantry has returned for a second year. On Thursday, the Chicago Cubs play the Cincinnati Reds in a 8,000-seat park carved out of the corn next to the ballfield where the film was shot.

The former movie set itself is about to undergo an \$80 million expansion under its new owners, a group that includes Hall of Fame player Frank Thomas.

Meanwhile, 140 miles to the west in Polk City, there's now a second "Field of Dreams" field. For a TV series based on the movie, crews constructed a diamond and erected lights next to a hilltop farmhouse. The farmers who own the property, the Moeckly family, nurtured the outfield corn to camera-ready height.

"Field of Dreams" is a flagship commodity in the market where peo-

ple's emotional attachment to movies meets their commercial value as brands. "A League of Their Own," another beloved baseball movie, relaunched this week in the form of a streaming TV series on Amazon Prime Video.

There's something more to "Field of Dreams" than intellectual property. The tale of a baseball lover who conjures a team of ghostly players from his cornfield taps directly into the sport's lifeblood of nostalgia. Which is why the MLB licensed the movie's title, borrowed its setting and re-created its imagery with star players emerging from the rows.

Fans treat the former set in Dyersville like a pilgrimage site. More than 300,000 visitors are expected this year. People pop the question and get married at home plate. Some sprinkle the ashes of deceased loved ones.

Intellectual-property game

Staying power made "Field of Dreams" ripe for a TV adaptation, as did the I.P. business model. One company, NBCUniversal, would retain end-to-end ownership as the project moved from Universal Pictures library to Universal Television studio to Peacock streaming platform.

In recent years, Universal Television rebooted numerous back-catalog



distant. An old timer wearing an old-timey uniform spends an hour on the mound pitching to strangers who take turns at home plate. People play catch, duck hardballs hit by fellow visitors and wander into the corn around the outfield.

James Earl Jones's climactic monologue in the movie ("People will come...") set the stage for a real-life tourist magnet. Two farmers originally owned the land the ballfield straddled. They had a fence cutting the infield and competing souvenir shops on either side. In

the 2010s, the property's next owner envisioned a mecca for youth baseball teams, but didn't get enough zoning clearance and buy-in from neighbors to break ground.

Today, Universal receives licensing fees from sales of "Field of Dreams"-branded merchandise sold in the barn-shaped gift shop, but the studio doesn't have a financial stake in the movie site itself, according to Go the Distance Baseball LLC, the firm that owns the site. Mr. Thomas, the Hall of Fame slugger, is the company's CEO.

Dan Evans, its chief operating officer and a former general manager of the Los Angeles Dodgers, points to the sea of corn and a distant ridge-line he says will hide construction of the new tournament complex.

"We've got to make sure that this doesn't change, because if it does, the reverberation will not be fun," Mr. Evans says. "That visual will remain undisturbed."

There's something more to 'Field of Dreams' than intellectual property.

titles, including "The Fresh Prince of Bel-Air," for Peacock. The studio saved "Field of Dreams" for Michael Schur, a producer of shows from "The Office" to "Hacks." Mr. Schur is a baseball fanatic signed to a long-term production contract with Universal.

But this plan got derailed. Shortly before shooting on Mr. Schur's TV show was set to begin this month in Polk City, Peacock reversed course. The streamer canceled its order for the seven-episode limited series, budgeted at roughly \$10 million per episode, people familiar with the project

said. NBCUniversal parent company Comcast Corp. recently said Peacock took a \$467 million loss in the second quarter. Peacock says the decision not to go forward on the limited series was because of multiple factors including costs and timing.

Producers are in talks with other platforms about getting the show picked up, in hopes it can be shot in Polk City next summer instead. With the project in limbo, the Moecklys are like Kevin Costner's character, who plowed out several acres of corn for a ballfield where nothing might happen. Still, the farmers say they're delighted to own a potential "Dreams" field, and they have 2,400 acres to spare for their corn, soybeans and cattle.

A baseball mecca

On a sunny July weekday in Dyersville, trucks rumble in as crews set up for the MLB game. On the movie field itself, however, reality seems

PERSONAL JOURNAL.



**ON THE
CLOCK**
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BORCHERS

The \$1,000 Headshot Can Really Pay Off

Professionals tap high-end photographers to bolster LinkedIn profiles

Look confident but not cocky. Assertive yet approachable. Smart instead of sexy, unless you can pull off both—and only if it's *subtle* sexy.

Nailing your professional headshot seems harder and more clutch than ever at a time of record job changes and onscreen first impressions. The buttoned-up and made-up looks that once dominated business directories and professional profiles now seem stuffy in the work-from-anywhere era.

Selfies are free, but some people chasing that just-so photo for their LinkedIn profile are paying \$1,000 or more for headshots. Their quests are fueling a cottage industry of headshot photographers who offer facial-expression coaching and promise to help even the most insecure subjects look and feel great.

"I'm not a photographer per se," says Peter Hurley, who charges \$1,500 for a headshot session and \$300 for each image his clients keep. "I consider myself a facial-conveyance strategist."

His go-to move is telling people to "squinch," by which he means raise the lower eyelids—just a tad—in a modified squint. Photographers hoping to mimic his techniques can pay \$1,800 for one of his weekend workshops.

Mr. Hurley started taking headshots about 20 years ago, having learned the basics of photography while modeling.

His early clients were fellow models and actors. Now, shooting at studios in New York and Los Angeles, he estimates 90% are business types tired of their bland, yearbook-style profile pics and willing to shell out in order to stand out.

In certain ways, the importance of a good headshot is measurable. LinkedIn, which enjoys more traffic when profiles are more engaging, reports that bios with headshots get 21 times more views than those without, and users receive nine times more connection requests when they include pictures of themselves.



Headshots don't help everyone equally, executive recruiter Martha Heller says. She notes that the leaders of a company trying to fill a key position may have predetermined notions of what the ideal candidate should look like.

An applicant's chances of receiving an offer can be diminished by a headshot that doesn't match the picture in the boss's mind.

Catalant, an online marketplace for independent consultants, says freelancers with headshots in their profiles are hired more often, but some businesses screen out names and photos because race and gender markers can play into unconscious biases and disadvantage certain candidates.

Men and women who've spent many dollars and hours on a striking headshot say it's worth it.

Catalant CEO Pat Petitti recently sat for a new headshot of his own—in a hoodie. The look sparked a debate with his chief marketing officer, Vinda Souza. She urged him to wear something more formal, so he posed in both a blazer and the sweatshirt. When the proofs came in, Ms. Souza conceded that he looked better in an

outfit that made him comfortable, rather than stiff.

She doubts a woman could get away with the same, contending that "when a guy dresses down, they're approachable; when a woman dresses down, they're sloppy." Overdressing can send the wrong message, too, she says, adding that for women, "it's a pretty narrow line to have to walk."

Men and women who've spent many dollars and hours on a striking headshot say it's worth it. The effort can involve wardrobe, hair and makeup consultations spread over several days, plus informal coffee chats to build rapport with the photographer—all before the camera clicks for the first time.

When it's over, there are (hopefully) a few frames that depict the best version of the person in them.

Headshot enthusiasts insist the goal is authenticity, not vanity. That can mean an unconventional outfit or backdrop, natural hair, exposed tattoos or even a few unretouched wrinkles.

Eugina Jordan says she wanted to look good for her age, 52, but not heavily airbrushed when refreshing her headshot this summer. She had been laid off from her job as a marketing executive at a telecommunications company and believed prospective employers would judge her, in part, on her photo. So she aimed to project a balance of experience and vigor.

"I have a really good résumé," she says, "but the headshot is the first impression: 'Do I want this lady to go to events and talk about the company or talk to the media?'"

Ms. Jordan says her photographer, Alissa Randall, "captured the essence of me." She credits her new photo with helping her land another high-level role that allows her to work from home in Massachusetts.

Ms. Randall, based in New Jersey, has a few tricks. She never tells someone to smile. She shoots at a slight upward angle, which she says helps her subjects look powerful. She sometimes uses duct tape to make clothing drape just right.

Also, she says, "I have really high empathy, and I can connect with people."

A session with Ms. Randall, including hair and makeup and a couple of keeper images, costs about \$1,000.

Florida-based photographer David Roth charges \$245 for a headshot session and \$240 per image, meaning clients who keep a few pictures are pushing four figures. Despite the expense, Mr. Roth says he's so busy meeting demand for headshots that he has stopped doing weddings and family portraits.

He describes his shoots as therapeutic for some people who are critical of their own appearances. His mission, he says, is to produce "scroll-stopping images"—photos that will make a hiring manager pause and linger on someone's profile when perusing job candidates.

"I tell my clients, 'I want you to get five extra seconds if we're lucky,'" he says.

BENCHES FOR THE WALL STREET JOURNAL

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PERSONAL TECHNOLOGY

Foldable Phones Edge Closer to Greatness

By DALVIN BROWN

Smartphones have gotten boring. What's ahead could give us reason to get excited again.

Year after year, we know what to expect from new phones: a rectangular glass box, better battery life, and software enhancements that seem like they should've always been there. That sameness has caused us to hold on to our phones longer than in the past.

Foldable smartphones, which have flexible displays that bend in half, were supposed to revitalize the industry. They haven't quite pulled that off, but what they have done is show what's possible. Foldables are part of a grander plan by smartphone makers to break away from devices that all look the same, bringing innovation to an industry that's mostly filled today with glass slabs. The experimentation could lead to larger screens in smaller packages and devices that not only fold but also roll like a scroll.

"It's inevitable," said Runar Bjorhovde, an analyst at Canalis Research covering mobile phones. "At some point, the only way to continue to increase screen size is to make displays flexible." Samsung on Wednesday

unveiled its newest foldables, the \$1,800 Galaxy Z Fold 4 and \$1,000 Galaxy Z Flip 4. Both phones cost and look the same as last year's models, with the Flip folding in half like a clamshell to fit into your pocket, and the Fold opening like a book into a tablet-size device. Samsung said they're more rugged than their predecessors, with reinforced hinges and other tweaks that help address concerns about durability in its earliest foldables.

Pluses and minuses

Foldables solve challenges created by popular smartphones but create new concerns, too. On the plus side, the folding design protects the main screen, preventing scratches and other issues. But that flexible inner display is more fragile than traditional smartphone screens. Folding the screen in half also creates a crease, which interrupts the smooth glass finish people are accustomed to touching. And foldables require a hinge, which can make them less durable.

When it comes to the Z Fold 4 and Z Flip 4, Samsung made them more rugged. They have slimmer hinges, stronger glass around the crease and stickier adhesives to keep the protective screens

from peeling, Samsung said. Making foldables more durable may woo some holdouts, analysts say, but price likely matters even more.

The holdout

Samsung has led the market in foldable sales, but other companies have been working on new designs, too. They include Xiaomi, Oppo and Lenovo's Motorola business, and Apple has filed patents for a potential future foldable.

Analysts suspect it could be years before Apple might begin to sell foldable devices, if at all, because of supply-chain issues and questions about the category's overall appeal to customers.

Enter: the rollable

The challenges with foldables have companies looking toward rollable phone designs, which would theoretically let users unfurl portions of the display when they need a bigger screen.

Currently, the design is experimental for phones. LG—which sells electronics and also has a business that builds displays for other companies—has a \$100,000 rollable TV and last year showed off a rollable phone.

While foldables have yet to find a big base of users, they're not going away. Trying something new is what gave birth to the iPhone, and more creative displays could eventually revolutionize the smartphone, too.

◆ Ultra-costly phones defy a sales slump..... B1

ARTS IN REVIEW

ART REVIEW

Starkness
And Structure

A retrospective at the Met features around 200 of Bernd and Hilla Becher's photographs

By RICHARD B. WOODWARD

The photographs of Bernd and Hilla Becher are at once brazen and self-effacing. For more than 40 years, from roughly the early 1960s to the late 1990s, the German husband-and-wife team (Bernd, 1931-2007; Hilla, 1934-2015) portrayed with fastidious precision examples of secular architecture from the industrial age: smokestacks, coal tipplers, water towers, grain silos and elevators, factories, miners' housing, gravel plants.

This group of relics, which they sought out during travels in Europe, the U.K. and the U.S., was photographed in a uniform manner: with a large-format camera, in black-and-white, under overcast skies, and without people. Individual portraits were often hung on the wall in grids so that the parts of, say, six lime kilns or 30 blast furnaces might be compared. The Bechers called these morphological arrays "typologies."

"Bernd and Hilla Becher," the superb retrospective at the Metropolitan Museum of Art, contains about 200 examples, including never-before-seen early works, accompanied by a hefty catalog. Organized by Jeff L. Rosenheim, curator in charge of the Department of Photographs, the show conveys the often disguised sumptuousness and wit the Bechers extracted from their abstemious aesthetic, aptly described by the art critic Joseph Masheck as "puritanical Romanticism."

The Bechers began making photographs together in 1959, and the first of the six rooms in the show presents some of their initial collaborations in serial photography: exterior portraits of miners' homes in Siegen, Germany, the city where Bernd was born.

One can follow their growing attraction to formal constraints. Photographs of buildings made of similar materials begin to resemble families. The fenestration and zig-zagging rhythms of dark exposed

timbers on a white façade give each house here a personality. The Bechers discovered so many ways to photograph and present the framework houses that the project occupied them off and on from 1961 to 1978 and resulted in a 1977 book.

An adjoining room traces the couple's pathways before they crossed at the Kunstakademie Düsseldorf in 1957. Bernd had studied painting and typography, while Hilla was a student of photography who became enamored with the beauty of metal rendered in black-and-white. The show locates an ancestry for their objective approach in the photography of their countrymen August Sander, who set out

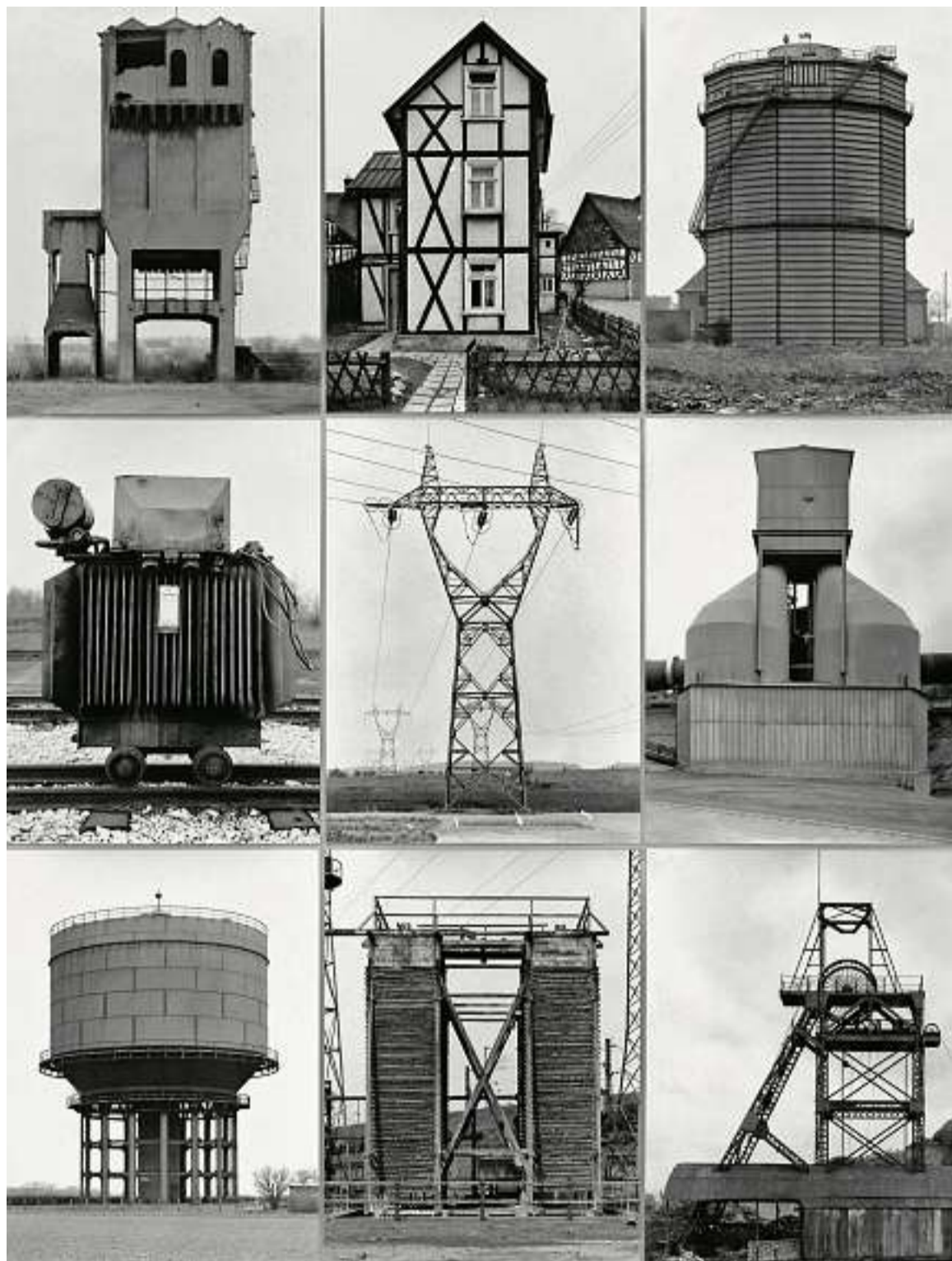
The German Minimalist husband-and-wife team blurred the line between documentary and art.

to portray a cross-section of 20th-century society, and Karl Blossfeldt, who specialized in obsessive close-up studies of plant forms.

The Bechers were recognized by the New York art world in the early '70s for the affinity of their deadpan serialism with the aims of Minimalism. A room here features sculptures by Carl Andre and Sol LeWitt, both of whom became lifelong friends of the Germans. Mr. Andre remembers the couple telling him of their ambition to photograph like Sander—"with great clarity entirely free of picturesque effects."

The show makes the case that the Bechers were crucial in bridging the chasm between documentary and fine-art photography over the past 50 years. By cataloging an era of architecture in decline and searching for pictures in the world, they allied themselves with the tradition of Walker Evans and Albert Renger-Patzsch.

At the same time, documenting these places was a labor-intensive process for the Bechers. It often



Bernd and Hilla Becher's 'Comparative Juxtaposition, Nine Objects, Each With a Different Function' (1961-72), above, and 'Water Towers' (1967-80), below left, included in the current retrospective at the Met

BERND AND HILLA BECHER (2)

took them years or decades to complete a grid. When assembled, the prints became a "piece" and were offered for high prices in art galleries.

The influence of the Bechers on contemporary photography is hard to overstate. They taught at the Kunstakademie Düsseldorf from 1976 to 1996 and their imprint was so distinctive that their students, including Andreas Gursky, Thomas

Ruff, Candida Höfer, Thomas Struth and Elger Esser, are sometimes said to belong to the "Becher School."

The title they chose for their 1970 book of industrial sites was "Anonyme Skulpturen" ("Anonymous Sculptures"). The art world reinforced this point of view. In 1990, when the couple was awarded the Golden Lion at the Venice Biennale, its highest honor, the citation was for sculpture, not photography. Like other Minimalists, the Bechers conspicuously made humble art that didn't dress itself up as art. They concerned themselves with form and function and took an obvious delight in the variety of fantastical shapes they came upon and framed.

It is misleading, however, to call these structures anonymous. Someone designed and maintained them. You wouldn't know it from a typical presentation by the Bechers, but some of these factories, such as the Zeche Concordia coal mine in Oberhausen, Ruhr—photographs of

which are found in the show's central room—helped to fuel Hitler's war machine.

The absence in their photographs of human beings, or debates about the environment or preserving utilitarian architecture, puts the Bechers at odds with current trends in the art world.

In her acclaimed book "The Notion of Family" (2014), LaToya Ruby Frazier documented the terrible effects of a steel factory's closing on her African-American community in Braddock, Pa. The apolitical style of the Bechers, by contrast, can seem detached and, however visually enriching, may soon appear to be as outmoded to future generations as many of the structures they eulogized.

Bernd & Hilla Becher

The Met Fifth Avenue, through Nov. 6

Mr. Woodward is an arts critic in New York.



MUSIC REVIEW

Mixed Feelings,
Strong Results

By BARRY MAZOR

For a century or so, down-home recording artists have regularly sprung from humble circumstances, then gone on to popular acceptance precisely for how strongly they've represented that starting point and chronicled its predicaments. You can get famous, even rich, singing about being down and out—and become separated from your beginnings in the process. Audiences' responses to that dissonance have varied. Fans have lined up to admire Elvis Presley's countless belongings for decades, but worked up quite a lather over \$5,000 Springsteen tickets.

Thoughtful artists have touched on this theme themselves. Country star Miranda Lambert's 2007 hit song "Famous in a Small Town" posited lightly that back home she was still no more celebrated than the local football cheerleaders. And now the much-lauded singer-songwriter Kelsey Waldon has made growing recognition—what it means and how it feels—the central theme of her ambitious new album, "No Regular Dog" (Oh Boy Records).

Raised in the small Western Kentucky town Monkey's Eyebrow (its real name), in a family that had farmed there for multiple generations, she was playing guitar and

writing gritty, pointed songs by high school. Her piercing, feisty sound was instantly recognizable, with unmitigated twang coloring every phrase and inflection. Handling old-school honky-tonk country was her initial notable strength. Relocating to Nashville, performing in clubs, she soon found international critical praise for her 2014 album, "The Gold Mine."

Music Row producer Owen Bradley had famously suggested that twangy Kentuckian Loretta Lynn stick to hardcore country, since everything she sings sounds like that anyhow. Ms. Waldon might have faced similar advice, but she arrived on the scene comfortably and authoritatively singing folk, bluegrass, roots rock and R&B as well—enough so that she had the very rare distinction of being signed by John Prine to his Oh Boy label in 2019. Mr. Prine certainly provided a model for Ms. Waldon on how to mix that spectrum of roots sounds in potent ways, as he did for her Kentucky-raised contemporaries Sturgill Simpson and Tyler Childers.

Recorded in Los Angeles, this new album, her fifth, was produced by Shooter Jennings, who has consistently worked to support and amplify artists' own intentions and sometimes adds keyboards to the



Kelsey Waldon's new album is 'No Regular Dog.'

sounds of her regular, versatile touring band. Ms. Waldon's musical range gets a fascinating workout on this release, as she puts it to work in service of some serious post-fame, Covid-era contemplation, most of it quite recent.

the value of peace of mind.

Throughout, the specific lyric references are often those of a working performer getting somewhere, but they are applied, with Ms. Waldon's usual care and cleverness, so as to be more universal for others struggling with volatile changes in life circumstances. These new songs are that much more timely for it.

The themes stray to other emotions in the elegiac "Season's Ending," a response to the recent loss to Covid-19 of her friend and (as for so many people) hero Mr. Prine, and in what's for Ms. Waldon a first—a catchy, sweet love song, "Simple as Love," which posits a life-changing relationship as an alternative to what might otherwise be a defeated, tears-in-your-beer honky-tonk situation: "Your love abides so naturally / Bringing out the best in me." The weighing of emotional ups and downs turns toward responding to nature's own challenges in the rhythmic "Backwater Blues," in which the narrator cries, "If I can keep it together until the spring / When that damn river runs dry / I'll count my blessings." The recent, deadly Kentucky floods only make that one more potent.

At age 34, Kelsey Waldon sings with emotional directness and unembellished simplicity that will reel you in and hold you. But she takes you to places where the questions and answers are surely rich, and far from simple. In the title track she reminds us that she's "no regular dog," more like a wolf howling at troubles. She's no "regular" cookie-cutter singer-songwriter, either.

Mr. Mazor reviews country and roots music for the Journal.

SPORTS

The PGA Tour's Courtroom Win Over LIV Came Down to Big Money

The hearing hinged on the lucrative deals offered to golfers by the Saudi-backed circuit

By LOUISE RADNOFSKY AND ANDREW BEATON

The first ruling in a high-stakes case involving the future of professional golf and superstar athletes came down to the most gripping feature of the upstart golf league: the billions of dollars in foreign money involved.

Eleven players for LIV Golf, the Saudi-backed circuit, are challenging their suspensions from the PGA Tour on antitrust grounds. Three in the group sought a temporary restraining order that would allow them to play in the Tour's FedEx Cup Playoffs, a high-stakes event that caps the season.

In a two-hour hearing in the Northern District of California on Tuesday, Judge Beth Labson Freeman grilled lawyers for each side on a constellation of issues, previewing a mighty tussle when the merits of the antitrust case play out over the next year.

When she decided that Talor Gooch, Hudson Swafford and Matt Jones wouldn't be playing PGA Tour golf on Thursday, though, it was after weighing factors more particular to golf, including the Tour appeals process, the sporting significance of the FedEx Cup Playoffs and its nonmonetary value, and the impact on other players of allowing in Gooch, Swafford and Jones.

After a 15-minute break to deliberate, she denied the injunction largely based on the terms of the trio's contracts with LIV—which the court has, under seal. When she returned, she delivered a ruling that confirmed the central point of speculation in the LIV Golf battle: The players are being paid an enormous amount of money.

Judge Freeman concluded that the players hadn't demonstrated that being locked out of the FedEx Cup Playoffs would cause them irreparable harm, one of the key elements required to obtain a stay on the suspension. The reason, she said, was that their deals with LIV—and the generous amount they were paid up front—were calculated based on what everyone knew they would be losing by leaving the PGA Tour, and that was according to an economist brought in by LIV.

"It appears to the court that the LIV contracts negotiated by the players and consummated between the parties were based upon the players' calculation of what they would be leaving behind and the amount the players would need to monetize to compensate for those losses," Judge Freeman ruled. "I do agree with the defendants that those losses were well known to the players at the time and clearly monetized."

She added, "The evidence shows that it seems almost without a doubt that they will be earning more than they have made and could reasonably have expected to make in a reasonable period of time under the PGA [Tour]."



Above, Pat Perez, Talor Gooch, Patrick Reed and Dustin Johnson celebrate after the LIV Golf Bedminster event. Left, the PGA Tour's FedEx Cup trophy.



The deals players have received for signing on with LIV have been met with rampant speculation and slack-jawed astonishment ever since the circuit, financed by Saudi Arabia's sovereign-wealth fund, began enlisting players this year. Dustin Johnson and Bryson DeChambeau reportedly received offers exceeding \$100 million. Phil Mickelson neither confirmed nor denied speculation he got a \$200 million payday. CEO Greg Norman said LIV had offered Tiger Woods more than \$700 million—which the golf legend turned down. Recent British Open champion Cameron Smith, speaking at

the FedEx Cup St. Jude Championship, declined to comment Tuesday about the latest report he would imminently be joining LIV.

"I have no comment to that," Smith said. "I'm here to play the FedEx Cup Playoffs."

The precise dollar figures, the terms and the structure of those contracts have remained largely mysterious in recent months, outside of the unconfirmed reports. Unlike typical deals in other major professional sports, where the contract value typically leaks before the ink is dry, these ones have remained cloaked in secrecy. That be-

gan to change because of the lawsuit. Copies of the LIV contacts signed by Gooch, Swafford and Jones were submitted to the court, under the agreement that they would be for attorneys' eyes only.

The PGA Tour made reference to the contracts in its filing Monday, but they were redacted. And the judge did not agree to unseal them on Tuesday.

It didn't matter. Key elements of their content emerged during this first hearing.

The huge sums of money have upended golf's financial structure from the beginning.

Typically, golfers are paid predominantly in prize money—giving weighty stakes to every single shot. LIV's rich appearance fees, though, have raised questions about the competitiveness of the events when the players have received such enormous guarantees for simply playing.

Rob Walters, representing the LIV golfers, had argued that "the FedEx Cup is the Super Bowl" of the PGA Tour because it "overwhelms" other possible earnings for the players who win. He further added that there's additional value because the playoffs are one of the chief avenues for players to qualify

for major championships.

The judge replied tartly, in a sign of where her thinking was heading.

"I think the evidence would suggest LIV overwhelms all possible earnings," she said.

Walters said that the players required that money to sign up with LIV because they knew the potential consequences and cost of leaving the PGA Tour.

The judge's reasoning in denying the temporary restraining order is unlikely to affect her eventual decision on whether the PGA Tour violated antitrust law in suspending the LIV players. The players argue that the Tour is using monopoly power to squash a competitor. The Tour responded that it is not a monopolist and should not be forced to cooperate with a competitor.

In the broader fight, LIV is likely to argue that the money it has had to pay to get golfers to sign on is proof that the PGA Tour has restricted or driven up the price of LIV's access to players.

But the fact that the contracts proved to be a costly point on Tuesday shows the potential for the antitrust battle to take a significant toll on everyone involved. The PGA Tour, for its part, made its own uncomfortable admission: Elliot Peters argued that his client the Tour isn't a monopoly because of LIV's success breaking into the market and securing deals with so many high-profile players.

"There is no question there is a lot at stake here on both sides," Judge Freeman said, noting that each lawyer had offered her compelling arguments.

When Walters, lawyer for the LIV players, tried to break through by saying the terms of their PGA Tour contracts, which lock up their media rights, are anticompetitive, the judge also pointed out the restrictive nature of the sealed LIV deals.

"These LIV contracts lock up these players in ways the PGA Tour never imagined," she said.

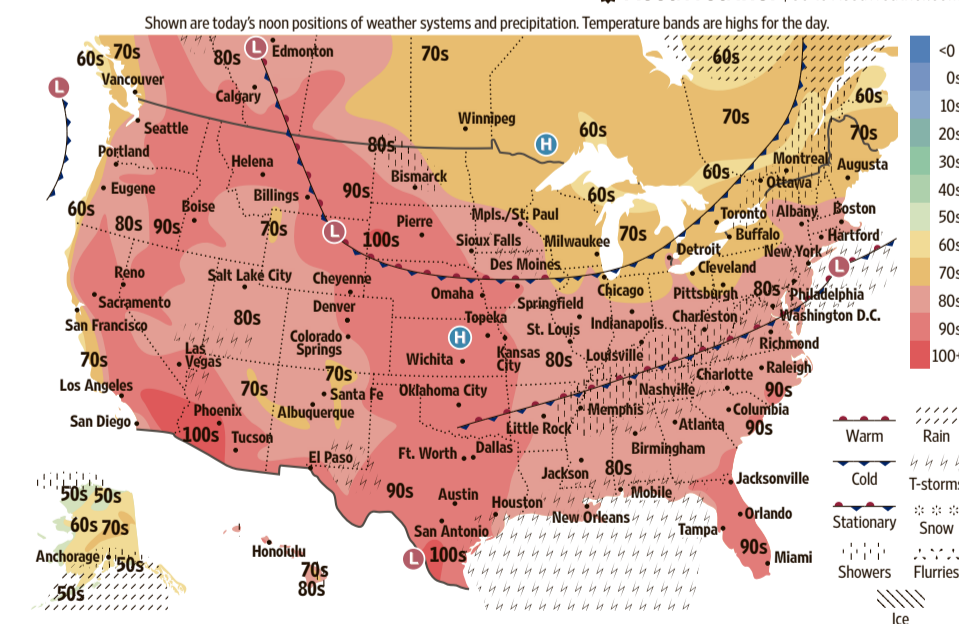
After Walters had noted the large sums of money at stake in the FedEx Cup Playoffs, Peters was able to juxtapose that with the sealed terms of the trio of players' LIV contracts.

Peters's audience was fully aware of what a golfer such as Gooch, a solid young American player who has never won a major championship, had already agreed to receive from the Saudis—and how that potentially stacked up against earnings from an event like the FedEx-Cup Playoffs.

"I want to be careful how I say this," Peters said. "In my mind, I was comparing that to what Mr. Gooch received merely for signing a contract, and the court knows what that is."

"I do," the judge responded.

Weather



Forecasts and graphics provided by AccuWeather, Inc. ©2022

U.S. Forecasts

s_sunny; pc_partly cloudy; c_cloudy; sh_showers; t_tstorms; r_rain; sf_snow flurries; sn_snow; l_ice

Table with 3 columns: City, Today, Tomorrow. Lists major cities and their weather forecasts.

International

Table with 3 columns: City, Today, Tomorrow. Lists international cities and their weather forecasts.

Table with 3 columns: City, Today, Tomorrow. Lists international cities and their weather forecasts.

The WSJ Daily Crossword | Edited by Mike Shenk

Crossword puzzle grid with numbers and clues.

ORDER IN THE COURT | By Mike Shenk

- Across: 1 Not deserving of a treat, 4 Tinkertoy piece, 9 Three-time winner of the Emmy for Outstanding Comedy Series, 13 Word on the Great Seal of the United States, 15 Kayla of 'The Vampire Diaries', 16 'Play it, Sam' speaker, 17 Core workout aid, 19 Triumph at the comedy club, 20 Grow louder, 21 Start of an audition dismissal, 23 Pride constituent, 26 Got into, 27 Like potatoes cooked in cream, 31 Weaponized gas, 34 Shout from ships, 35 'I'm sorry to say...', 37 Maker of G-Shock watches, 39 Juvenile music, 40 Order in the court, and a hint to six answers in this puzzle, 42 Adverse, 43 Cold shower, of a sort, 45 Quest for a cryptozoologist, 46 Battell Chapel setting, 47 The Village station wagon, e.g., 49 Forerunners of discos, 51 Tranquil, 53 Barnstorming feat, 54 Piece of sporting equipment with a shaft made of cane, 58 Its stock symbol is AA, 62 Cracked, 63 Purchase before a cookout, perhaps, 66 Impassioned articulation, 67 Ariana DeBose's 'West Side Story' role

Previous Puzzle's Solution

Grid showing the solution to the previous crossword puzzle.

OPINION

The Swamp's Trump Obsession



WONDERLAND
By Daniel Henninger

Let us assume that for 99.99% of the U.S. population in early August 2022, the last thing on their mind was Mar-a-Lago. Instead, a short list of real things preoccupying Americans would include inflation, crime, battles in Congress over spending, Ukraine fighting World War III for us in Europe, and China conducting massive live-fire military exercises around Taiwan.

So it came as a surprise to discover Monday evening that the Justice Department and FBI decided the most important thing in the world just now was raiding former President Donald Trump's estate in Palm Beach, Fla. Among other thoughts, a three-letter acronym starting with W comes to mind.

Forgive me for not spending more than a moment on the legal niceties of this event—the applicability of the Presidential Records Act, that it had been about “something big” involving classified documents, or that no one, including a former president, is above the law. They are all beside the point.

You can hate Donald Trump until your eyes pop out, but let us be clear: He was elected the 45th president of the U.S. He served four years in office. No former president who was disliked by many—not Clinton, Reagan nor FDR—had his home invaded by a squad of

FBI agents. This should never happen in the U.S. End of discussion.

But it did happen. The Trump raid is now a wall-to-wall political disaster for the United States, doing more damage, if that's possible, to the country's internal divisions and even creating external risks.

Consider the current spectacle the U.S. is presenting to foreign adversaries. Multiple members of the sitting president's own party in the past week—such as Joe Manchin and Jerry Nadler—have openly abandoned Joe Biden for an election that is two years off. Days later, the previous president comes under explicit attack from the FBI.

Imagine what we would think of the stability of China or Russia if events like this were happening to Xi Jinping or Vladimir Putin. That is how they see us—destabilized and vulnerable. Our opponents are redoing their global risk-reward ratios.

Incredibly, we are doing this to ourselves. Correction: They are doing it to us. Who are “they”? They, as of Monday, are who much of the political right says they are—the Swamp, the Deep State, the Regime, the Establishment.

Normally in times of hypermarginalized political opinion, it is worth attempting to argue on behalf of a functioning government system. But past some point, that becomes nearly impossible.

With this raid on a former president's residence, the Swamp pushed past that point. The rest of us are being

carried along in their undertow of political debris.

Washington has become a very small town, inhabited by people inbred by profession, marriage, schools and cultural disposition. The imbalance between the capital and the nation has been a problem for a long time, but as we say, life goes on. Until Trump.

After Mr. Trump took office, the Washington establishment—the Comey-McCabe FBI, opposition Democrats, the press—asked the public to indulge the notion that the new

An FBI raid against a former president should never happen. End of discussion.

U.S. president was a Russian pawn. No matter that the Steele dossier, the day it was published, struck many as Russian fabulism. The press published story after story based on anonymous sources that it might be real. It wasn't.

Mr. Trump fired FBI Director James Comey, and the public next got the Justice Department investigation led by Robert Mueller, a figure from Beltway central casting, which led to the Mueller report, which amounted to almost nothing. Then Adam Schiff, the impeachments, etc., etc.

In the event, the Democrats won back the presidency in 2020 when the incumbent Mr. Trump failed to put away an opponent who campaigned mostly from in-

side his house in Delaware.

Trump takedown accomplished? Obviously not. For the Swamp, Donald Trump is Dracula, and they won't rest until they've put a stake through his heart.

Which brings us to the hard part—Mr. Trump himself.

This incident may push the former president into the Republican nomination race, running—with evidence—against the Swamp's institutional corruption. Within hours, Mr. Trump's organization posted a 3½-minute campaign-style video about a “nation in decline.”

A second Trump term isn't the last thing this country needs. But it's about second to last. The raid on Mar-a-Lago proves that Trump Derangement Syndrome won't go away until Mr. Trump is out of elective politics.

Trump II would not be a replay of Trump I, a more substantive, policy-driven presidency than his critics will admit. Trump II would be a four-year civil war. The Swamp wouldn't drain. It would deepen. The rancor could drown us all.

American politics needs new, stable leadership. And Republicans need to find a way to talk about the Swamp's threat.

It's not a good day when Andrew Cuomo is speaking forcefully against the Mar-a-Lago raid on an elected president and Mitch McConnell is as silent as Attorney General Merrick Garland and FBI Director Christopher Wray. Invest in sump pumps.

Write henninger@wsj.com.

BOOKSHELF | By Julian Baggini

Easy to Believe, Hard to Prove

Existential Physics

By Sabine Hossenfelder
(Viking, 248 pages, \$28)

Quantum physics has long been the go-to discipline for anyone in need of a pseudo-scientific justification for a quack theory. The mysterious, indeterminate nature of quantum causation is said to solve puzzles such as the foundations of consciousness and the possibility of free will, as well as vindicate dubious practices such as telekinesis and homeopathy.

The German theoretical physicist Sabine Hossenfelder understandably has no time for any such nonsense, policing the strict boundaries of science with the zeal of a North Korean border guard. Yet “Existential Physics” still promises in its subtitle to be “A Scientist's Guide to Life's Biggest Questions.” Potential readers may suspect a quantum cake both had and eaten.

Ms. Hossenfelder can mostly avoid straying beyond science because the questions she addresses are more metaphysical than existential. For example, does the past still exist? Yes, she says, because physics shows that the past, present and future all exist together in space-time, so no information is ever truly lost. She even takes comfort from the thought that the wisdom, kindness and sense of humor of her deceased grandmother are “still there, somewhere, somehow, spread out over the universe, but preserved forever.”

Is mathematics the ultimate basis of reality? No. With a modesty atypical of cartographers of the cosmos, she says that “it strikes me as presumptuous to think that humans have already discovered the language in which nature speaks, basically on the first try.”

She is less persuasive when she encroaches on philosophical territory, brusquely brushing aside the possibility of free will because, “according to the currently established laws of nature, the future is determined by the past, except for occasional quantum events that we cannot influence.” Philosophers who think that this is not the end of the story are dismissed as falling into a “quagmire of evasion,” as William James put it. But the only defense of free will's compatibility with science she addresses—and rightly rejects—is the feeble idea that “your will is free because it's not predictable.” But there are many other arguments, far more plausible, that go unaddressed.

The most surprising and interesting feature of the book is the claim that many of her physicist peers are as guilty of bringing speculation and belief into their scientific thinking as theologians and New Age mystics. She argues that all current theories offered by physicists about what made the big bang possible are “pure speculation . . . modern creation myths written in the language of mathematics.”

Such theories, Ms. Hossenfelder says, are not unscientific but “ascientific.” The term, borrowed from the physicist Tim Palmer, applies to ideas on which science is silent. The most obviously ascientific domain is the one that includes a search for the ultimate cause of the universe's existence. Science can take us right back to the big bang because we can still observe its effects. But as David Hume observed three centuries ago, we simply have no observations of what created our universe. So any theory of how it all began is ascientific: neither provable nor disprovable by science. That means that religious claims that God lit the fuse don't go against science; but they are not supported by it either.

Physicists can be as guilty of bringing speculation and belief into their thinking as theologians and New Age mystics.

Many potential answers to big questions, Ms. Hossenfelder argues, are similarly ascientific—in effect, articles of faith. For example, do we live in a multiverse, containing infinite versions of ourselves? This is not a scientific idea because “such copies are both unobservable and unnecessary to explain what we can observe,” but you are “welcome to believe that copies of you exist, if you want.”

Could we be living in a simulation? People who argue that we might be, Ms. Hossenfelder says, don't understand the physics involved in such a claim: They assume against current science that our world could be to all intents and purposes perfectly replicated without having to duplicate every single physical process underpinning it. Again, we can't rule this feat out, so if you want to believe it, go ahead.

Frustratingly, Ms. Hossenfelder doesn't apply the distinction between unscientific and ascientific consistently, sometimes giving both labels to the same idea. So on one page she tells us that the God hypothesis is “not wrong, but ascientific,” on another that, because it has no “quantifiable explanatory power,” it is “unscientific.”

This reveals an important ambiguity in the distinction. Theories that are based on no data and do no predictive work are not disprovable by science and in that sense could be called ascientific. But because they ignore scientific methods, or grossly abuse them, it is more accurate to call them unscientific—even anti-scientific. Hence she is right when she says that Darwinian evolution is a “much simpler, and thus scientifically better” explanation for the Earth's apparent age than the idea that it was created 6,000 years ago.

Ms. Hossenfelder breaks up her text with four interviews with physicists to provide “other voices.” Their main effect is to confirm stereotypes of eccentricity. There is a cardboard Einstein in Tim Palmer's office and webcams covering the entrance to the house of David Deutsch, the British physicist whose work was key to the development of quantum computers. But they also serve as useful reminders that science is done by real people with their own foibles and personalities, underlining the book's message that science needs humility.

“Existential Physics” is an informed and entertaining guide to what science can and cannot tell us. If Ms. Hossenfelder is sometimes a little too opinionated, the reader will quickly forgive her. Anyone capable of bridging the concerns of the human world and the baffling complexities of physics has earned the right to be indulged a little.

Mr. Baggini is the author of “The Great Guide: What David Hume Can Teach Us About Being Human and Living Well.”

Democrats' Inflation Reduction Delusion

By Karl Rove

Democrats are belting out hosannas for the Inflation Reduction Act. President Biden says it'll “immediately help” his party's candidates for the midterms this fall, while Senate Majority Leader Chuck Schumer calls it “a game-changer.” The New York Times declared that this “sweeping legislation” gives Democrats “an unfamiliar feeling: hope.”

Maybe this bill will let Democrats escape what was shaping up to be a midterm whooping. But I'm skeptical.

For starters, if the bill doesn't immediately reduce inflation, it's going to be impossible to hide from voters. Americans will experience higher prices every day—when they go to the supermarket, shop for the kids' new school year or pull into the gasoline station.

Democrats insist the bill will slash prices by spending \$433 billion and creating new taxes totaling \$739 billion. But nonpartisan experts believe it'll have no noticeable downward pressure on prices—including the Congressional Budget Office (“negligible at best”), the Bipartisan Policy Center (“small impacts one way or the other”), and the Penn Wharton Budget Model (“statistically indistinguishable from zero”).

Part of the problem is that some of the bill's promised

price cuts don't kick in for years. Killing the 5% coinsurance for Medicare recipients with catastrophic prescription drug coverage? Doesn't start until 2024. A \$2,000 cap on Part D out-of-pocket payments? Not until 2025. Price controls on Medicare drugs? They start in 2026 with only 10 high-cost drugs that lack generic competition. It's hard to imagine voters will be swayed by these far-off policies as they struggle today.

We'll know in about three weeks if they're right about the bill's politics for midterms.

By contrast, some of the ways the bill will raise costs and hurt growth begin almost immediately. Take the book minimum tax, which hits companies with at least \$1 billion in income in their financial statements. They'll pay 21% of taxable income or 15% of the income reported to investors, whichever is greater. It falls with particular violence on manufacturing companies. They're already examining what it'll do to their taxes, so workers in adversely affected businesses could soon see pay cuts, reduced hours, or even layoffs. That's not likely to gin up enthusiasm for Democrats.

The bill also establishes

that beginning in January, drug companies must pay a rebate if prescription prices for Medicare recipients rise faster than inflation. To cover that difference, drug companies will likely raise prices for non-Medicare patients, perhaps before year's end.

The bill's green-energy subsidies are much bigger for companies using union labor. This payoff to big labor bosses may have the unintended effect of alienating nonunion blue-collar workers who feel Democrats stacked the deck against them.

Then there's the \$80 billion Internal Revenue Service expansion so the IRS can double its audits. Millions of honest taxpayers and small businesses may reasonably fear that they'll lose time and money to bureaucrats needlessly rooting around in their tax returns.

Democrats may think they'll get lucky on timing, that the economy will bounce back on its own and obscure the real effects of their bill. Americans received good news Wednesday with July's flat consumer-price index, largely because of a 4.6% month-over-month decline in energy prices. But as with April's good inflation news, this doesn't mean the struggle is over. The CPI was still up 8.5% year over year. The core price index is 5.9% higher than this time last year, driven in part by July increases in costs for food,

rent and new cars.

How can we decide if Democrats are right to praise their new bill or just desperate? The president's job-approval rate sits at 39.9%, with 56% disapproving, according to the RealClearPolitics average. His handling of the economy is even less popular, with 63.4% disapproval, and 71.9% of voters believe the country is going in the wrong direction. Let's check these numbers again after Labor Day.

If they improve significantly, it would suggest that a growing number of voters believe Mr. Biden and congressional Democrats have a good plan—that against economic logic, they somehow managed to lower prices and strengthen growth by pumping more demand into an inflation-ridden economy through increased government spending and using higher taxes to confiscate capital, profits and income.

But if these numbers don't improve appreciably, Democrats can know for certain that all their present celebrating of the Inflation Reduction Act was not only premature but unwarranted. I'm betting that's the case, and if I'm right, their party is in for a particularly painful midterm.

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

Abortion Laws Demand Fair Enforcement

By John Tinder
And Susan Brooks

We are confident of Americans' ability to work through the issue of abortion now that the Supreme Court has returned it to the democratic process. But it's crucial for law enforcement to stay above the partisan fray. A case in Indiana leaves us deeply concerned on that score.

Initially, some doubted news reports that a 10-year-old Ohio rape victim had traveled to Indiana for a legal abortion. There were also unsubstantiated claims that the physician who performed the abortion had failed to report the abuse of a child and the abortion performed on a girl under 16, as Indiana law requires.

Indiana Attorney General Todd Rokita rushed precipitously into this fray. He told Fox News he was investigating the physician and “was looking at her licensure.” This, after

admitting he hadn't examined evidence that she complied with reporting requirements. Even worse was his inflammatory rhetoric: “We have this abortion activist acting as a doctor,” he said.

Indiana's Todd Rokita baselessly attacks the physician who treated an Ohio 10-year-old.

Despite the arrest and confession of a defendant in the rape, and news accounts documenting the physician's timely reporting, Mr. Rokita continues to say publicly that he is investigating her.

The justice system's legitimacy requires that law enforcement be fair, deliberate and ethical. Government investigations should remain confidential unless and until a defendant is charged, with respect for the presumption of

innocence and government's burden of proof. A baseless investigation, if disclosed publicly, causes the target reputational damage, humiliation and loss.

We are appalled that, by his own admission, Mr. Rokita announced his investigation before gathering the most basic facts. Every attorney, as an officer of the court, has a solemn duty not to make false, misleading or groundless statements of law or fact. Mr. Rokita's position heightens that duty. His client, the state of Indiana, has the power to deprive its residents of liberty and property.

Indiana prosecutors are required to “refrain from making extrajudicial comments that have a substantial likelihood of heightening public condemnation of the accused.” Mr. Rokita has disregarded that obligation.

A functioning democracy requires that citizens trust the state to enforce the law fairly. A prosecutor should never

wield the government's extraordinary authority for political or ideological aims. That smacks of McCarthyism and is especially pernicious at a sensitive political moment.

Our nation remains deeply divided over abortion. That won't change soon. One of us (Ms. Brooks) had a consistent pro-life record in Congress; the other (Mr. Tinder), a retired judge, has taken no public position on the issue. Wherever public officials stand, they are obligated to follow time-tested principles that promote the rule of law. We hope Mr. Rokita will rethink his actions and law-enforcement officials across the country will reject his example.

Mr. Tinder served as a federal judge, 1987-2015. Ms. Brooks, a Republican, represented Indiana's Fifth Congressional District, 2013-21. Each served as U.S. attorney for Indiana's Southern District, respectively from 1984-87 and 2001-07.

OPINION

REVIEW & OUTLOOK

‘Zero Inflation’? Not Quite.

It’s a sign of how far and fast inflation has risen this year that an increase in prices of 8.5% in July on an annual basis triggered a market rally on Wednesday. That’s down from 9.1% a month ago, and the trend is in the right direction, but one month’s respite is far from the end of this punishing inflation bout.

Real weekly wages are still down 3.6% over the last 12 months.

The Bureau of Labor Statistics reported Wednesday that the consumer-price index (CPI) rose not at all in July. That produced the biggest drop in the 12-month inflation rate since price increases took off last year. And it had President Biden touting “zero inflation,” but hold the confetti.

The slowdown came largely from volatile energy prices, which had soared in June. Gasoline prices declined 7.7% from June after peaking at an average of more than \$5 a gallon nationwide. Consumer shock at the gas pump may have contributed to the pullback. Gasoline inventories rose as drivers each day bought less than during the same period in 2021, according to the Energy Information Administration. And 2021 was a Covid year.

But prices continued to rise across most of the rest of the economy. Food prices rose 1.1% in July and are up 10.9% over last year. Groceries that families take home rose even faster at 1.3% for the month, or 13.1% over the past 12 months. The hope is that food prices will ebb in coming weeks following the recent decline in commodity prices, but it may take a while since inflation expectations are now built into the supply chain.

Core CPI, which excludes food and energy, rose 0.3% in the month or 5.9% for the past 12 months. That’s still about three times the Federal Reserve’s inflation target. Prices in services continued to rise (5.5% in 12 months not counting energy) and rents were again a key driver of inflation as they have been all year.

All of this has pummeled real wages, which will need more than a few good months to catch up with the cost of living. Workers finally regained some ground in July as inflation-adjusted hourly earnings rose half a percentage point, the first increase since last September. But real average hourly earnings are still down 3% in the past year. Add to that a decline in the average workweek since a year ago, and the result is a 3.6% drop in real weekly pay for the average American.

None of this should delay the Federal Reserve from its appointed anti-inflation rounds. Investors took the July inflation news as a sign that the central bank can stop its tightening cycle sooner, and a 75-point rate hike in September is no longer discounted in markets. It’s possible that inflation peaked in June. But the Fed is better off ignoring these hopeful market expectations, lest it ease up and return to the stop-and-start monetary and inflation gyrations of the 1970s.

The strong jobs market has given the Fed a rare moment to tighten money before the political clamor builds to stop. The Fed doesn’t have to get to zero inflation, but getting back down to its target will be hard enough.

The Republican Victory Isn’t Assured

With November’s midterms still three months away, the predicted red wave may be breaking far from the electoral shore. Tuesday’s elections were another sign that Democratic voters are becoming more motivated.

Tuesday’s primaries showed signs of possible trouble in November.

In Wisconsin Mr. Trump notched another endorsement victory when Republicans nominated Tim Michels for Governor. It’s no mystery how he earned Mr. Trump’s favor. Asked at a recent candidate forum about the Jan. 6 riot, Mr. Michels said: “I don’t think he did anything wrong.” Asked about trying to decertify the 2020 election, he said: “I will look at all the evidence and everything will be on the table.”

Perhaps Mr. Michels is limber enough to pivot now that he has the nomination, but the actual reason Mr. Trump lost Wisconsin in 2020 was that thousands of Republicans didn’t vote for him. Mr. Michels has a substantial record as a businessman, and he is offering a reform agenda on schools and the economy.

But if Democratic Gov. Tony Evers can turn the race into a rehashing of Mr. Trump’s grievances, GOP swing voters might stay swung. Republican nominees will have the same problem in Arizona and Michigan.

Another Wisconsin warning was the narrow win by Assembly Speaker Robin Vos. Mr. Trump phoned Mr. Vos last month to demand 2020 decertification. Mr. Vos said no. Mr. Trump called him names and backed a primary challenger, Adam Steen, who told a reporter he’d “definitely outlaw contraception.” Mr. Vos’s survival is a dose

of sanity, but it was a 260-vote margin.

In some places Democratic turnout seems stronger than anticipated. On Tuesday Minnesota had a special election to replace the late GOP Rep. Jim Hagedorn. Republican Brad Finstad won as expected, but by only four points. This is a rural district along the Iowa border, where Mr. Trump won by 10 points. Republicans also won a special House election in Nebraska this summer more narrowly than expected.

Part of this trend might be Democratic fervor to protect abortion rights after the Supreme Court’s decision overturning *Roe v. Wade*, similar to the voter surge in Kansas’s recent ballot initiative. If so, more might be in store. California, Kentucky, Montana and Vermont have abortion referendums scheduled for November. Republican candidates who could otherwise eke out victories might instead be swamped by Democratic turnout.

Democrats also want to keep Mr. Trump front and center in the campaign, as Monday’s FBI raid on Mar-a-Lago will do. That could backfire if GOP voters spy a case of unequal and retributive justice. But that will depend on what comes next and how Mr. Trump handles it.

The GOP should be making the midterms a referendum on Mr. Biden’s first two years. Democrats would prefer to talk until November—really, until the end of time—about Mr. Trump. Characteristically, so would Mr. Trump, and he has ensured GOP nominees who agree. The lesson of recent primaries is that this election is far from won, even in the House.

Capito vs. Manchin on Coal

America’s coal producers last week accused West Virginia Sen. Joe Manchin of throwing them under the bus with his tax-and-climate deal. But lo, his fellow West Virginia Sen. Shelley Moore Capito may have saved them from a near-term death.

The GOP Senator kills language that might have killed the industry.

In a letter to Mr. Manchin last week, eight state coal associations didn’t hide their sense of betrayal: “The more you read and digest the provisions found in over 700+ pages of legislative digest, the more it becomes abundantly clear this legislation will serve to severely threaten American coal.” They add: “This legislation is so egregious, it leaves those of us that call Senator Manchin a friend, shocked and disheartened.” Et tu, Joe?

Their case starts with the bill’s “turbocharging the lofty incentives that already extend to renewable energy.” Coal plants have been closing in areas with more solar and wind, whose subsidies make it difficult for baseload generators that provide power around-the-clock to remain profitable. By making renewable tax credits even more generous, the bill will accelerate these shutdowns.

The bill creates new incentives to build solar and wind in places like West Virginia where coal power currently predominates. These incentives will drive more coal plants to shut down. By the way, coal plants employ many more workers than solar and wind farms. Most renewable-energy jobs are in construction, not operation. Schumer-Manchin also doubles the current excise tax on coal mining.

But the stealth killer was its grant of authority that would have unleashed regulators on the fossil-fuel industry, especially coal. The Clean Air Act doesn’t say agencies can regulate greenhouse-gas emissions as pollutants, and the issue has been fought over in court. Mr. Manchin’s deal included a provision that explicitly authorized the Environ-

mental Protection Agency to do so under numerous provisions of the law.

This could have nullified coal producers’ ability to challenge regulation under the recent Supreme Court ruling in *West Virginia v. EPA* that said Congress must clearly authorize agency actions that have major economic significance. In a rejoinder to the coal producers, Mr. Manchin claimed the bill did “not provide any new authority for EPA to shut down coal plants.” Is he really so naive?

Enter Ms. Capito, who offered an amendment on the Senate floor to strip the bill’s sweeping grant of regulatory authority from the bill, which all Democrats including Mr. Manchin rejected. She then challenged its compliance with budget reconciliation rules, which prohibit measures whose budgetary effects are “merely incidental” to the policy impact.

The Senate parliamentarian agreed and struck the provision from the bill. Still, Mr. Manchin and his fellow Democrats are on record in support of giving EPA unbridled climate-regulation authority, including to impose cap and trade.

Mr. Manchin has pushed back against the coal producers, noting that the industry has been declining for the past couple of decades under Republican and Democratic Administrations. The way he sees it, the bill’s tax credits for carbon capture technology will ease the industry’s death, like painkillers do for a patient with an incurable disease. But carbon capture has never shown economic viability in the U.S. despite attempts by the deep-pocketed Southern Co., among others.

At least Ms. Capito has given the industry a fighting chance to stave off the worst regulation. But there’s a reason the climate left is celebrating Schumer-Manchin as a victory: They think it spells the end of U.S. coal.

LETTERS TO THE EDITOR

Diversity vs. Ideology at the Doctor’s Office

In answering the editorial “Medical Education Goes Woke” (July 27), some writers (Letters, Aug. 1-2) note that social and environmental conditions affect health, and are thus reasons for the push of the diversity-equity-inclusion (DEI) model.

That such factors affect health is hardly new knowledge. In the late 1970s, George Engel developed the biopsychosocial model to account for forces beyond the biochemical. Millenia before Engel, serfs and czars alike understood that wealth and social status fostered longer, better lives. These are critical data to understand population and individual health.

Nevertheless, the national DEI conversation seems imbued by ideological extremes, focusing on political narratives of oppressed and oppressor, defined by virtue of race, ethnicity, sexuality or gender. I fear that this comes at the expense of actual human diversity, which includes propagated

waves from historical or current injustices, but comprises so much more: one’s unique experiences, aspirations, family, resilience, agency and dignity. I worry most that DEI extremism risks imposing on a given patient a rote political narrative to which the patient may not subscribe.

The most important and granular level of diversity to which all clinicians must attend is the individual patient. Each of our medical trainees and colleagues merit this same respect, and I desire it for myself. Draw what conclusions you might about the social and political determinants of health, but when I take my place on the exam table, I ask you to please never see me as a pawn in some sociopolitical drama. I am your patient, and I am trusting that you are there to help me—not what an activist imagines me to be.

DAVID A. KAREKEN, PH.D.
Indianapolis

The Words the Justices Won’t Say on Abortion

Regarding your editorial “The Kansas Abortion Message” (Aug. 4): Those lawyers from Texas in *Roe v. Wade* composed an exquisite brief, drawing on the most updated data from embryology, woven with principled reasoning, from which it extracted these points: that the offspring in the womb has never been anything other than a human being from its first moments; and that it receives its nourishment from the mother, but it has never been merely a part of its mother’s body.

Yet the two dissenters in *Roe* drew nothing from that substantive brief, and they passed by the moment to offer the most natural judgment: whether or not the laws were justified in casting their protections over those human beings in wombs. The majority in *Dobbs* sought also to avoid speaking those key words about the human standing of the child, though it would have been no strain to speak them.

Following “conservative jurisprudence,” the court held back from pronouncing any judgment on the moral substance. That is why Justice Brett Kavanaugh could write that “many pro-life advocates forcefully argue that a fetus is a human life”—as though there has been no long-settled, empirical truth on this matter, found

in all the textbooks of embryology and obstetric gynecology. If the court had set down those simple, key words, it is hard to imagine that your editorial board could offer a warning to “those who believe life begins at conception.” Clearly, there are people who affect to “believe” that pregnant women carry living, growing offspring that may not yet be human. The editorial urges profilers on to persuade these people, but on the anchoring premise that there is no ground of truth on which to test the arguments.

The court, in *Dobbs*, overruled *Roe*, and I have been working in that cause for 49 years. But *Roe* also changed the culture. It transformed abortion from a thing to be abhorred, condemned and discouraged into a thing to be deeply approved, even celebrated and promoted. It would be a folly to think that *Dobbs* did anything to impart moral conviction or momentum to the pro-life side as it seeks to rescue even a handful of lives from the 800,000 annual U.S. abortions. As we survey the debris from *Dobbs*, I wonder whether some of us came to hate *Roe v. Wade* more than we hated abortion itself.

PROF. HADLEY ARKES
Amherst College and James Wilson Inst.
Washington

A Better Way to Remove Bureaucrats for Cause

Regarding James Sherk’s op-ed “The Power to Fire Insubordinate Bureaucrats” (Aug. 9): Federal employees are protected from unlawful discrimination and retaliation, but not from removal for nonperformance. The president has the legal authority to remove nonperforming federal employees, but it is very difficult to do so, even with good cause. Perceived fairness to employees has come to outweigh mission effectiveness.

Meanwhile, only 42% of federal employees surveyed agree that: “In my work unit, steps are taken to deal with a poor performer who cannot or will not improve.”

President Trump’s Schedule F executive order wouldn’t enhance the removal process and would require a new human-resources bureaucracy to determine who is and isn’t in a policy-confidential position. A more effective solution is the Public Service Reform Act, introduced by Rep. Chip Roy (R., Texas), which would define a clear process to remove nonperforming employees so they are no longer impeding efficiency and forcing others to do, or redo, their work.

ANITA BLAIR
Arlington, Va.

That New Tax on the Books Won’t Stay Small for Long

Alan Blinder suffers from selective memory about the 1990s (“Republicans Fret Over Inflation Reduction Act’s Tiny Tax Increase,” op-ed, Aug. 5). The Clinton tax hikes landed like a lead balloon, and Democrats were swamped in the 1994 midterms. Serious tax reform began only under Republican congressional leadership and a Democratic administration suddenly willing to play along. Boom times followed.

Today, a new tax on companies returning capital to its rightful owners, shareholders, is working its way into our code. This recalls another Washington tactic: pretending that any tax is only a little bit, and only for a little while. Capitalists beware.

JOHN CARLSON
Boulder, Colo.

The problem with Mr. Blinder’s tax “nibbles” is that they eventually consume the whole cookie.

TOM RAPKO
Pebble Beach, Calif.

Vaccines? That Is an Order

Maj. Gen. James O. Eifert’s op-ed “Vaccine Mandate Puts National Security at Risk” (Aug. 5) contrasts with my experience in the military. When I went on active duty, we all lined up for vaccinations at our first physical examinations. Before I went to Vietnam, I was immunized against seven diseases—no excuses for refusal. The National Guard and Reserves must be ready for deployment on short notice, which means being properly immunized. If they’re not prepared to do that, then we don’t want them.

COL. JAMES G. LING, USAF (RET.)
Fort Collins, Colo.

Let Soros Lead on Depolicing

George Soros writes that “the public likes what it’s hearing” from his “reform” prosecutors (“Why I Support Reform Prosecutors,” op-ed, Aug. 1). If that were so, I doubt that Mr. Soros would be writing this apology. Nor would so many of those prosecutors be in political trouble.

CHRISTOPHER G. MILTON-HALL
Spruce Head, Maine

Mr. Soros advocates deploying mental-health professionals instead of police in crisis situations. Mr. Soros should lead by example and replace his private security personnel with social workers. If someone attempts to attack him, the social workers could sit with the assailant and discuss the root causes.

DAVID WESTRICH
Teaneck, N.J.

Pepper ... And Salt

THE WALL STREET JOURNAL



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OPINION

Trump Can't Be 'Disqualified' Over Documents

By David B. Rivkin Jr. and Lee A. Casey

The warrant under which federal agents searched Donald Trump's Florida home hasn't been made public, but press leaks suggest that it was related to the former president's suspected mishandling of official documents. That has prompted speculation that Mr. Trump could be prosecuted under a law governing the misuse of federal government documents, which includes a provision for disqualification from federal office. According to this theory, if Mr. Trump is convicted, he would be ineligible to serve a second term as president. It won't work. The theory is deficient on both statutory and constitutional grounds.

Presidential records were traditionally considered the former president's personal property. Congress acknowledged this in the Presidential Libraries Act of 1955, which "encouraged"—but didn't require—presidents to deposit their papers for the benefit of researchers and history.

After President Richard Nixon resigned in August 1974, he struck an agreement with the archivist of the United States to donate his papers, but he reserved the right to destroy certain materials, including some of the infamous Watergate tapes. To prevent this, Congress enacted the Presidential Recordings and Materials Preservation Act of 1974. That law, which applied only to Nixon, required these materials to be secured by the government and ultimately made public under appropriate regulations. It provided for

financial compensation to the former president, a further acknowledgment of his property interest in the materials.

The Presidential Records Act of 1978 addressed the handling of later presidents' papers. The PRA asserts government ownership and control of "presidential records," as defined in the statute, and requires the archivist to take possession of these records when a president leaves office, to preserve them, and to ensure public access. There are important exceptions—in particular, for qualifying materials designated by a lame-duck president to be held confidential for 12 years after he leaves office. These materials include "confidential communications requesting or submitting advice, between the president and the president's advisers, or between such advisers."

The law also directs presidents to "assure that the activities, deliberations, decisions, and policies" reflecting the execution of their office are "adequately documented." Once created, these records must be preserved and managed, or disposed of, in accordance with the statute. The PRA defines presidential records to include "documentary materials" created or received by the president or his immediate staff in carrying out activities related to his official duties. Presidential records don't include records of a "purely private or nonpublic character" unrelated to the execution of the office.

Significantly, while the PRA vests the U.S. District Court for the District of Columbia with jurisdiction over any action brought by a former president claiming a violation of his rights or privileges under the act, it establishes no penalties, civil or

criminal, for its violation. The statute also guarantees that "presidential records of a former president shall be available to such former president or the former president's designated representative."

Other federal statutes may permit the prosecution of people who improperly dispose of presidential records, which are now considered government property. The one of most interest to Mr. Trump's foes appears to be 18 U.S.C. Section 2071(b), which imposes fines and up

The law on presidential records is complicated, but the constitutional issues are simple.

to three years' imprisonment on anyone having custody of records deposited in a "public office" who "willfully and unlawfully" mishandles these records. It provides that on conviction, the defendant "shall forfeit his office and be disqualified from holding any office under the United States."

But the Constitution forbids that result with respect to the presidency. Even assuming the government could prove beyond a reasonable doubt that Mr. Trump deliberately mishandled government documents knowing this to be a violation of federal statute—a difficult task, since the PRA itself guarantees his access to his presidential records and former presidents are generally entitled to receive classified information—a court couldn't disqualify him from serving as president.

The Constitution establishes the qualifications for election to the presidency: Only natural-born American citizens over 35 who have been U.S. residents for at least 14 years may serve. The Constitution also provides the only mechanism whereby an otherwise qualified person may be disqualified from becoming president: This penalty can be imposed (by a separate vote of the Senate) on someone who has been impeached and convicted for high crimes and misdemeanors. The proposed application of Section 2071(b) to the presidency would create an additional qualification—the absence of a conviction under that statute—for serving as president. Congress has no power to do that.

In *Powell v. McCormack* (1969) and *U.S. Term Limits Inc. v. Thornton* (1995), the Supreme Court decided comparable questions involving the augmentation of constitutionally established qualifications to serve in Congress. In the former case, the House refused to seat a constitutionally qualified and duly elected member, Rep. Adam Clayton Powell Jr. of New York, because it concluded he had diverted House funds to his own use and falsified reports of foreign-currency expenditures. The justices ruled that Powell couldn't be denied his seat on these grounds, as that would effectively add an extraconstitutional "qualification" for office. That, they concluded, would deprive the people of an opportunity to elect candidates of their choice, contrary to the Constitution's structure. The court cited Federalist No. 60, in which Alexander Hamilton wrote: "The qualifications of the persons who may choose or be

chosen, as has been remarked upon other occasions, are defined and fixed in the Constitution, and are unalterable by the legislature."

The high court reaffirmed that conclusion in *Thornton*, which struck down an Arkansas ballot measure imposing term limits on the state's U.S. representatives and senators. The justices articulated as their "primary thesis" that "if the qualifications for Congress are fixed in the Constitution, then a state-passed measure with the avowed purpose of imposing indirectly such an additional qualification"—in this case, not having already served a specific number of terms—"violates the Constitution."

Using Section 2071(b) to disqualify Mr. Trump (or anyone else) from serving as president is unsupported under *Powell* and *Thornton*. Such a claim would be far weaker than the one the House made in *Powell*, as the constitution authorizes each congressional chamber to judge the "qualifications of its own members" but gives Congress no authority over presidential qualifications. The only constitutional means to disqualify a president for wrongdoing is through impeachment and conviction.

If preventing Mr. Trump from running in 2024 was the purpose of the Mar-a-Lago search, the government wasted its time and the taxpayers' resources.

Messrs. Rivkin and Casey practice appellate and constitutional law in Washington. They served at the Justice Department and the White House Counsel's Office in the Reagan and George H.W. Bush administrations.

NATO Is Hedging on Its Promise to Protect the Baltics

By John R. Deni and Michael O'Hanlon

At its June summit in Madrid, the North Atlantic Treaty Organization agreed to adopt a plan for defending the Baltic states—firming up what had been more of a tripwire than a serious combat capability. Unfortunately, there is less to this commitment than meets the eye. For the sake of deterrence, defense and reassurance of jittery eastern allies, NATO should remedy this mistake.

The alliance is still making only token military increases in the three states on Russia's front lines.

After Russia's illegal annexation of Crimea in 2014, NATO decided for the first time to station military forces in the three Baltic states—Estonia, Latvia and Lithuania—as well as Poland on a rotational basis. Known as the Enhanced Forward Presence battle groups, those units amounted to roughly 1,200 troops in each of the four allies most threatened by Moscow. The populations of Estonia and Latvia are each roughly 25% ethnic Russian, making those

countries vulnerable to Vladimir Putin's 2014 proclamation that he would "protect" native Russian speakers wherever they live. Poland and Lithuania border the Russian exclave of Kaliningrad, the most militarized territory in all of Europe.

NATO needs enough power in place to make Russia think twice about the possibility of a quick win. In Madrid, NATO said it would "deploy additional robust in-place combat-ready forces on our eastern flank." Secretary General Jens Stoltenberg called it "a fundamental shift in our deterrence and defence." But while the rhetoric was impressive, these battle groups remain seriously limited in capability and capacity. They are too small to hold off a Russian attack. Instead of increasing each battle group to a full brigade of roughly 4,000 troops, with associated aviation support, NATO now intends to add only a couple of hundred troops in each of the Baltic states and Poland.

The allies arrived at this suboptimal outcome for three reasons. First, many in the West have a sanguine view of the Russian threat. Russia's military remains preoccupied in Ukraine and badly worn down even as it makes plodding gains there. Second, even though allied defense spending bottomed out and began rebounding after Mr. Putin's 2014 invasion of Crimea, many



CHAD CROWE

allies still lack the capacity and capability to devote more to NATO's east. Finally, the Baltic states at present lack the infrastructure, such as training areas, to support full brigades adequately.

The last of these reasons is likely the easiest to overcome, given continuing efforts by each of the Baltic states to augment their existing infrastructure so that it can support more allied troops. Similarly, sustained increases in allied military spending could soon yield sufficient forces to meet the troop presence requirement in the east.

The misperception of Russia as a contained threat is more difficult to correct. If NATO is looking to the future, as it should, it must presuppose the likelihood of at least a partial recovery of the Russian army. Even if Russia is a state in decline, its military power won't fade overnight. NATO need not match Russia soldier for soldier along hypothetical Baltic battle lines, and it shouldn't seek an arms race. But its combined forces in the east shouldn't be outnumbered by more than roughly 3 to 1 at any time, and it should have the main building

blocks of its combat power in place and ready for when the bullets start flying.

NATO should use the months between now and its 2023 summit in Vilnius, Lithuania, to establish combat power in the three Baltic states sufficient to hold off a Russian offensive until reinforcements can be assembled. In addition to whatever force structure Estonia, Latvia and Lithuania can provide, this means one enduring allied brigade in each country, with appropriate amounts of supporting air power. As the alliance's military and strategic backbone, the U.S. should for the first time establish a permanent troop presence in the Baltic region. A brigade of aggregate combat power would complement what the U.S. already has stationed in Poland. Europe doesn't need a big military buildup. But NATO's commitment should be forward-deployed, combat-capable and resolute.

Mr. Deni is a research professor at the U.S. Army War College's Strategic Studies Institute, a nonresident senior fellow at the Atlantic Council and author of "Coalition of the unwilling and unable." Mr. O'Hanlon holds a chair in defense and strategy at the Brookings Institution and is author of "The Art of War in an Age of Peace: U.S. Grand Strategy and Resolute Restraint."

Florida Helps, Then Gets Out of the Way

By Casey DeSantis

Tallahassee, Fla. As Florida's first lady, and a mom with three small children, I've poured my heart and soul into finding better ways to help our state's struggling parents and their children. I also understand government's role must be limited, accountable and nonexclusive. Instead of creating more bloated bureaucracies, we must unite communities and work together to put parents and their children on a path to prosperity.

To learn how to maximize community collaboration outside government, I traveled our state and held roundtables with our faith-based communities, nonprofits, businesses and state and local government partners. I saw the passion

of Floridians spending their time and treasure helping others. But unfortunately, many were working in silos.

To eliminate these silos, I've spearheaded "Hope Florida, a Pathway to Prosperity." This innovative initiative seeks to maximize collaboration among our public and private sectors to help families. We want all hands on deck.

Within Florida's Department of Children and Families, we've turned state employees into "Hope Navigators." These employees, who once processed government payments within "the system," now help parents identify barriers to their family's prosperity, map out individualized plans, and make sure that the best nonprofit and private resources are a key part of the solution.

Additionally, for the first time in Florida, we identified a scalable way to activate the state's faith and community-based organizations to meet the immediate needs of citizens who might otherwise rely on government. Through our CarePortal technology, Hope Navigators identify the needs of struggling Floridians and enter that information into a computer-based network. This allows nongovernment organizations, especially our communities of faith, to respond quickly.

CarePortal requests are typically entered and fulfilled only once. Why? We've found that once local community organizations learn of struggling moms, dads and their children, neighbors won't let that family go hungry or homeless again.

So far, Hope Florida has improved the lives of nearly 50,000 Floridians. Last year, Nakia F., a single mother of five, was living in her car in Jacksonville. Today, thanks to Hope Florida, Nakia works at a grocery store and has a safe home for

her children. Initially, her Hope Navigator addressed Nakia and her children's immediate crisis—food and short-term shelter. That's where government often stops.

But then Nakia's Hope Navigator helped the Jacksonville community wrap its arms around her and her

Hope Florida connects the needy with existing private and nonprofit services to achieve self-sufficiency.

children: Urban Rest Stop, a short-term shelter, helped her find permanent housing in Sulzbacher Village, which is run by the nonprofit Sulzbacher Center; a local business, Total Military Management, provided furniture to make Nakia's house a home; and a faith-based charity, Daily Manna Serving Center, provided meals for her family. These

efforts were all coordinated with her new employer, which offered flexible work hours so Nakia can care for her children.

Since 1964, when President Lyndon Johnson announced his "War on Poverty," more than \$23 trillion has been spent on federal and state anti-poverty programs, with no meaningful improvement in poverty rates. After decades of failure, it's time to try a community-based approach, in which government plays a role but is not the only solution.

In Florida, instead of overrelying on government, we're organizing the generosity and goodness of neighbors to help one another. Our state government extends a helping hand, connects parents and their children with local community resources, and then stays out of the way. Based on our success so far, I'm confident that Hope Florida can be a model for America.

Mrs. DeSantis is first lady of Florida.

Notable & Quotable: Trump, Biden and Bork

University of Wisconsin law professor emerita Ann Althouse writing on her blog, Aug. 10:

"We have full access to everything. We can go everywhere."

That was the repeated statement of the 3 DOJ lawyers—who were described as displaying an "arrogant" demeanor—who were present during the Mar-a-Lago raid, according to an eyewitness quoted in "FBI searched

Melania's wardrobe, spent hours in Trump's private office during Mar-a-Lago raid" (NY Post).

I'm not surprised that a search extends into a woman's most intimate space—how could searches be effective if the woman's closet were off limits?—but I recognize that this is something that hits onlookers hard. It makes the government seem more brutal if you picture its agents rooting around in

the lady's underwear drawer.

This is the kind of image that can have a powerfully persuasive effect that transcends reason. I will never forget how—back in the 1980s—Joe Biden conquered the pridefully intellectual Robert Bork by talking about police in the bedroom. Bork pedantically explained his view of the non-existence of the right to privacy, and Biden just kept making us think about *Those cops! In the bedroom!*

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WORLD NEWS

Inflation Up in China, Masks Weak Demand

BY STELLA YIFAN XIE

HONG KONG—China's headline consumer inflation rate surged to its fastest pace in two years in July, but a drop in core inflation points to a different problem: weak domestic demand.

After edging up just 0.9% in 2021 and staying largely within the government's comfort zone since the start of the pandemic, headline consumer prices in the world's second-largest economy rose by 2.7% in July from a year earlier, accelerating from June's 2.5% gain, as food prices soared, China's National Bureau of Statistics said Wednesday.

The pace of increase hit a level not seen since July 2020

and is approaching the government's target of about 3%.

Still, it fell short of a forecast for a 2.9% increase among economists polled by The Wall Street Journal. That the headline-inflation reading missed expectations, despite surging food prices, reflects weaker domestic demand for other goods and services, economists say, indicating that Beijing's efforts to stimulate consumption have fallen flat amid continued Covid-19 restrictions that have suppressed demand.

Core inflation, which strips out volatile food and energy prices, slowed to 0.8% growth in July, the lowest level in 14 months, because of slack domestic demand. China's house-

hold spending remains one of the weakest links in the overall economy, which has been weighed down by a prolonged property-market slump and frequent Covid flare-ups.

Since August, more than 1,000 Covid infections have been detected in just two provincial-level areas, Hainan and Tibet, prompting local authorities to tighten restrictions and conduct mass testing. Hainan, a provincial capital of 2.8 million people on the southern resort island of Hainan, was locked down on Wednesday.

Though China hasn't struggled with rampant inflation like other large economies, the combination of sluggish underlying growth and accelerating increases in energy and

food prices could put Beijing's leaders in a conundrum familiar to other countries.

If consumer inflation pushes up against the government's 3% target, policy makers will "face the dilemma of choosing between inflation and growth," economists from China International Capital Corporation told clients in a note this week. They predict consumer inflation will ease to about 2.3% by the end of the year.

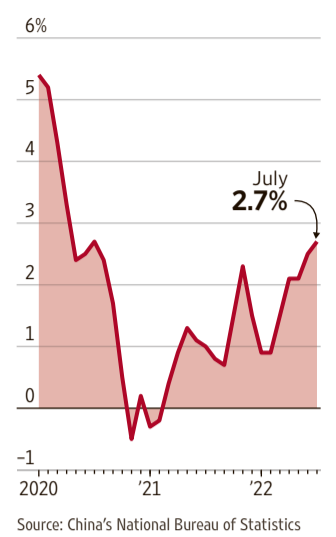
In China, the biggest single driver of inflation has been pork prices, which reversed a 6% year-over-year decline in June by surging more than 20% in July, according to China's statistics bureau. That pork rise lifted overall food prices, and

likely will continue to increase in coming months, analysts say, even as the government releases hogs from state reserves and clamps down on hoarding.

Chinese leaders have been on guard against spiraling consumer prices for fear that they might trigger social unrest. Premier Li Keqiang, speaking at the World Economic Forum last month, said only that consumer inflation would remain below 3.5% this year, given ample supplies of food and energy.

Compared with the U.S. and U.K., where households are wrestling with inflation at multidecade highs, consumer price pressure in China has remained, at least before the recent run-up in pork prices, generally subdued.

China's consumer-price index, change from a year earlier



Source: China's National Bureau of Statistics



Zhou Xiaoxuan, who accused a media personality of harassment, arriving at the court Wednesday.

Beijing Court Rejects #MeToo Appeal

BY BRIAN SPEGELE

BEIJING—A Chinese court rejected an appeal of sexual-harassment allegations by one of the leading figures of China's embattled #MeToo movement, in a case that drew a heavy police presence outside the courthouse.

Zhou Xiaoxuan shot to prominence in 2018 after she accused Zhu Jun, a well-known state television presenter in China, of sexually harassing her when she was an intern. He sued her for defamation.

Ms. Zhou took her sexual-harassment allegations against Mr. Zhu to court. Last year, a Chinese court dismissed the case, citing a lack of evidence. An appeals court in Beijing again rejected the case on Wednesday, in the latest setback in China for women who have sought to push back against sexual misconduct in the workplace.

"The evidence submitted by Plaintiff Zhou was insufficient to prove that Defendant Zhu had committed sexual harassment against her, and the appeal request could not be es-

tablished," according to a statement released Wednesday evening by the Beijing No. 1 Intermediate People's Court.

The case is unusual for the way that Ms. Zhou has challenged a Chinese household name, especially someone closely tied to the state through his work at state broadcaster China Central Television. According to Ms. Zhou, the TV presenter forcibly kissed and groped her when she was interning at CCTV in 2014. Mr. Zhu sued her after her account, initially published in a private messaging group, became public.

Women in China who publicize allegations of sexual harassment frequently face defamation suits from those they have accused. Mr. Zhu has denied wrongdoing and said that he has never touched Ms. Zhou.

Dozens of uniformed and plain-clothed police patrolled in front of the Beijing courthouse ahead of the hearing on Wednesday afternoon, sealing off the sidewalk with police tape and tailing some of the journalists present, as Ms. Zhou

gathered with roughly a dozen supporters at a KFC restaurant inside a nearby shopping mall.

Before the hearing, Ms. Zhou said she intended to present new evidence in court that police in her home city of Wuhan pressured her parents in 2018 to tell her to drop her claims, which she said amounted to an acknowledgment that she had been a victim.

Sexual-harassment cases in China face a high burden of proof and Ms. Zhou said she was prepared for the likelihood her appeal would fail. Win or lose, she said she hoped her case would encourage judges in China to better understand the difficulties Chinese women face in pressing claims of sexual misconduct.

"When they hear your story, maybe the next victim who walks into this court will be believed," she told reporters.

After the verdict was announced Ms. Zhou said she was contemplating whether to appeal again. "I'm not sure what else I can do," she said. "As long as there's a path, I'll definitely try my best."

Chinese Drills End, but Threat of Force Remains

BY KAREN HAO AND JOYU WANG

China declared an end to its military exercises around Taiwan but reaffirmed its willingness to use force to take control of the self-ruled island, while withdrawing an earlier pledge not to send troops to Taiwan if Taipei were to submit peacefully to Beijing's rule.

The Eastern Theater Command of the People's Liberation Army, China's military, said Wednesday that it successfully completed several days of live-fire military drills around Taiwan, bringing to an end a week of military exercises in response to a visit by House Speaker Nancy Pelosi to the island, which China's Communist Party claims as part of its territory.

The drills, initially slated to last four days, were extended indefinitely on Monday before coming to a close days later. The PLA said Wednesday it would continue regular patrols in the Taiwan Strait.

As China wound down its maneuvers Wednesday, China's Taiwan Affairs Office issued its first policy paper on Taiwan in 22 years, reaffirming its openness to using military force to bring the island under its control, if necessary. The policy paper also repeated its longstanding offer for Taiwan to willingly submit to its control under a "One Country, Two Systems" framework similar to the one used to govern the former British colony of Hong Kong upon its handover to Chinese control.

Wednesday's policy paper removed a clause from versions of the document published in 1993 and 2000 that ruled out the dispatch of Chinese troops and civilian administrators to Taiwan should the island agree to a "One Country,

Two Systems" arrangement.

The Mainland Affairs Council, the Taiwanese government body that oversees policy toward the mainland, condemned Beijing's paper, declaring that "the Republic of China is a sovereign country," referring to the government in Taipei by its formal name.

"The CCP regime has never ruled Taiwan, Penghu, Kinmen and Matsu for a single day," the statement read, referring to China's Communist Party and the four major island groupings controlled by the government in Taipei.

The statement said opinion polls showed the Taiwanese

Beijing reaffirms willingness to use military if needed to take control of island.

public is disgusted with the "One Country, Two Systems" model.

Separately on Wednesday, members of Taiwan's opposition party departed on a previously planned trip to China's mainland, sparking allegations of disloyalty from Taiwan's ruling party.

Andrew Hsia, deputy head of Taiwan's opposition Kuomintang, or Nationalist Party, played down the significance of the timing of his trip. He told reporters the visit had been scheduled months earlier, well before the recent escalation in tensions prompted China to encircle the island with live-fire military drills.

"If you can accomplish something good, then any time is a good time," said Mr. Hsia, who previously headed Tai-

wan's Mainland Affairs Council.

He said his delegation wouldn't visit Beijing, sticking instead to cities where large numbers of Taiwanese citizens are studying and working.

Even so, Mr. Hsia wouldn't rule out an in-person meeting with China's leadership.

Mr. Hsia de-emphasized the significance of China's new Taiwan policy paper. "Mainland China's position is very clear, just like our position is very clear," he said. "I'm not going to act like it has changed our entire reality just because they've said some words."

In a speech Wednesday before her ruling Democratic Progressive Party, Taiwan President Tsai Ing-wen criticized the KMT visit, while the party said in a separate statement that Mr. Hsia's trip undermined Taiwanese unity and disrespected the military. "What the people of Taiwan want is peace; not to provoke or escalate conflict but to safeguard sovereignty and national security," Ms. Tsai said.

Taiwan's Mainland Affairs Council said the KMT delegation was urged not to take the trip.

Taiwan's two major parties differ on how to handle the island's relationship with China. Many supporters of the ruling DPP party favor independence. The KMT, a historical rival of the Communist Party that retreated to Taiwan after losing the Chinese Civil War in 1949, is committed to the sovereignty of the Republic of China but favors closer economic ties with the mainland.

Mr. Hsia's trip comes ahead of local elections set for November. The vote is seen as a gauge of Ms. Tsai's popularity, though she is barred by law from running again when her second term expires in 2024.

WORLD WATCH

FRANCE

Stranded Whale Dies During Rescue Effort

The beluga whale that captured attention worldwide for wandering up the Seine halfway to Paris died Wednesday, after veterinarians decided that its condition had worsened and it needed to be euthanized.

French officials mobilized an ad hoc team of roughly 80 specialists, including wildlife experts, veterinarians and divers to rescue the whale from the river in what became an all-night operation from Tuesday to Wednesday.

The beluga began to have trouble breathing, leading to low oxygen levels, during its truck ride to a seaside town in Normandy where it was set to recuperate in a saltwater enclosure, regional officials said.

"The suffering of the animal was obvious," Florence Ollivet-Courtois, a veterinarian involved in the rescue, said on Twitter. "It was not possible to release him and therefore it was necessary to euthanize him."

The lone whale, whose species normally lives in groups in colder Arctic or subarctic ocean waters, entered the mouth of the Seine by Le Havre last week, and started swimming upstream toward Paris. Wildlife groups and veterinarians tried, but failed, to guide the whale downstream. It remains unclear why the beluga swam into the Seine.

—Sam Schechner



A team of specialists tried to rescue a whale from the Seine in Paris, but the beluga had trouble breathing and it was euthanized.

KENYA

Tensions Heightened As Votes Are Tallied

Human-rights groups on Wednesday warned anxious Kenyans over "rising levels of

false or misleading information being shared on social media" as the country awaited results of a close presidential election. The electoral commission indicated it would be at least Thursday before a winner is declared.

High-profile supporters of the

two leading candidates were tweeting claims of victory, citing counts based on more than 46,000 results forms posted online by the electoral commission in a gesture of transparency. Kenyan media raced to do their own tallies, but their differing, incom-

plete results added to confusion.

A day after Tuesday's election in which turnout was notably lower than in recent years, interest in the winner was sharpening in a country often held up as an example of a relatively strong democracy in Africa.

Amnesty International Kenya and other groups in a statement urged Kenyans to consider all results as provisional until the electoral commission announces the official results.

—Associated Press

UNITED KINGDOM

Polio Booster Shots Offered to Children

British health authorities launched a polio booster-vaccination campaign for children in London on Wednesday after levels of poliovirus detected in local wastewater showed that the virus is circulating in the U.K. capital.

The move is a sign that the authorities are concerned about a potential resurgence of polio in the country, which has long been free of the serious illness that affects mostly children.

The U.K. Health Security Agency said that in the coming weeks clinics in London would offer an extra dose of polio vaccine to children between one and nine years of age. The injections, containing inactivated poliovirus, are intended to shore up the children's immune defenses.

No new cases of polio have been reported in the U.K., which hasn't declared a case of the disease for years. But the virus, which in rare instances causes weakness and paralysis and can be life-threatening, is known to cause infections that yield mild or no symptoms in most cases.

—Denise Roland

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TECHNOLOGY: COMPANIES PLAN DATA SHARING TO BOOST CYBERSECURITY B5

BUSINESS & FINANCE

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SoftBank Cashes In Part of Alibaba Stake

By KOSAKU NARIOKA

Masayoshi Son is scaling back one of the greatest bets in tech history. The technology investor's SoftBank Group Corp. said it would sharply reduce its stake in Chinese e-commerce company Alibaba Group Holding Ltd., a move that preserves cash at SoftBank as it rides out a severe downturn.

By unloading Alibaba shares valued at \$22 billion, SoftBank is accelerating a separation be-

tween two companies that once were tied at the hip and symbolized Asia's technology boom. Both have hit a rough patch. SoftBank Chief Executive Mr. Son said this week he regretted an investment spree that led to a record \$23 billion loss in the latest quarter, while Alibaba, formerly led by Mr. Son's friend Jack Ma, has seen its shares lose hundreds of billions of dollars in market value after a tech crackdown by China's government.

SoftBank said its stake in Alibaba was expected to fall to 14.6% by the end of September, down from 23.7% as of June 30. As a result, SoftBank will change its accounting treatment of Alibaba and no longer count a portion of the Chinese company's profit as its own. Instead, Alibaba will be just another one of hundreds of investments on SoftBank's books. The move is the result of SoftBank settling contracts it

has made in recent years with financial institutions using Alibaba shares. In those contracts, SoftBank got billions of dollars in cash upfront. It promised its bankers that it would either pay back the cash later or give them Alibaba shares to settle the contracts. The contracts were akin to someone getting cash at a pawnshop in exchange for temporarily handing over a gold watch or pearl necklace. Customers can typically get their pawned valuables back later if

they return the cash plus interest, or they can keep the cash if they forfeit the item. SoftBank said Wednesday that it has decided to keep the cash. By giving up its Alibaba shares, SoftBank said it would "further strengthen our defense against the severe market environment" and "eliminate concerns about future cash outflows."

SoftBank said it would hand over as many as 242 million American depository receipts of Alibaba—shares valued at

\$22 billion at the Tuesday closing price. Alibaba's ADRs rose 1.4% Wednesday to \$92.43. The relationship between Messrs. Son and Ma goes back more than two decades when Mr. Son, already a billionaire technology entrepreneur, hit it off with the Chinese startup founder. In 2000, SoftBank invested \$20 million for a stake in Alibaba. As Alibaba grew to become one of China's dominant in-

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Tech Shares Win Renewed Favor As Market Shifts

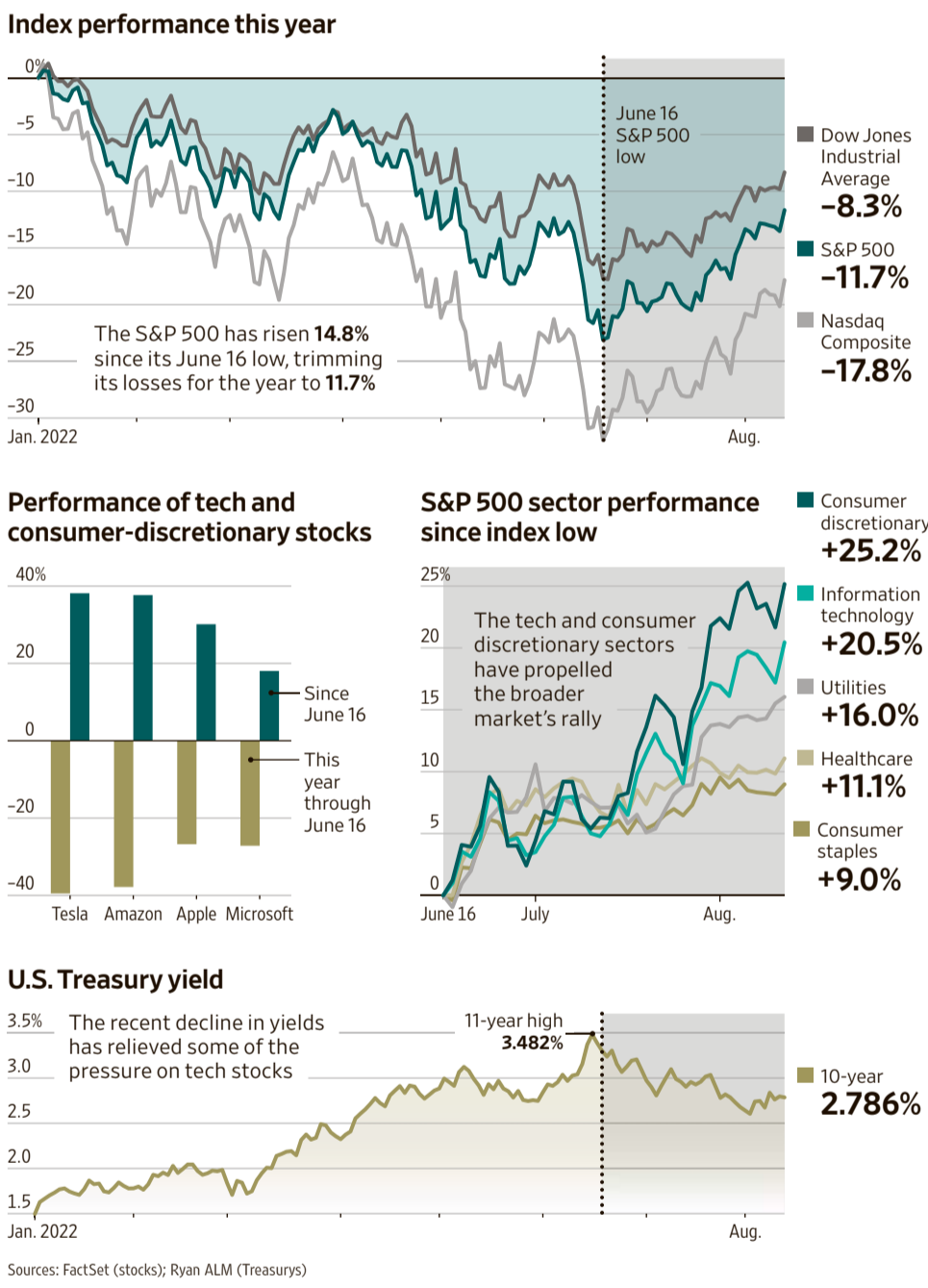
By PIA SINGH AND HARDIKA SINGH

Some familiar stocks have reclaimed their place at the top of the market's leaderboard. The technology and consumer discretionary segments of the S&P 500 have propelled the broader market's rally from its 2022 low in mid-June. That marks a reversal from much of the year when investors took shelter in utilities, consumer staples and healthcare stocks. The tech and consumer discretionary groups—home to the likes of Apple Inc., Microsoft Corp., Amazon.com Inc. and Tesla Inc.—have climbed 20% and 25%, respectively, since June 16, outperforming the three defensive groups. The index itself has risen 15%, trimming its losses for the year to 12%. The tech-focused Nasdaq Composite is back in a bull market, reflecting a rise of more than 20% from its recent low.

Behind the U-turn? Expectations that inflation will eventually fall and the Federal Reserve will pare back its aggressive pace of interest-rate increases. Friday's employment report suggested the U.S. economy isn't cooling as quickly as feared, with both job growth and wage gains topping esti-

mates. Plus, a bounce is typical after a particularly punishing stretch in markets. "Recession fears have been kicked down the road," said Eric Wightman, senior wealth adviser and partner at Maryland-based XML Financial Group. Mr. Wightman trimmed his exposure to staples and healthcare stocks in July, rotating into tech stocks. Data Wednesday showed U.S. inflation eased slightly in July but remained near a 40-year-high. Consumer prices rose 8.5% from a year earlier last month, compared with 9.1% annual growth in June. Fed officials have said they want to see inflation ease meaningfully before taking their foot off the pedal on rate increases. U.S. stocks surged after the inflation data. The Nasdaq rose 2.9%, the S&P 500 added 2.1% and the Dow Jones Industrial Average gained 1.6%. The rotation in the stock market coincides with a steady decline in government-bond yields. The yield on the benchmark 10-year Treasury note touched an 11-year high of 3.482% on June 14. Lower yields have relieved some of the pressure on tech stocks, which are valued on their future cash flows.

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JPMorgan Ex-Traders Convicted Of Fraud

By DAVE MICHAELS

A federal jury in Chicago convicted two former traders of JPMorgan Chase & Co.'s precious-metals desk who had been charged with manipulating gold prices, finding they used misleading orders to rig prices. The convictions are the capstone of a seven-year Justice Department campaign to punish a style of deceptive trading in futures markets known as spoofing. The rapid-fire strategy was prevalent at some Wall Street banks before Congress outlawed spoofing in 2010 and persisted even after its prohibition, according to prosecutors. JPMorgan paid \$920 million in 2020 to settle regulatory and criminal charges against the bank over the traders' conduct. After deliberating for more than eight days, the jury convicted Gregg Smith, once the bank's top gold trader, and Michael Nowak, the former head of its precious-metals desk, of charges including spoofing and wire fraud. A sales executive who worked with them, Jeffrey Ruffo, was acquitted. Spoofing is defined as sending orders that traders intend to cancel. The misleading or-

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Ultracostly Phones Defy Sales Drop

By JIYOUNG SOHN

NEW YORK—The smartphone industry is slumping except for the priciest devices. Samsung Electronics Co. is testing the limits of that high-end demand. On Wednesday, Samsung unveiled its latest models of two of the world's most-expensive phones. The Galaxy Z Fold 4, which becomes the size of a small tablet when opened, will cost about \$1,800. The more compact Galaxy Z Flip 4 will go for around \$1,000. The phones have prices similar to last year's versions and become available in the U.S. later this month. Total smartphone shipments slid 8% in the first half of this year versus the same period in 2021, largely because consumers have cut back spending on nonessential goods amid inflation and a shakier economic outlook, according to Counter-

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◆ Foxconn warns of slowing phone demand..... B4

Companies Face Tax on Buybacks

By THEO FRANCIS

Democrats added an all-new tax on corporate stock buybacks to the tax and spending legislation that narrowly cleared the Senate and is headed for a vote in the House later this week. The measure was included late in the negotiations over the Inflation Reduction Act of 2022, the latest iteration of a Democratic bill. The 1% excise tax on buybacks, along with a 15% minimum tax on large company profits, would help raise revenue for government spending on climate and health programs. Here's a look at what the buyback measure would do. **What is a buyback?** Many public companies repurchase, or buy back, their own shares in the market. The move reduces the number of shares outstanding, can offset the shares issued to employees as compensation and improve the per-share earnings. Wall Street generally welcomes buybacks as a sign that a company's board and executives are confident about the prospects of the business and

have enough spare cash after investing in the business and paying any dividends. Critics say there are sometimes better uses for the money. **How would it work?** The legislation would tax publicly traded companies that repurchase their shares starting Jan. 1, at 1% of the fair market value of the shares repurchased. Excise taxes are **Share repurchases by companies in the S&P 500, quarterly**

Note: First quarter 2022 is preliminary Source: S&P Dow Jones Indices

imposed by the government on activities, goods or services, as opposed to income. The taxes would be paid by public companies, not individual investors. The tax is on net buybacks—total shares repurchased offset by the number of shares issued during the year, for example as part of a stock-based compensation program or because employees exercise stock options. Some repurchases wouldn't be taxed, including buybacks under \$1 million a year, those tied to certain reorganizations or for contribution to employer benefit plans. **What is spent on buybacks?** S&P 500 companies bought back an estimated \$281 billion in shares in the first quarter—likely a record—up from about \$199 billion in the first quarter of 2020 and well above the previous peak of nearly \$223 billion in the fourth quarter of 2018, according to S&P Dow Jones Indices. So far, S&P 500 companies have reported about \$175 billion in buybacks for the second quarter. Over the past 10 years, S&P

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INSIDE



FREIGHT
Wages for truck drivers rise at a double-digit percentage pace. B2



AVIATION
United Airlines makes a \$10 million deposit for 100 electric flying taxis. B3

SEC Weighs Asking Funds To Report Crypto Exposure

By PAUL KIERNAN

WASHINGTON—The collapse in cryptocurrency prices this year has left U.S. regulators scrambling to understand the risks that digital-asset markets could pose to the broader economy. They may soon enlist hedge funds in the effort. The Securities and Exchange Commission issued a

proposal Wednesday that would require large hedge funds to report their cryptocurrency exposure through a confidential filing known as Form PF. Created after the 2008 financial crisis, Form PF was designed to help regulators spot bubbles and other potential stability risks in the otherwise opaque ecosystem of private equity. *Please turn to page B10*

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Tax on Buybacks Looms

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500 companies have bought back about \$6.2 trillion in shares.

Who uses buyback most?
Most companies in the S&P 500 reported at least some buybacks over their past four quarters, but 27 accounted for half of the total spending, according to data from S&P Dow Jones Indices. The top five repurchasers in that period: **Apple Inc.** at \$91.3 billion gross buybacks, **Alphabet Inc.** at \$54.6 billion, **Meta Platforms Inc.** at \$53.3 billion, **Microsoft Corp.** at \$32.7 billion and **Bank of America Corp.** at \$21.1 billion.

Companies wouldn't necessarily be taxed on the full amount of their repurchases.

Companies wouldn't necessarily be taxed on the full amount of their repurchases—the amount taxed is reduced by shares issued during the year, including those paid out as compensation. So in most cases, the tax will be calculated on a smaller tally. For example, Apple reported repurchasing 656.3 million shares, while also issuing 106.4 million shares, in the fiscal year ended Sept. 25. Using the average price of \$130 a share that the company reported for repurchases, that implies Apple spent about \$71.6 billion on net buybacks, and would face a potential tax of just over \$700 million.

How much will it collect?

Just over \$70 billion over 10 years, according to Senate Majority Leader Chuck Schumer (D., N.Y.). An earlier and nearly identical version under consideration last year was projected by the Biden administration to raise \$124 billion. Analysts say it isn't clear why the figure fell so much but note that stock prices are down sharply since the earlier estimate.



Google parent Alphabet is one of the top stock repurchasers.

Truck-Driver Pay Rose 11% Amid Strong Freight Demand Last Year

By PAUL PAGE

Wages for truck drivers rose at a double-digit pace last year as companies laid out hefty salaries, bonuses and benefits packages to recruit workers in a market marked by tight labor conditions and high freight demand.

The American Trucking Associations said in its annual salary survey that average wages for drivers of big rigs, from those working in for-hire commercial long-haul markets to employees at in-house fleets managed by companies like Walmart Inc., Sysco Corp. and PepsiCo Inc., reached about \$69,700 last year, up 11% from the previous year.

The sharp increase in compensation came as demand to move goods surged across the U.S. economy, with retailers racing to restock inventories that were depleted early in the pandemic and manufacturers rushing to bring in parts and raw materials to restore production that had been idled or cut back.

Trucking companies and transportation divisions of retail and manufacturing businesses struggled in the wake of the sharp upturn in demand to bring in enough workers to handle the loads.

"The driver market got so tight in 2021 that fleets were pretty desperate to get good, responsible, safe drivers," said Bob Costello, chief economist at the ATA, an industry trade group.

Walmart, which operates one of the largest in-house trucking fleets in the country, said this spring that it was



The average wages for drivers of big rigs reached about \$69,700 last year.

raising starting pay for its company drivers to as much as \$110,000 a year in an effort to keep its supply chain running smoothly.

The ATA said in its study that nearly all truckload carriers—the operators that contract to move an entire trailer load for a single customer, as opposed to carriers that mix freight from several customers in one truck—offered bonuses to drivers who successfully referred people to be hired by the company. The average referral bonus hit \$1,150, up \$150 from the previous survey.

The rising truck-driver pay is triggering higher transportation costs for companies as truckers seek to pass along their higher expenses, contrib-

uting to inflation across the U.S. economy that is running near a four-decade high.

Thomasville, N.C.-based **Old Dominion Freight Line Inc.**, one of the country's largest trucking companies, said in its quarterly earnings report last month that its spending on salaries, wages and benefits increased nearly 20% in the first half of this year from the year-earlier period.

There have been signs more recently that some of the pressure in trucking companies' efforts to recruit has eased as freight-shipping demand has cooled off.

The closely watched Cass Freight Index, issued by Cass Information Systems Inc., declined year-over-year in May and June, while truckers in-

cluding Old Dominion and Yellow Corp. have reported slipping shipment counts.

Trucking companies hired about 73,000 workers in the 12 months ended in July, according to the Bureau of Labor Statistics, but the pace is slowing—the 3,500 jobs added last month marked roughly half the payroll growth in June.

"Recruiting and retaining drivers continues to be a challenge, but we are seeing improvement sequentially in our ability to recruit drivers," Adam Miller, chief financial officer of **Knight-Swift Transportation Holdings Inc.**, the largest carrier in the truckload sector, said on a July 20 earnings conference call.

SoftBank Trims Stake In Alibaba

Continued from page B1
ternet companies, that stake assumed oversize significance at SoftBank, at one point accounting for nearly 60% of the Japanese company's net assets.

Then shares of Alibaba and other Chinese internet commerce leaders fell sharply last year after Beijing shifted its stance on the industry. The Chinese government issued fines and opened probes meant to force the companies to adhere more closely to the state's interests. Mr. Ma disappeared from public view for a time.

Alibaba's market capitalization peaked at more than \$850 billion in October 2020 but it has since shrunk dramatically.

As of Wednesday, the e-commerce giant's market cap stood at \$239.87 billion.

Mr. Ma had long been on the board of Mr. Son's company, and vice versa, but those relationships ended two years ago, although for now SoftBank retains a seat on Alibaba's board.

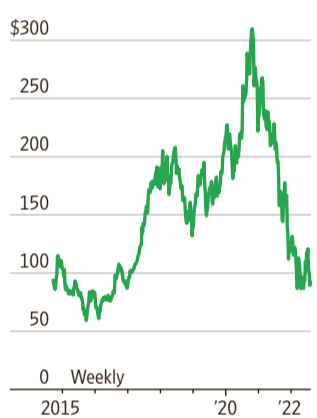
And geopolitical tensions between Beijing and the U.S.-led democratic bloc to which Japan belongs have made China connections less desirable for many Japanese companies.

The latest selldown accelerates what had previously been a gradual reduction in SoftBank's stake in Alibaba over recent years.

At the end of 2014, the year of Alibaba's record-breaking U.S. initial public offering, SoftBank reported a shareholding of more than 32%.

SoftBank said it would "continue to maintain a good relationship with Alibaba." Alibaba reported the SoftBank transactions in a stock-exchange filing

Alibaba's ADR price since listing



Source: FactSet

in Hong Kong but didn't say what it thought of the SoftBank move.

SoftBank said it expected a contribution to pretax income equivalent to about \$34 billion as a result of its Alibaba share transactions.

The biggest part of that comes from accounting for the remaining Alibaba shares on

SoftBank's books at market value, rather than a lower value that prevailed long ago.

SoftBank has been piling up cash. In its latest financial report released Monday, it said it had a cash position of 4.6 trillion yen, equivalent to \$34 billion, as of the end of June, more than twice the \$1.8 trillion it said it needed to repay its corporate bonds over the next two years.

"We have plenty of cash on hand," Mr. Son said on Monday. "We are strengthening our defenses as promised."

One key use of SoftBank's cash has been hefty stock buybacks, which have helped support its own share price even as the market has fallen. It announced additional buybacks valued at the equivalent of up to about \$3 billion on Monday.

As of June 30, the Alibaba holding accounted for about one-fifth of SoftBank's net asset value, SoftBank said.

—Megumi Fujikawa and Elliot Brown contributed to this article.

SpaceX Loses Starlink Rural Broadband Aid

By DREW FITZGERALD

The Federal Communications Commission rescinded more than \$2 billion in grants previously awarded to Elon Musk's SpaceX and a small internet provider after the regulator ruled the companies weren't likely to meet requirements for government funding to help expand broadband access.

The FCC had awarded SpaceX, formally known as **Space Exploration Technologies Corp.**, \$886 million in 2020 to provide faster internet to places with poor connections or no broadband access through its Starlink satellite service.

The agency pulled \$1.32 billion in grants for LTD Broadband, a small, Las Vegas-based broadband provider. LTD has struggled with missed regulatory deadlines in several of the states where it planned to expand service.

A SpaceX spokesman didn't respond to a request for comment. LTD Chief Executive Corey Hauer said the company was disappointed by the decision and was reviewing its next steps.

"I don't believe the FCC fully appreciated the benefits LTD Broadband would bring to hundreds of thousands of rural Americans," he said.

All grants were conditioned on the winners showing that

they could fulfill the terms of the program, known as the Rural Digital Opportunity Fund, through more detailed regulatory filings. The commission said Wednesday that the program's two biggest winners hadn't met that threshold.

"We cannot afford to subsidize ventures that are not delivering the promised speeds or are not likely to meet program requirements," FCC Chairwoman Jessica Rosenworcel said.

Ms. Rosenworcel said that the agency had to consider whether to allocate public funds for Starlink while the program's technology is still developing. She added that Starlink requires users to buy a \$600 satellite dish, but described its technology as promising.

The Rural Digital Opportunity Fund had budgeted as much as \$20 billion to connect Americans with slower internet connections or no reliable service at all. That figure dropped after the commission held a reverse auction for the funds that awarded \$9.2 billion to 180 successful bidders. It later disqualified some winners that failed to meet its requirements.

Wednesday's decision could shrink the program by another \$2.2 billion.

—Micah Maidenber contributed to this article.

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BUSINESS NEWS

United Puts a Deposit on Flying Taxis

The company made pre-delivery payments of \$10 million for 100 aircraft from Archer

By ALISON SIDER
AND MICAH MAIDENBERG

United Airlines Holdings Inc. paid a \$10 million deposit for 100 electric flying taxis, a sign that the airline is growing more confident in the nascent technology.

United and a regional airline it partners with last year invested in Archer Aviation Inc. and struck a preliminary agreement to buy up to 200 of the flying taxis that the San Francisco Bay Area-based company is developing. Other airlines and leasing companies have announced their own investments in flying-taxi startups and preliminary orders. But the aircraft haven't yet been approved by regulators to fly passengers, and customers generally haven't had to put down cash.

The aircraft being developed by Archer and its rivals take off and land vertically like helicopters. Airlines hope that they will be able to zip customers around cities, whisking them

over congested highways to and from hub airports while reducing carbon emissions for such journeys. United and Archer said United will be the launch customer for the four-passenger aircraft Archer is working on—the latest indication that traditional airlines see a place for the new technology in their businesses as they face pressure to find ways to reduce their carbon footprint.

Electric-flying-taxi companies have been developing and testing vehicles, but need to secure approval from regulators before they or customers that purchase the aircraft launch commercial service. In the U.S., the Federal Aviation Administration has been examining aircraft, working on pilot requirements and looking into how to integrate planned vehicles into the airspace.

Leaders at the agency have said the FAA is committed to meeting timelines that would allow at least some companies to gain certification for their vehicles as early as 2024. Archer expects to gain certification by the end of that year and start commercial operations afterward, Chief Executive Adam Goldstein said.

The company's technology, funding, and the regulatory



The aircraft being developed by Archer and its rivals take off and land vertically like helicopters.

framework for the industry have matured to the point that customers like United are ready to lock in orders, according to Mr. Goldstein.

"There's a lot of talk about orders in the industry, a lot of talk about paper commitments, but this is the first real cash commitment," he said.

American Airlines Group Inc., which last year invested \$25 million in Vertical Aerospace Ltd., another electric-aircraft startup, last month

committed to making pre-delivery payments for 50 electric vertical-takeoff-and-landing aircraft and confirmed reservations for delivery slots, though that money hasn't yet changed hands.

Archer, Vertical and a number of other startups pursued stock-market listings over the past two years as investors poured billions of dollars into the sector. Many listed through blank-check companies known as SPACs, but

most are trading well below their offer price. Archer's shares are down by over 50% since its listing in September.

Archer is also embroiled in a legal dispute with Wisk Aero LLC, a rival electric-air-taxi company that counts Boeing Co. as an investor. Wisk sued Archer last year, claiming the company copied its design—misappropriating its trade secrets and infringing on its patents. Archer has denied the claims and filed certain coun-

terclaims, accusing Wisk of making false statements to damage its reputation and interfere in its business. Archer has also brought a lawsuit against Boeing. A trial in federal court about Wisk's suit and Archer's counterclaims is scheduled for next August.

A spokeswoman for Archer said it is pleased with how the case is progressing so far. Spokesmen for Wisk and Boeing declined to comment. United declined to comment on the suit.

Electric-air-taxi companies also face challenges ensuring they have areas on the ground for takeoffs and landings, and related to battery packs that power the vehicles.

Michael Leskinen, president of United's venture-capital fund for early-stage technologies, said United has grown more assured in the past year-and-a-half since its initial investment, both that Archer has been able to raise enough money, and in the direction the technology is heading for things like batteries for the aircraft.

United is starting to make more concrete plans about where it will deploy its new flying taxis and will likely announce routes in the coming months, Mr. Leskinen said.

Drugmakers Strike Alzheimer's Deal

By BRIAN GORMLEY

Biotechnology startup Cerevance Inc. could earn more than \$1 billion through a collaboration with drugmaker Merck & Co. to research potential treatments for Alzheimer's disease.

Boston-based Cerevance agreed to use its technology platform to identify new drug targets Merck can use to develop Alzheimer's medications. Cerevance said it also has agreed to license a new Alzheimer's drug program it had been studying to Merck.

Under the deal, Merck agreed to pay Cerevance \$25 million up front and could pay up to \$1.1 billion more in success-based payments. Cerevance also could earn royalties on sales of drugs emerging from the collaboration.

Complex neurological diseases have long frustrated pharmaceutical companies, but the field received good news this week when biotech company Karuna Therapeutics Inc. said a schizophrenia drug it is developing met its primary goal in a late-stage clinical trial.

Cerevance in March also said

it had seen positive results from a mid-stage clinical trial of a drug it is developing for Parkinson's disease patients.

"Hopefully the tide is turning," said Cerevance Chief Executive Craig Thompson.

Cerevance gathers brain tissue from brain banks, or centers that obtain brains from organ donors. It then examines the tissue to identify lines of attack on brain diseases, studying metrics such as which genes are over- or underactive in a given disease, according to Mr. Thompson.

That technology underpins

this new collaboration with Merck and Cerevance's own drug-discovery process. Cerevance also has a partnership with Takeda Pharmaceutical Co. to research treatments for gastrointestinal disorders.

Cerevance's treatment for Parkinson's disease patients, which shows potential to help patients better control their symptoms, will enter later-stage clinical trials in early 2023, Mr. Thompson said.

In a trial starting early next year, Cerevance will study the drug as an adjunct to existing Parkinson's medications.

Truck Maker Nikola's CEO to Exit in January

By CONNOR HART

Nikola Corp. on Wednesday said that Chief Executive Mark Russell was retiring and would be succeeded by Nikola Motor President Michael Lohscheller.

Mr. Russell's retirement goes into effect Jan. 1, which is when Mr. Lohscheller will be elevated to the top job.

Mr. Lohscheller is a recent addition to Nikola, having joined the electric-truck maker in February with a mandate to

scale up the company's global truck business.

Mr. Lohscheller had previously served as the chief executive of German auto maker Opel Automobile GmbH and oversaw its transformation into a leading electrified car brand.

Mr. Lohscheller will be named president of the company and join Nikola's board immediately.

The electric-truck maker's shares were up less than 1% in Wednesday trading.



A ByHeart plant in Reading, Pa. The company began selling its baby formula online in March.

ByHeart Seeks to Expand Baby-Formula Production

By ANNIE GASPARRO

Baby-formula startup ByHeart is seeking to register two additional facilities with regulators to increase its production as the U.S. continues to grapple with shortages.

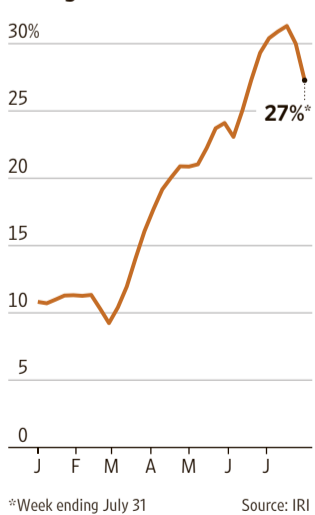
Co-founders Ron Belldgrun and Mia Funt said that if the Food and Drug Administration completes the registration, it could qualify ByHeart to expand manufacturing and operations years ahead of the company's original plans.

A spokeswoman for the FDA said the agency is reviewing several such requests from formula manufacturers seeking to expand. The FDA would oversee such facilities.

ByHeart, which began making baby formula for commercial sale at its Pennsylvania plant earlier this year, said the expansion could position it to potentially gain a 15% share of the highly concentrated baby-formula market. As of last year, the two leading manufacturers, Similac-maker Abbott Laboratories and Reckitt Benckiser Group, which makes Enfamil, controlled roughly 80% of the market.

"We wanted to make a formula that was closer to breast milk, and we realized the manufacturing we wanted was one we'd have to build," Mr. Belldgrun said. "We're looking to expand right away."

Powdered baby formula, weekly out-of-stock rate, U.S. average



ByHeart began selling its baby formula directly to consumers online in March, in the midst of the nationwide formula shortage. The rate of new customers was about 15 times ByHeart's projection, the company said, causing it to pause accepting new customers. In July, ByHeart began accepting orders from its wait-list customers.

The crisis continues, despite government and manufacturers' efforts to boost supplies. In July, availability of powdered baby formula dropped to its lowest level since the shortage began early this year, according to market-research firm IRI.

Overall in July, about 30% of products were out of stock, IRI data show. Availability has been improving since then, the data show, but it remains significantly below historical normal levels.

The shortage mostly stems from the February shutdown of Abbott's largest factory because of safety concerns amid a recall of some of its Similac products.

ByHeart is one of five manufacturers of baby formula in the U.S. Other relatively new brands in the U.S., such as Danone SA's Happy Family, are manufactured by a third-party contractor.

ByHeart said it plans to spend at least another \$30 million increasing its manufacturing capabilities over the next two years, including scaling up capacity at its existing factory in the next few months. ByHeart said these investments will help it move into retail stores.

The formula shortage has made parents more open to trying new brands while shelves remain thinly stocked, presenting ByHeart and other new entrants a unique window of opportunity. Historically consumers were reluctant to switch brands for fear of disturbing their baby's digestion.

ByHeart said it worked with the FDA for 2½ years to bring its formula to market.

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TECHNOLOGY

WSJ.com/Tech



Foxconn, the world's biggest assembler of iPhones, said risks include inflation, the pandemic and geopolitical tensions.

Foxconn Warns That Demand For Smartphones Is Slowing

By YANG JIE

Foxconn Technology Group, the world's biggest iPhone assembler, said demand for smartphones and other consumer electronics is slowing, leading it to take a more cautious stance in the current quarter.

Foxconn Chairman Young Liu said the smartphone market could remain flat compared with a year earlier. He listed possible risks including inflation, the pandemic and the evolving geopolitical situation—a growing concern after a week in which China staged military drills around Taiwan, where Foxconn is based.

Foxconn's warning comes as inflation and economic uncertainty cause consumers around the world to curtail discretionary spending, denting demand for electronics including smartphones.

Last month, smartphone chip maker Qualcomm Inc. cut its smartphone shipment forecast for this year and issued a

mutated sales outlook. Memory chip makers SK Hynix Inc. and Micron Technology Inc. have said that their customers—which includes PC and smartphone manufacturers—are starting to tighten costs and adjust inventories.

For the quarter ended in June, Foxconn posted a 12% rise in net profit from a year earlier, driven by solid demand for smartphones and cloud devices. That beat the 1.9% rise among analysts polled by S&P Global Market Intelligence.

Revenue rose 12% to the equivalent of \$50.3 billion. Foxconn, formally known as Hon Hai Precision Industry Co., said consumer electronics including smartphones, laptops and smart wearable devices accounted for half of its revenue in the last quarter.

For the April-to-June quarter, Foxconn's biggest customer, Apple Inc., reported an almost 11% decline in profit after weathering supply constraints and shutdowns in China, although iPhone sales

continued to grow, rising 2.8%. Foxconn has managed to avoid some of the broader pain as smartphone demand slows. Sales of some higher-end products, including iPhones manufactured by the company, remain resilient. The company also said that inflation concerns would have a modest impact on demand for mid- and high-end products.

Foxconn nudged up its full-year revenue forecast after its robust second quarter, saying it expected growth this year rather than the roughly flat performance it had predicted earlier, citing better-than-expected consumer-electronics sales. The company didn't offer further details.

The electronics industry has suffered from a semiconductor shortage in recent quarters, and Mr. Liu said Wednesday that while overall conditions are improving, makers of servers and telecommunications products still face a shortage of chips.

He said Foxconn has built

on its expertise in supply-chain management to minimize the impact of the chip shortage and other disruptions. "Even during the lockdowns in mainland China, we were affected less by the supply shortages compared to our peers in the industry," Mr. Liu said.

In July, Foxconn said it invested around \$800 million in Tsinghua Unigroup, the heavily indebted Chinese chip conglomerate that is undergoing a restructuring. The deal has come under scrutiny in Taiwan, the world's biggest chip-production hub and one that is wary of China's technological advancement in the sector.

Foxconn's investment won't go to memory-chip maker Yangtze Memory Technologies Co. and contract chip maker Wuhan Xinxin Semiconductor Manufacturing Co., both units of Unigroup, Mr. Liu said.

YMTC is China's leading memory-chip maker, helping boost the country's competitiveness in the sector.

Costliest Devices Defy Fall

Continued from page B1

point Research, a research firm. The declines were steepest for the lowest-price devices, it said.

Foxconn Technology Group, the world's biggest iPhone assembler, on Wednesday said demand for smartphones and other consumer electronics is slowing, prompting it to be cautious about the current quarter.

Shipments of "ultrapremium" phones—devices sold for \$900 or more—grew by more than 20% during the same period, Counterpoint said. This category comprises mostly Apple Inc.'s iPhones and Samsung's flagship devices.

The resilience of the phone industry's upper class mirrors that of the luxury-goods business, as wealthier consumers show a willingness to keep spending on clothing, handbags and jewelry despite economic rockiness.

Apple, in its most recent quarter, reported a surprise rise in iPhone sales, defying analysts' expectations for a decline. There has been no obvious macroeconomic impact on iPhone sales in recent months, Apple Chief Executive Tim Cook said on an earnings call last month.

Samsung, the world's largest smartphone maker, recently said it expects the overall smartphone market to see shipments stay flat or experience minimal growth this year. But the South Korean company expressed optimism that its foldable-display devices, which are among its most expensive products, would sell well.

The smaller of the two new devices, the Galaxy Z Flip 4, is an update of the model that accounted for most of Samsung's foldable-phone sales last year. When fully open on its vertical axis, it has a display that measures 6.7 inches. When closed, it is half the size of most mainstream smartphones, and own-

ers can view text messages and other alerts on a smaller, exterior screen. Compared with last year's version, Samsung said the Galaxy Z Flip 4 takes better photos and has a slimmer hinge and larger battery.

The heftier Galaxy Z Fold 4 sports a tablet-size display that is 7.6 inches diagonally when fully opened. It opens and closes like a book, and when shut, it has a 6.2-inch outer screen that performs most smartphone functions. The new version has a slightly thinner hinge and improved camera capabilities, Samsung said. Both models are waterproof.

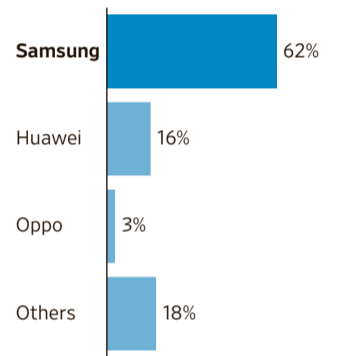
The Galaxy Z Fold 4 is the first device to use Android 12L, a version of the operating system created by Alphabet Inc.'s Google specifically for tablets and foldable phones, Samsung said.

Alongside the two foldable phones, Samsung on Wednesday introduced two new versions of its Galaxy Watch 5, as well as a new edition of its Galaxy Buds wireless earphones, the Galaxy Buds 2 Pro.

Samsung has much riding on the Galaxy Z Fold 4 and the Galaxy Z Flip 4.

Given their high price and fatter margins, foldable devices, plus other flagship handsets, could represent this year about 60% of Samsung's mobile-division operating profits, despite accounting for roughly one-sixth of the company's smartphone shipments, said Sanjeev Rana, a Seoul-based analyst at brokerage CLSA. Last year, Samsung's Galaxy Z Fold 3 and Galaxy Z Flip 3 saw stronger sales, helped by price cuts.

Global foldable smartphone market share, first-half 2022



Note: Does not add to 100% due to rounding. Source: Counterpoint Research

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BUSINESS NEWS

Companies Set Data Sharing To Fight Hacks

By KIM S. NASH

A group of 18 tech and cyber companies said Wednesday they are building a common data standard for sharing cybersecurity information. They aim to fix a problem for corporate security chiefs who say that cyber products often

don't integrate, making it hard to fully assess hacking threats.

Amazon.com Inc.'s Amazon Web Services cloud business, cybersecurity company Splunk Inc. and International Business Machines Corp.'s security unit, among others, launched the Open Cybersecurity Schema Framework, or OCSF, Wednesday at the Black Hat USA cybersecurity conference in Las Vegas.

Products and services that support the OCSF specifications would be able to collate and standardize alerts from different cyber monitoring

tools, network loggers and other software, to simplify and speed up the interpretation of that data, said Patrick Coughlin, Splunk's group vice president of the security market. "Folks expect us to figure this out. They're saying, 'We're tired of complaining about the same challenges.'"

Other companies involved in the initiative are CrowdStrike Holdings Inc., Rapid7 Inc., Palo Alto Networks Inc., Cloudflare Inc., DTEX Systems Inc., IronNet Inc., JupiterOne Inc., Okta Inc., Salesforce Inc., Securonix Inc., Sumo Logic Inc., Tanium Inc., Zscaler Inc. and Trend Micro Inc.

Chief information security officers have grumbled about proprietary cyber products that force security teams to integrate data manually. More than three-quarters of 280 security professionals surveyed want to see vendors build open standards into their products to enable interopera-



Amazon Web Services and IBM's security unit are among the 18 companies planning to develop a common standard for security data.

bility, according to research from the Information Systems Security Association and TechTarget Inc.'s analyst unit published in July.

Often, cyber teams build several dashboards to monitor items such as attempted logins and unusual network activity. To get a full picture of events, they frequently have to write custom code to reformat data for one dashboard or analysis tool or another, said Mark Ryland, director of the office of the chief information security officer at AWS. "There's a lot

of custom software out there in the security world," he said.

Products that support OCSF would be able to share information in one dashboard without that manual labor, Mr. Ryland said. "We'll benefit from this," he said of AWS's internal security teams.

Tech providers writing the initial version of OCSF expect to incorporate it into their products in the coming months, said Chris Niggel, regional chief security officer for the Americas at identity management company Okta.

Internally, Okta uses cloud services from Alphabet Inc.'s Google, human resources company Workday Inc., communications tool Slack Inc. and others, Mr. Niggel said. "Our incident response team has to normalize all that information so they can see what's happening," he said.

With data about potential hacking activity in one format, internal teams will be able to recognize attacks earlier, he said. Plus, companies will be able to share incident data with each other faster, he added.

The OCSF standard and documentation will be on the GitHub open-source repository. Early work on the project began years ago at Symantec, now part of infrastructure technology company Broadcom Inc.

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EU Court Expands Shield for Personal Information

By CATHERINE STUPP

Companies will be under increased pressure after Europe's top court ruled they must apply special protections to data that firms previously didn't consider sensitive.

Under the European Union's General Data Protection Regulation, information about health, religion, political views and sexual orientation are considered sensitive. Companies generally aren't allowed to process it unless they apply special safeguards.

The European Court of Jus-

tice on Aug. 1 determined that public officials in Lithuania had their sensitive data revealed because their spouses' names were published online, which could indicate their sexual orientation. Experts say the implications will extend to other types of potentially sensitive information.

Data that might be used to infer a sensitive piece of information about a person is also sensitive, the court said. That could include unstructured data—which isn't organized in databases and is therefore more difficult to search

through and analyze—such as surveillance camera footage in a hospital that indicates a person was treated there, legal experts say. Records of a special airplane meal might reveal religious views.

The court ruling "raises a lot of practical complexities and a lot of difficulty in understanding if the data [organizations] have is sensitive or not," said Gabriela Zanfir-Fortuna, vice president for global privacy at the Future of Privacy Forum, a think tank based in Washington, D.C.

Many companies with large

data sets may not know they hold details that indirectly relate to sensitive information, privacy experts say. Identifying where that data is and deciding whether it could reveal personal details about an individual would be a huge undertaking, said Tobias Judin, head of the international section at Norway's data protection regulator.

"You can't really comply with the law if your data set becomes so big that you don't really know what's in it," Mr. Judin said.

The GDPR says companies

can only process sensitive data in a few circumstances, such as if a person gives explicit consent for it to be used for a specified purpose.

Regulators have been grappling with the question of how to determine what is sensitive data. The Norwegian regulator last year fined gay-dating app Grindr LLC 65 million kroner, equivalent to roughly \$6.7 million. The regulator said the user data was sensitive because use of the app indicated their sexual orientation.

Grindr said it doesn't require users to share that data.

The company appealed in February. Mr. Judin said his office is reviewing material submitted by the company as part of its appeal. Spain's regulator came to a different conclusion in January, and found that data Grindr shared for advertising purposes wasn't sensitive.

A company that uses cookies to collect data on a health-related website might process information that indicate the health status of a person visiting the page, said Jeroen Terstegge, managing partner at Privacy Management Partners, a Dutch consulting firm.

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BUSINESS NEWS

Poll Details Teens' Social-Media Use

By SARAH DONALDSON

The number of teenagers who say they are chronically online has nearly doubled since 2015, according to a new survey from Pew Research Center that also illustrates how rapidly the competitive landscape for social media is changing.

YouTube is the most popular platform among U.S. teens, with 95% of the coveted demographic saying they use the site or its mobile app, the survey found. **ByteDance Ltd.**'s video-sharing platform TikTok, which was launched in the U.S. in 2018 and didn't exist the last time Pew performed a similar survey, is now used by about 67% of those between 13 and 17 years old.

Almost half of U.S. teens reported that they are online "almost constantly," a jump from the 24% who reported similar behavior to Pew in 2015.

On social media specifically, 35% of U.S. teens reported that they were on at least one of the major platforms almost constantly. Pew didn't survey teens on that question in 2015.

The popularity of **Meta Platforms Inc.**'s flagship app Facebook plunged among teens in recent years, according to the study. While 71% of teens said in the 2015 survey that they used Facebook, 32% said they are on the platform

today.

Meta's Instagram and Snapchat, owned by **Snap Inc.**, came in third and fourth of shares of teens who are on each platform. Both grew in popularity among teen users from the last time the survey was conducted.

Younger users, especially teens, are seen as tastemakers and thus prized by advertisers. They also present long-term business opportunities for the platforms that can attract and keep them as users, potentially over many decades.

Most large social-media companies, including Meta and YouTube parent **Alphabet Inc.**, have been pouring resources into short-form video features on their own platforms to compete with the rise of TikTok and draw in younger traffic.

"It's an evolving landscape on multiple levels—not just the platforms themselves with different names and things, but also even individual platforms were one thing a while ago, and now are different," said Lee Rainie, the director of internet and technology research at Pew and a co-lead author of the report, which was based on a survey of 1,316 teens.

The report also showed how deeply social media is ingrained in the lives of many teenagers, in ways that those surveyed say aren't always

positive. More than half of teens said giving up social media platforms would be challenging—with teen girls more likely to echo that sentiment—while a third of teens said too much of their time is used on social-media apps and websites.

Teen access to smartphones has jumped by 22% since 2015, the survey found.

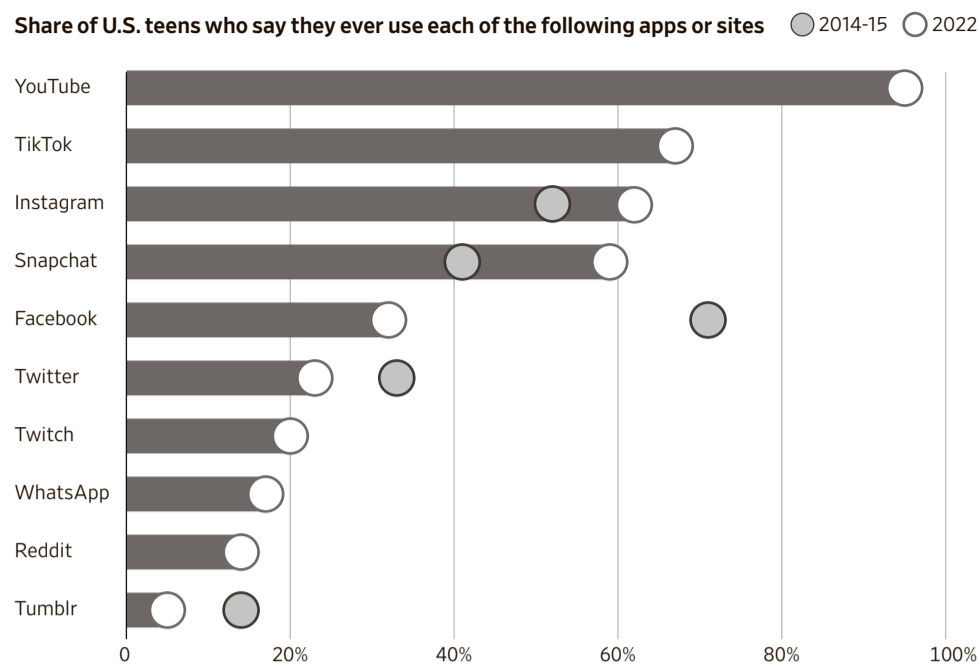
The Wall Street Journal last year reported that Facebook knew that Instagram is harmful for some of its young users, especially teen girls. Shortly after, a bipartisan coalition of state attorneys general said they were investigating how Instagram attracts and affects young people.

A Meta spokesman said at the time that the investigation was premised on a misunderstanding of issues that also affect other social-media platforms.

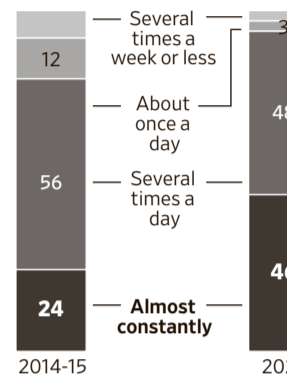
Instagram, TikTok and other social-media companies over the past year have expanded their parental controls to give guardians more sway over what children see and how much time their teens spend on the app.

Snap on Tuesday rolled out a new set of controls, giving parents the ability to see who their children are friends with and who they communicated with in the last seven days.

Emily Vogels, a Pew research associate and co-lead

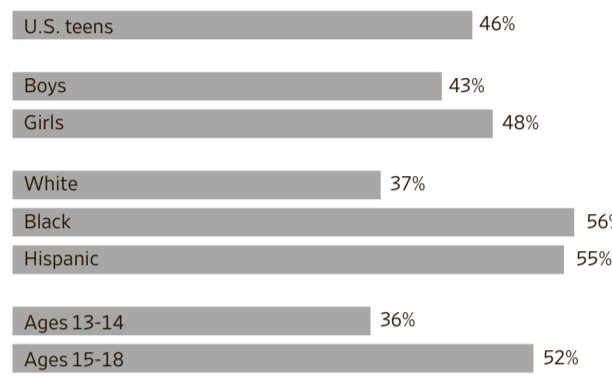


Share of U.S. teens who say they use the internet:



Notes: Teens refer to those ages 13 to 17. The 2014-15 survey did not ask about YouTube, WhatsApp, Twitch and Reddit. TikTok debuted globally in 2018. Source: Pew Research Center survey conducted by Ipsos Public Affairs April 14-May 4, 2022 of 1,316 pairs of one teen and one parent, margin of error plus or minus 3.2 percentage points

Share of U.S. teens who say they use the internet almost constantly



author of the report, said in an interview that teens in focus groups conducted before the survey cited the pandemic as a factor in shaping which social

media platforms they put the most hours into.

"Without being able to interact with others in the in-person environment, they

were looking to see where their friends were going online, so that they could maintain those connections," Ms. Vogels said.

Robots Turn Creative as AI Helps Drive Ad Campaigns

By PATRICK COFFEY

In late 2021, as states eased pandemic restrictions and consumers began flying again, travel search company Kayak needed a message that would help it stand out against bigger rivals.

Most travel ads focused on "the family reunion space, soft piano music, the get-together on the beach," said Matthew Clarke, vice president of North American marketing for the **Booking Holdings Inc.** company. Kayak took a different approach with the "Kayak De-

niers" campaign, which went live in January and poked fun at the rise of online conspiracy theories. In one ad, an angry mother insists to her family that Kayak isn't real, screaming, "Open your eyes!"

Inspiration for the ads came from an unlikely source: artificial intelligence.

Kayak worked with New York advertising agency Supernatural Development LLC, whose internal AI platform combines marketers' answers to questions about their business with consumer data drawn from social media and

market research to suggest campaign strategies, then automatically generates ideas for advertising copy and other marketing materials.

Supernatural's AI found that Kayak should target its campaign largely toward young, upper-income men, who it said would respond to humor about Americans' inability to agree on basic facts in politics and pop culture, said Michael Barrett, co-founder and chief strategy officer at Supernatural.

"That gave us a good amount of license to zig where the category was zagging and

to be more relevant, more provocative," Mr. Clarke said of the AI findings.

The campaign has been one of Kayak's most successful to date in driving brand favorability, Mr. Clarke said.

Marketers have primarily used AI in a creative capacity in services like creative automation, which tests thousands of slight variations on elements such as ad copy and color schemes to determine which combinations will best attract consumers' attention.

But AI is expected to change marketing practices

drastically in coming years thanks to new tools like OpenAI Inc.'s automated language generator GPT-3, which allows algorithms to better understand different languages and produce original text content,

said Tom Davenport, distinguished professor of information technology and management at Babson College in Wellesley, Mass.

Unilever PLC's Dollar Shave Club recently began working with AI firm Addition Technologies Inc., whose platform can analyze millions of social-media posts, to help identify

themes for marketing products that range from razors to wet wipes.

"It's like having a machine hive mind that you can just keep asking questions because it has completely consumed all comments on the subject," said Matt Orser, vice president and head of creative at Dollar Shave Club.

Addition also worked with ad agency Droga5 LLC to create an interactive ad campaign for the New York Times that turns headlines from each subscriber's reading history into a visual "portrait" of that person.

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NOTICE OF SALE

NOTICE OF SECURED PARTY PUBLIC SALE OF PERSONAL PROPERTY

Notice is hereby given by BENUVIA HOLDINGS, LLC (the "Secured Party"), that pursuant to Section 9-410 of the Uniform Commercial Code, a secured party public sale to the highest and best bidder for cash, with reserve, will be conducted by the Secured Party on Thursday, August 11, 2022 at 11:00 a.m. Eastern Time (the "Public Sale"), at the offices of Cohen, Faber, Singer & Wagner P.C., 420 Lexington Avenue, Suite 2400, New York, NY 10170. The Secured Party is conducting the Public Sale to foreclose the security interest held by the Secured Party in and to (i) substantially all of the tangible and intangible personal property assets, including without limitation, accounts, inventory, equipment, goods, intellectual property, deposit accounts, and general intangibles (collectively, the "Public Sale Assets") of Benuvia, Inc., f/k/a Next Frontier Pharmaceuticals, Inc., Benuvia Manufacturing Inc., Benuvia Therapeutics LLC, Benuvia Therapeutics IP LLC and Benuvia Manufacturing LLC (collectively, the "Benuvia Entities"), and (ii) the issued and outstanding shares of capital stock of Benuvia Manufacturing Inc., and the membership interests of Benuvia Therapeutics LLC, Benuvia Therapeutics IP LLC and Benuvia Manufacturing LLC (collectively, the "Public Sale Equity") and together with the Public Sale Assets, the "Public Sale Collateral"). The Secured Party has a first priority perfected lien and security interest in and to the Public Sale Collateral except for certain of the Public Sale Assets which are subject to pre-existing liens. At the Public Sale, all of Benuvia Entities' right, title and interest in and to the Public Sale Collateral will be sold "as is" and "where is" and the Secured Party shall make no representation or warranty, either express or implied, relating to title, use, quiet enjoyment, possession, merchantability or fitness for a particular purpose, completeness, condition or the like, all of which are hereby disclaimed, in the sale or disposition of the Public Sale Collateral. In addition, the Public Sale Collateral is being sold (i) free and clear of Secured Party's liens and any subordinate liens, and (ii) without recourse to Secured Party, its attorneys and representatives. The Public Sale of the Public Sale Collateral, if made, shall be to the highest and best bidder. In order to participate in the bidding process, each person or entity (a "Potential Bidder") must deliver to the undersigned counsel to Secured Party prior to a bid submission (i) an executed confidentiality agreement in form and substance acceptable to Secured Party, (ii) current financial statements of the Potential Bidder or other entity, and (iii) a check for the amount that will show the financial ability of the Potential Bidder to purchase the Public Sale Collateral, and (iii) a deposit in an amount equal to ten percent of the bid amount which will be held in escrow by counsel for Secured Party in its U.S.A. account. A Potential Bidder that complies with the foregoing requirements shall be deemed a "Qualified Bidder". Qualified Bidders shall be allowed to attend the Public Sale and shall be given the opportunity to bid on a competitive basis. At the Public Sale, each of the Public Sale Assets and the Public Sale Equity may be sold as separate lots. At the conclusion of the Public Sale, the successful bidder(s) must pay the final bid amount in full by a wire transfer of funds to the Secured Party and execute a secured party bill of sale and assignment. The Secured Party reserves the right to credit bid on any or all of the Public Sale Collateral at the Public Sale. Secured Party reserves the right to reject all bids, adjourn or cancel the Public Sale. For further details regarding the Public Sale Collateral, obtaining the confidentiality agreement and information regarding the Public Sale, you may contact Cohen, Faber, Singer & Wagner P.C., 420 Lexington Avenue, Suite 2400, New York, NY 10170 Attn: Robert A. Boghosian, Esq., or by email at rboghosian@ctswlaw.com or by telephone at (212) 361-8726.

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By WILL FEUER

Fox Corp.'s sales rose 5% in the recently ended quarter as the advertising market showed signs of strength despite macroeconomic worries.

The company posted revenue of \$3.03 billion for the three months ended June 30, below Wall Street expectations for revenue of \$3.05 billion. Fox posted revenue of \$2.89 billion a year ago.

The company said advertising revenue rose about 7%, primarily due to stronger pricing and higher ratings at Fox News Media, higher political advertising revenue at the Fox Television Stations and continued growth at its ad-supported streaming service Tubi.

Fox News parent Fox Corp. and Wall Street Journal parent company **News Corp** share common ownership.

In Fox's cable network programming business, revenue rose 4%, boosted by advertising strength at Fox News Media, which was par-



Sales rose 4% in the cable network programming business.

tially offset by the impact of higher pre-emptions associated with breaking news coverage, due to fewer ads as the network covered the war in Ukraine, for instance. Affiliate revenue rose 2%, mostly due to contractual price increases.

The segment's earnings fell as higher revenue was more than offset by surging costs tied to increased digital investment and higher costs at Fox News Media, including those associated with breaking news coverage.

Fox's television business

posted 5% growth in revenue as affiliate fee revenue rose 7%, boosted by higher average rates at owned and operated TV stations and higher fees from third-party Fox affiliates. Advertising revenue rose 4%, mostly due to higher political advertising revenues at the Fox Television Stations, growth at Tubi and the addition of the United States Football League at Fox Sports, partially offset by lower ratings at Fox Entertainment.

Earnings for the segment surged 53% as expenses remained largely unchanged.

Overall for the fiscal fourth quarter, Fox posted a profit attributable to stockholders of \$306 million, or 55 cents a share, compared with \$253 million, or 43 cents a share, a year earlier.

Stripping out one-time items, adjusted earnings came to 74 cents a share, a penny short of Wall Street expectations.

Shares closed up Wednesday 3.4% to \$34.88.

Bumble Posts Higher Sales but Lowers Forecast

By DENNY JACOB

Bumble Inc. sales climbed in the latest quarter, driven by higher spending by users on its dating apps as pre-pandemic conditions have largely returned.

But the online dating company trimmed its 2022 revenue range to \$920 million to \$930 million, down from its prior forecast of \$934 million to \$944 million, largely due to a higher impact from foreign currency movements. Its outlook for sales in the current quarter also fell short of Wall Street expectations.

Shares slid 11% in after-hours trading. The stock closed Wednesday at \$34.49 and is up 1.9% on the year

through the close.

The Austin, Texas-based company, owner of its eponymous dating app as well as Badoo and Fruitz, said second-quarter revenue rose 18% to \$220.5 million. Analysts

expected a loss of 2.6 million. Revenue from the Bumble app grew 33% to \$169.6 million while revenue from its Badoo app and other sources declined roughly 14% to \$50.8 million.

Total paying users rose slightly to 3 million from 2.9 million from a year earlier but was flat on a quarterly basis. Average revenue per paying users, a key metric, was \$23.65, up from \$20.88 a year earlier.

The company guided for third quarter revenue between \$236 million to \$240 million, below analysts' expectations of \$244.9 million.

Bumble's results stand in contrast to competitor Match

Group Inc. Earlier this month, Match posted second-quarter results that missed Wall Street expectations and shook up leadership of its Tinder dating platform as it seeks to boost growth.

Bumble Chief Executive Whitney Wolfe Herd started the company in 2014 to turn the traditional dating dynamic on its head. Bumble was created as a digital platform where women make the first move on men. The app also has an option for users seeking people of the same sex.

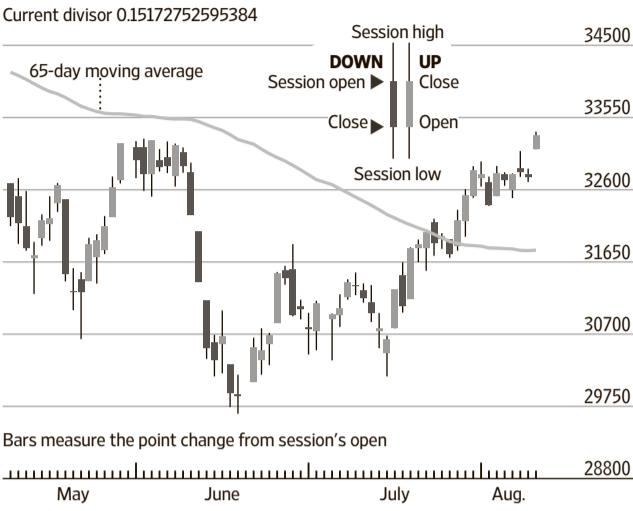
Ms. Wolfe Herd had earlier co-founded Tinder. She has said she saw the problems with archaic dating rules and sought to change them.

MARKETS DIGEST

EQUITIES

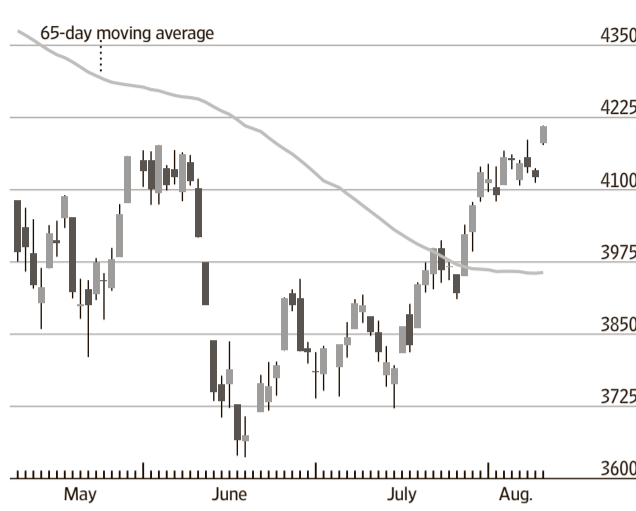
Dow Jones Industrial Average

33309.51 ▲ 535.10, or 1.63%
Last Year ago
Trailing P/E ratio 19.66 24.19
P/E estimate * 17.41 19.35
High, low, open and close for each trading day of the past three months.
Dividend yield 2.10 1.77
All-time high 36799.65, 01/04/22



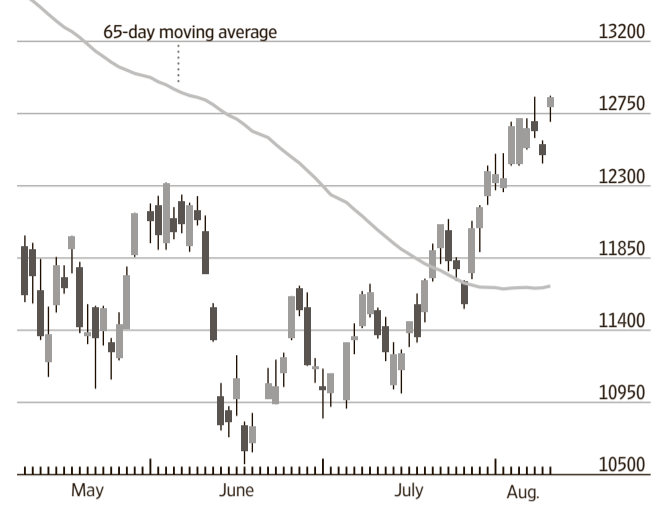
S&P 500 Index

4210.24 ▲ 87.77, or 2.13%
Last Year ago
Trailing P/E ratio * 22.56 31.24
P/E estimate * 18.22 22.37
High, low, open and close for each trading day of the past three months.
Dividend yield * 1.58 1.33
All-time high 4796.56, 01/03/22



Nasdaq Composite Index

12854.80 ▲ 360.88, or 2.89%
Last Year ago
Trailing P/E ratio ** 26.82 36.01
P/E estimate ** 23.06 29.15
High, low, open and close for each trading day of the past three months.
Dividend yield ** 0.83 0.67
All-time high: 16057.44, 11/19/21



Major U.S. Stock-Market Indexes

Table listing various U.S. 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, % chg, 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, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

Most-active issues in late trading

Table of most-active issues in late trading, listing company names, symbols, volume, and price changes.

Percentage gainers...

Table of percentage gainers, listing company names, symbols, and percentage changes.

Trading Diary

Volume, Advancers, Decliners

Table showing trading diary statistics including total volume, advancers, decliners, and issues traded for NYSE and NYSE Arca.

International Stock Indexes

Table of international stock indexes by region/country, including MSCI ACWI, Euro STOXX, Nikkei 225, etc., with columns for Close, Net chg, % chg, and YTD % chg.

Percentage Gainers...

Table of percentage gainers, listing company names, symbols, and percentage changes.

Most Active Stocks

Table of most active stocks, listing company names, symbols, volume, and price changes.

Percentage Losers

Table of percentage losers, listing company names, symbols, and percentage changes.

Volume Movers

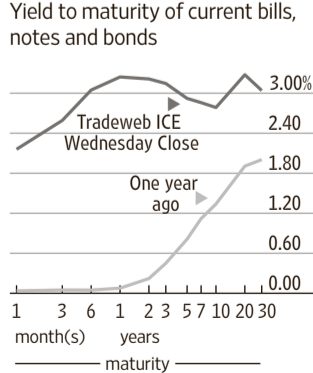
Table of volume movers, listing company names, symbols, volume, and price changes.

CREDIT MARKETS

Consumer Rates and Returns to Investor

Table showing consumer rates and returns to investor, including 30-year fixed-rate mortgage, 10-year Treasury note yield, and various bank rates.

Treasury yield curve



Forex Race



Corporate Borrowing Rates and Yields

Table of corporate borrowing rates and yields, listing bond types, yields, and total returns.

CURRENCIES & COMMODITIES

Currencies

Table of U.S. dollar foreign-exchange rates in late New York trading, listing country/currency and rates.

Commodities

Table of commodity prices, listing commodity names, Wednesday net change, and percentage changes.

COMMODITIES

Futures Contracts

Metal & Petroleum Futures					
	Open	Contract High/Low	Settle	Chg	Open Interest
Copper-High (CMX) -25,000 lbs.; \$ per lb.					
Aug	3.6075	3.6555	3.6075	3.6555	1,208
Sept	3.5855	3.6575	3.5495	3.6495	0,660 93,929
Gold (CMX) -100 troy oz.; \$ per troy oz.					
Aug	1804.40	1804.90	1795.00	1795.60	1.60 3,309
Sept	1796.00	1809.10	1788.20	1798.50	1.70 2,653
Oct	1799.80	1814.40	1793.00	1803.30	1.80 39,177
Dec	1811.50	1824.60	1803.30	1813.70	1.40 378,238
Feb/23	1824.70	1836.70	1816.80	1826.70	1.20 16,295
April	1835.00	1848.40	1831.20	1838.90	1.00 7,187
Palladium (NYM) -50 troy oz.; \$ per troy oz.					
Aug			2243.70	2243.70	27.10
Sept	2212.00	2265.00	2187.00	2245.90	27.10 4,558
Platinum (NYM) -50 troy oz.; \$ per troy oz.					
Aug			945.00	945.00	13.10 3
Oct	934.00	949.50	924.90	946.10	13.10 58,316
Silver (COMEX) -5,000 troy oz.; \$ per troy oz.					
Aug	20.520	20.720	20.520	20.718	0.260 121
Sept	20.500	20.830	20.315	20.742	0.260 77,622
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.					
Sept	90.51	92.43	87.66	91.93	1.43 197,087
Oct	89.71	91.63	87.04	91.20	1.53 188,778
Nov	89.06	90.85	86.43	90.47	1.57 97,701
Dec	88.28	90.03	85.77	89.68	1.60 200,636
June '23	83.81	85.51	81.95	85.34	1.58 133,338
Dec	80.70	82.25	79.23	82.17	1.50 129,312
NY Harbor ULSD (NYM) -42,000 gal.; \$ per gal.					
Sept	3.3319	3.4244	3.2458	3.4103	0.765 57,802
Oct	3.3210	3.3954	3.2178	3.3757	0.765 48,000
Gasoline-NY RBOB (NYM) -42,000 gal.; \$ per gal.					
Sept	2.9785	3.0858	2.9214	3.0703	1.101 77,847
Oct	2.7188	2.8063	2.6618	2.7945	0.870 50,257
Natural Gas (NYM) -10,000 MMBtu; \$ per MMBtu					
Sept	7.858	8.267	7.705	8.202	0.369 103,652
Oct	7.848	8.254	7.703	8.193	0.368 92,673
Nov	7.916	8.328	7.788	8.272	0.370 98,955
Jan'23	8.109	8.504	7.976	8.449	0.369 78,263
April	4.895	5.023	4.424	5.015	1.25 69,970
May	4.770	4.873	4.686	4.854	1.12 70,183

	Open	Contract High/Low	Settle	Chg	Open Interest
Sugar-World (ICE-US) -112,000 lbs.; cents per lb.					
Oct	17.98	18.40	17.96	18.28	30 333,045
March'23	18.04	18.37	17.99	18.30	28 201,203
Sugar-Domestic (ICE-US) -112,000 lbs.; cents per lb.					
Nov				.89	1,715
Nov				35.50	47 2,214
Cotton (ICE-US) -50,000 lbs.; cents per lb.					
Oct	104.14	108.41	103.77	106.75	2.21 112
Dec	99.00	102.68	97.70	100.94	1.87 105,266
Orange Juice (ICE-US) -15,000 lbs.; cents per lb.					
Sept	177.00	181.90	177.00	181.05	3.95 6,516
Nov	173.50	177.40	173.50	175.50	2.35 3,444

Interest Rate Futures						
	Open	High/Low	Settle	Chg	Open Interest	
Ultra Treasury Bonds (CBT) -\$100,000; pts 32nds of 100%						
Sept	157.290	159.150	155.260	156.110	-1.09.0 1,322,344	
Dec	157.060	159.010	155.210	156.040	-1.10.0 22,980	
Treasury Bonds (CBT) -\$100,000; pts 32nds of 100%						
Sept	142.180	144.020	141.230	141.300	-14.0 1,157,244	
Dec	142.010	143.150	141.470	141.130	-15.0 3,464	
Treasury Notes (CBT) -\$100,000; pts 32nds of 100%						
Sept	119.180	120.220	119.110	119.240	8.5 3,495,729	
Dec	119.220	120.250	119.150	119.275	8.5 46,005	
5 Yr. Treasury Notes (CBT) -\$100,000; pts 32nds of 100%						
Sept	112.095	113.050	112.045	112.177	10.5 3,872,345	
Dec	112.127	113.080	112.082	112.205	10.0 28,907	
2 Yr. Treasury Notes (CBT) -\$100,000; pts 32nds of 100%						
Sept	104.181	104.306	104.166	104.222	4.7 2,103,288	
Dec	104.175	104.295	104.156	104.216	5.0 18,810	
30 Day Federal Funds (CBT) -\$5,000,000; 100 - daily avg.						
Aug	97.6575	97.6700	97.6475	97.6650	0.100 384,150	
Oct	96.9850	97.1200	96.9750	97.0600	0.0750 263,108	
10 Yr. Del. Int. Rate Swaps (CBT) -\$100,000; pts 32nds of 100%						
Sept	94.220	95.205	94.185	94.290	6.0 15,447	
Three-Month SOFR (CME) -\$1,000,000; 100 - daily avg.						
June	98.0475	98.0575	98.0325	98.0500	0.0075 702,963	
March'23	96.3600	96.5950	96.3150	96.4250	0.0800 1,015,566	
Eurodollar (CME) -\$1,000,000; pts of 100%						
Aug	97.0200	97.1250	97.0050	97.0775	0.0675 99,937	
Sept	96.5600	96.7600	96.5500	96.6350	0.0800 1,046,665	
Dec	96.0350	96.2650	96.0000	96.1050	0.0850 1,676,815	
March'23	96.0800	96.3300	96.0350	96.1400	0.0750 1,050,286	

Currency Futures						
	Open	High/Low	Settle	Chg	Open Interest	
Japanese Yen (CME) -\$12,500,000; \$ per 100¥						
Aug	7400	7575	7393	7527	0.127 449	
Sept	7423	7595	7411	7546	0.127 221,318	
Canadian Dollar (CME) -CAD 100,000; \$ per CAD						
Aug	7761	7842	7755	7824	0.068 230	
Sept	7760	7841	7753	7822	0.068 132,244	
British Pound (CME) -£62,500; \$ per £						
Aug	1.2072	1.2277	1.2067	1.2228	0.158 975	
Sept	1.2084	1.2286	1.2074	1.2235	0.157 217,965	
Swiss Franc (CME) -CHF 125,000; \$ per CHF						
Sept	1.0516	1.0678	1.0508	1.0645	0.130 42,597	
Dec	1.0610	1.0763	1.0598	1.0732	0.130 461	
Australian Dollar (CME) -AUD 100,000; \$ per AUD						
Aug	6956	7110	6948	7086	0.131 113	
Sept	6968	7113	6951	7089	0.130 156,259	
Mexican Peso (CME) -MXN 500,000; \$ per MXN						
Aug	0.4902	0.4994	0.4888	0.4987	0.0058 8	
Sept	0.4922	0.5016	0.4888	0.4954	0.0058 189,471	
Euro (CME) -€125,000; \$ per €						
Aug	1.0214	1.0371	1.0206	1.0308	0.098 1,388	
Sept	1.0239	1.0397	1.0229	1.0332	0.098 672,208	

Index Futures						
	Open	High/Low	Settle	Chg	Open Interest	
Mini DJ Industrial Average (CBT) -\$5 x index						
Sept	32768	33331	32678	33260	523 74,866	
Dec	32822	33420	32780	33354	522 527	
Mini S&P 500 (CME) -\$50 x index						
Sept	4128.75	4213.50	4113.75	4210.00	85.50 2,251,660	
Dec	4146.75	4231.00	4132.00	4227.75	85.25 39,519	
Mini S&P Midcap 400 (CME) -\$100 x index						
Sept	2500.40	2565.30	2494.20	2561.20	61.30 51,785	
Dec				2567.00	61.30 2	
Mini Nasdaq 100 (CME) -\$20 x index						
Sept	13050.00	13408.00	12982.00	13392.00	360.50 254,718	
Dec	13132.25	13485.00	13065.25	13472.50	361.00 4,010	
Mini Russell 2000 (CME) -\$50 x index						
Sept	1915.00	1972.50	1908.60	1969.50	54.90 539,988	
Dec	1924.10	1978.20	1915.70	1976.00	54.80 4,214	
March'23	1945.00	1963.70	1931.00	1988.10	57.50 3	
Mini Russell 1000 (CME) -\$50 x index						
Sept	2307.10	2321.50	2271.50	2320.10	50.80 13,467	
U.S. Dollar Index (ICE-US) -\$100.00; index						
Sept	106.22	106.29	104.52	105.08	-1.17 58,741	
Dec	105.77	105.83	104.15	104.73	-1.17 874	

Agriculture Futures						
	Open	High/Low	Settle	Chg	Open Interest	
Corn (CBT) -5,000 bu.; cents per bu.						
Sept	615.00	632.50	613.00	621.25	5.75 232,509	
Dec	613.00	628.00	611.00	618.50	4.50 656,333	
Oats (CBT) -5,000 bu.; cents per bu.						
Sept	431.25	449.00	426.25	428.25	-11.75 330	
Dec	415.75	417.75	404.25	405.75	-10.50 1,993	
Soybeans (CBT) -5,000 bu.; cents per bu.						
Aug	1715.00	1730.75	▲ 1688.00	1688.75	-4.50 231	
Nov	1428.50	1454.75	1422.00	1427.75	-1.00 315,353	
Soybean Meal (CBT) -100 tons; \$ per ton						
Aug	528.00	531.00	▲ 513.00	515.60	2.00 279	
Dec	410.00	424.00	406.20	407.80	-2.40 185,656	
Soybean Oil (CBT) -60,000 lbs.; cents per lb.						
Aug	69.81	71.44	69.81	70.56	0.87 34	
Dec	64.74	66.09	63.53	65.99	1.37 139,559	
Rough Rice (CBT) -2,000 cwt.; \$ per cwt.						
Sept	16.98	17.06	16.85	16.95	-0.05 7,586	
Nov	17.19	17.24	17.13	17.22	-0.04 1,224	
Wheat (CBT) -5,000 bu.; cents per bu.						
Sept	781.50	808.50	780.25	799.75	18.25 100,437	
Dec	799.25	824.25	798.75	816.25	17.00 124,151	
Wheat (KC) -5,000 bu.; cents per bu.						
Sept	851.50	878.50	851.25	872.75	21.00 48,784	
Dec	857.75	883.00	857.75	876.75	18.50 65,209	
Cattle-Feeder (CME) -50,000 lbs.; cents per lb.						
Aug	179.300	181.075	178.650	180.675	1.875 4,634	
Sept	182.775	185.275	182.050	185.000	2.500 13,477	
Cattle-Live (CME) -40,000 lbs.; cents per lb.						
Aug	138.475	139.375	138.125	139.200	1.225 11,421	
Oct	143.500	144.575	143.300	144.475	1.300 113,089	
Hogs-Lean (CME) -40,000 lbs.; cents per lb.						
Aug	122.400	122.475	122.100	122.250	0.050 12,678	
Oct	100.300	101.000	▲ 99.800	100.850	1.250 96,516	
Lumber (CME) -110,000 bd. ft.; \$ per 1,000 bd. ft.						
Sept	573.00	601.80	573.00	601.80	49.00 1,815	
Nov	571.20	603.00	571.20	603.00	49.00 714	
Milk (CME) -200,000 lbs.; cents per lb.						
Aug	20.05	20.15	19.98	20.03	-0.06 4,249	
Sept	19.87	20.47	19.87	20.21	0.34 5,995	
Cocoa (ICE-US) -10 metric tons; \$ per ton						
Sept	2,352	2,422	2,352	2,398	35 49,535	
Dec	2,404	2,458	2,402	2,438	34 135,195	
Coffee (ICE-US) -37,500 lbs.; cents per lb.						
Sept	212.75	221.35	212.60	220.45	7.70 54,124	
Dec	208.90	216.50	208.55	215.65	6.65 82,179	

Macro & Market Economics

Watching the Gauges: U.S. Supply and Demand

Inventories, imports and demand for the week ended August 5. Current figures are in thousands of barrels or thousands of gallons per day, except natural-gas figures, which are in billions of cubic feet. Natural-gas import and demand data are available monthly only.

Category	Inventories, 000s barrels				
	Current	Expected change	Previous week	Year ago	4-week avg

THE WALL STREET JOURNAL.

BIGGEST 1,000 STOCKS

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (formerly National), Chicago Stock Exchange, Cboe, NYSE Bats and Nasdaq ISE.

Footnotes:
1-New 52-week high.
2-New 52-week low.
3-Daily quotations loss in the most recent four trading days.
4-First day of trading.
5-Does not meet continuing listing standards.
6-Listing filing.
7-Temporary exemption from Nasdaq requirements.
8-NYSE bankruptcy.
9-Trading halted on primary market.
10-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, Stock, Sym, Close, Net Chg. Includes sub-tables A, B, C.

Table with columns: Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg. Includes sub-tables J, K, L.

Table with columns: Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg. Includes sub-tables G, H, I.

Table with columns: Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg. Includes sub-tables D, E, F.

Table with columns: Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg.

Table with columns: Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg.

Table with columns: Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg.

Table with columns: Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg. Includes sub-tables 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, Hi/Low, % Chg, Stock, Sym, Hi/Low, % Chg, Stock, Sym, Hi/Low, % Chg, Stock, Sym, Hi/Low, % Chg.

Dividend Changes

Company Symbol Yld% Amount New/Old Freq Payable/Record

Table with columns: Company, Symbol, Yld%, Amount, New/Old, Freq, Payable/Record. Lists various companies and their dividend details.

Borrowing Benchmarks

wsj.com/market-data/bonds/benchmarks

Table with columns: Inflation, U.S. consumer price index, International rates, Prime rates, Treasury bill auction, U.S. government rates, Overnight repurchase, U.S. prime rate, U.S. government rates, Discount, Notes on data, U.S. prime rate, U.S. government rates, Discount, Notes on data.

Mutual Funds

Data provided by Lipper

Top 250 mutual-funds listings for Nasdaq-published share classes by net assets.

Table with columns: Fund, NAV, Chg %Ret, Fund, NAV, Chg %Ret, Fund, NAV, Chg %Ret, Fund, NAV, Chg %Ret.

IPO Scorecard

Performance of IPOs, most-recent listed first

Table with columns: Company, SYMBOL, IPO date/Offr price, Web's Offer 1st-day close, % Chg From IPO date/Offr price, Web's Offer 1st-day close, % Chg From IPO date/Offr price.

Money Rates

Key annual interest rates paid to borrow or lend money in U.S. and international markets. Rates below are a guide to general levels but don't always represent actual transactions.

Table with columns: Money Rates, U.S. consumer price index, International rates, Prime rates, Treasury bill auction, U.S. government rates, Overnight repurchase, U.S. prime rate, U.S. government rates, Discount, Notes on data.

Secondary market

30-year mortgage yields

Table with columns: Euro zone, Switzerland, Britain, Australia, U.S. prime rate, U.S. government rates, Discount, Notes on data, U.S. prime rate, U.S. government rates, Discount, Notes on data.

BANKING & FINANCE

Major Credit-Score Provider To Exclude Medical Debts

By ANNAMARIA ANDRIOTIS

Credit-score provider VantageScore Solutions LLC said it would stop factoring all medical debts that are in collections into the latest versions of its scores.

cal providers send unpaid bills to collection companies, which then report the accounts to the credit-reporting firms. The information often lowers people's credit scores, which makes it harder to get approved for credit or to get loans on affordable terms.

good at predicting a person's likelihood of repaying other debts, especially compared with other accounts in collections, said Silvio Tavares, the company's chief executive.

TransUnion maintain credit reports on more than 200 million people in the U.S. The three firms began removing medical-collection accounts that had been paid from credit reports last month and have delayed adding new unpaid medical debts to credit reports for a full year after being sent to collections, up from a six-month waiting period.



The Consumer Financial Protection Bureau has pressed for changes.

The Consumer Financial Protection Bureau recently said the changes won't help enough people. A majority of reported medical collections on a dollar basis will likely still remain on credit reports, the regulator said.

million credit reports, according to the CFPB. Earlier this year, before the changes were announced, the CFPB said it planned to hold credit-reporting firms accountable for not taking enough action against companies that report erroneous medical debts.

SEC Eyes New Report By Funds

Continued from page B1

ivate funds that manage money for wealthy individuals and institutions. The potential addition of cryptocurrency data to the reporting requirements for hedge funds comes as the SEC and its sibling agency, the Commodity Futures Trading Commission, weigh a broader set of updates that would expand the scope of Form PF.

The two agencies settled on the changes after consulting with the Treasury Department and Federal Reserve on potential financial-stability risks in the private-funds industry. SEC Chairman Gary Gensler noted that private funds' total assets are nearing the size of the banking sector's assets, which have grown more slowly in the wake of postcrisis regulatory requirements.

"A very significant part of our financial system is growing—and growing faster, and is about to overtake the entire commercial banking system—that has far less regulation and far less transparency," Mr. Gensler said Wednesday.

The rule proposed Wednesday would add "digital assets" as a new asset class on Form PF and define the term. It requests comments on whether



Some hedge funds say the proposal would create new compliance costs. A crypto ATM in Miami.

funds should report detailed information about the cryptocurrencies they hold, such as identifying them by name or describing their characteristics. In the proposal, SEC staff noted that many hedge funds have been formed recently to invest in crypto, while some existing hedge funds have begun adding it to their portfolios.

Mr. Gensler, a Biden appointee, has likened cryptocurrencies to the Wild West and frequently highlights the need for more investor protections in

the market. Asked in a virtual press conference if regulators currently have enough visibility into hedge funds' exposure to crypto, he responded, "No." So far, the recent crash in prices for digital tokens like bitcoin has been relatively contained to the crypto market. But the implosion of a crypto-focused hedge fund, Three Arrows Capital Ltd., earlier this summer created a chain reaction that dragged a number of its creditors into bankruptcy.

Regulators worry that such ripple effects could extend into traditional markets if mainstream financial institutions increase their adoption of cryptocurrencies before appropriate guardrails are in place. The total value of the crypto market recently hovered around \$1.2 trillion, down from a November peak of nearly \$3.1 trillion, according to data website CoinGecko.

report more information on Form PF about their investment exposures, portfolio concentrations and borrowing arrangements. "Gathering such information would help the commissions and [financial-stability regulators] better to observe how large hedge funds interconnect with the broader financial services industry," Mr. Gensler said.

SEC commissioners voted 3-2 along party lines to issue the proposal, which will be made available for public comment before the agencies decide whether to complete the changes. Republican SEC commissioners Hester Peirce and Mark Uyeda voted against it, questioning whether the government truly needs all of the information that the new version of Form PF would gather.

The CFTC, which is also controlled by Democrats, was set to vote on the proposal by Wednesday afternoon.

Bryan Corbett, the president of the hedge-fund industry's lobbying group in Washington, said the new requirements would create compliance costs that would ultimately be borne by hedge funds' investors and would make it harder for new fund managers to enter the market.

"Alternative asset managers currently provide extensive information to regulators," Mr. Corbett said. "The SEC should focus on better utilizing this information rather than imposing new burdens on fund managers that are of dubious utility."

Crypto Exchange Seeks to Restructure

By VICKY GE HUANG

Crypto exchange CoinFLEX has filed for restructuring in a Seychelles court as it seeks to recover \$84 million in losses from a large individual customer.

CoinFLEX informed customers of the restructuring plans Tuesday via email, a spokeswoman for the company confirmed. Bloomberg News earlier reported the plans.

The company paused withdrawals in June, citing "extreme market conditions" and "continued uncertainty involving a counterparty." CoinFLEX Chief Executive Mark Lamb later said via Twitter that the counterparty is Roger Ver, a prominent crypto investor often called "Bitcoin Jesus" for being one of the earliest investors in the cryptocurrency.

Mr. Lamb initially said Mr. Ver failed to pay CoinFLEX \$47 million denominated in the stablecoin USD Coin as part of a margin call. In a July 9 update, the company said the shortfall is \$84 million due to the substantial loss in liquidating the customer's "significant FLEX coin positions."

FLEX Coin, a currency issued by the company, has plunged 48% in the past month, according to data provider CoinGecko.

Mr. Ver has denied via Twitter that he defaulted on a debt to a counterparty.

CoinFLEX, registered under Liquidity Technologies Ltd. and incorporated in the Seychelles, is now seeking to recover the funds through arbitration proceedings in Hong Kong. The company estimates that it will take about 12 months to receive a judgment in Hong Kong.

Since June, the company has allowed limited withdrawals and laid off a "significant number" of employees, according to CoinFLEX's blog. It is planning to raise funds by issuing a new token to cover the shortfall.

"It has been our top priority to resolve the situation and resume normal business as soon as possible," Mr. Lamb told The Wall Street Journal.

Founded in 2019, CoinFLEX is among a string of crypto firms that have come crashing down in recent months along with a plunge in crypto prices that wiped out \$2 trillion of value since a November peak. In July, crypto lender Celsius Network LLC, brokerage firm Voyager Digital Ltd. and hedge fund Three Arrows Capital Ltd. all filed for bankruptcy protection. Babel Finance, a Hong Kong crypto firm that suspended redemptions and withdrawals in June, has hired the law firm Kirkland & Ellis to advise on its restructuring options.

Venture Capital's Cash Stockpile Has Swelled

By MARC VARTABEDIAN AND BERBER JIN

Venture-capital firms are sitting on a record cash pile. Their so-called dry powder—money raised but not deployed—has increased by more than \$100 billion worldwide since the end of last year, reaching almost \$539 billion in July, according to data firm Preqin Ltd.

The buildup comes as many venture firms have slowed deal making amid the market pullback, a signal that investors ranging from stalwart firms to niche crypto investors are hoarding capital as they grow more picky about which startups to back.

The rising stockpile is in part the result of investors preparing for an extended bear market fueled by economic uncertainties including inflation and higher interest rates, venture capitalists say.

The reserves will likely be crucial in helping startups survive what many venture capitalists say will be a long period in which funding is hard to come by. With initial public offerings essentially at a standstill, firms may draw on the capital to help mature portfolio companies as they put off public share sales.

Venture capitalists and analysts say the increase in dry powder indicates limited partners that commit capital to venture funds, including institutional investors and pension funds, remain bullish on the asset class despite this year's rout of tech valuations and interest rate increases that typically divert investors away from venture capital.

"The ability of [venture firms] to raise I think continues to show the interest of money managers in the ability of the alternative asset class to produce outside returns," Ernst & Young U.S. venture-capital leader Jeffrey Grabow said, pointing to the long-term adoption of tech and software.

Venture firms typically charge a management fee based on capital committed to the firm, not dry powder, so limited partners aren't necessarily dinged by the high capital reserves.

Through the first half in the U.S., venture firms raised nearly 90% of the amount they raised all of last year, according to a report from analytics firm PitchBook Data Inc. and the National Venture Capital Association. Large funds, in particular, helped propel the increase.

The fundraising haul is

likely a spillover from last year's red-hot market, some investors say. When raising funds, firms typically spend months courting investors and often delay announcing when they have closed a new fund.

At the same time, venture firms in the U.S. slowed their investing. Firms made 3,374 deals in the second quarter, down 24% from the prior quarter, according to PitchBook.

So-called dry powder has risen by over \$100 billion worldwide in 2022.

Stock market pullbacks typically cool venture investing because public company valuations serve as proxies for the value of still-private startups. Also, venture firms may find it difficult to raise additional funds because limited partners allocate less capital to them when values for all of their assets decline.

Global levels of dry powder dropped following the dot-com bust in the early 2000s and the financial crisis of 2008.

Since 2012, the year-end dry powder level has marched consistently upward.

"I think it will be a slow fundraiser for a lot of folks going out in 2022," said Rick Heitzmann, a partner at early-stage venture firm FirstMark Capital. "The market will have to absorb all of the capital that was raised over the last several years."

Insight Partners said in February it raised a \$20 billion fund to back startups and high-growth tech companies. The New York-based firm made roughly 75 venture investments in the second quarter, down from roughly 80 in the first quarter.

Fewer companies are seeking funding after many raised large rounds last year, Insight managing director Hilary Goshier said. Since startup valuations have fallen, founders have shifted their mind-set toward making capital last longer, she added.

"There's always capital for good companies, but with the uncertainty, if founders don't need capital, there is no reason to raise," Ms. Goshier said.

Cryptocurrency and blockchain-focused venture firms, in particular, are sitting on mountains of cash despite a broader selloff in popular

New Highs and Lows

Continued From Page B9

Table with columns: Stock, 52-Wk % High/Low, and % Change. Lists various stocks and their performance metrics.

Table with columns: Stock, 52-Wk % High/Low, and % Change. Lists various stocks and their performance metrics, including a 'Lows' section.

Table with columns: Stock, 52-Wk % High/Low, and % Change. Lists various stocks and their performance metrics.

MARKETS

Chinese Tech Bulls See Market Bottom

By REBECCA FENG
AND MICHELLE CHAN

After a more than \$1 trillion selloff, many investors think China's three largest tech stocks have bottomed out. But skeptics say the biggest problems facing the sector haven't been resolved.

Alibaba Group Holding Ltd., Tencent Holdings Ltd. and Meituan have collectively lost more than \$1.2 trillion in value since February last year. That was part of a wider rout in Chinese tech stocks. China's ultrastrict zero Covid policy, a domestic economic slowdown and a crackdown on the sector by the Chinese government have all pushed down shares.

E-commerce company Alibaba, once boasting an \$858 billion market capitalization, was valued at \$240 billion on Wednesday. Internet provider Tencent slid to a multiyear low this month and Meituan—the best performing of the three stocks—is about 60% down from its February 2021 peak.

Tencent runs the dominant WeChat messaging app in China and has a minority stake in food-delivery company Meituan.

Some investors sense a buying opportunity. Although bulls have talked up the sector prematurely before, some large fund managers are betting that a more conciliatory approach by the government—and some signs of a bounce-back in consumption—will help drive up stock prices.

The easing of political pressure is perhaps the most encouraging news. China's Politburo, the country's top policymaking body, indicated at the end of April that a crackdown

against tech companies was ending.

The government also concluded a yearlong investigation into ride-hailing company Didi Global Inc., fining the company \$1.2 billion last month.

The Politburo meeting marked a turnaround from 2021, said Rebecca Jiang, Greater China equities portfolio manager at J.P. Morgan Asset Management.

The \$6.2 billion China Fund, which Ms. Jiang co-manages, has bought shares in Alibaba and rival JD.com Inc. this year.

There are also more fundamental factors encouraging China tech bulls, including early signs of recovery in consumption—something Alibaba

\$1.2T

Market value lost by Alibaba, Tencent and Meituan

mentioned in its recent results—and a sense that Chinese tech companies have learned how to endure the economic slowdown.

"People are assuming that the current environment of flat revenue growth for Chinese internet stocks like Alibaba is going to continue for a while," said Nuno Fernandes, a partner and portfolio manager of New York-based GW&K Investment Management. "We don't agree with that."

The cost-cutting measures at some of these companies have created strong potential

for earnings growth in 2023, he said.

These companies' revenue will likely grow at a slower but still attractive rate, said Mr. Fernandes, whose firm bought more Alibaba shares this year after previously slashing its holdings in the second half of 2020.

Ronald Cheung, a partner at Optimas Capital Management in Hong Kong, agreed that tech companies were better at optimizing their costs and said they were being more prudent with business expansion.

"We believe the second half of 2022 will be better than the first half," Mr. Cheung said.

Not everyone is convinced. Outflows from KraneShares's CSI China Internet ETF, which invests 26% of its more than \$6.8 billion assets in Alibaba, Tencent and Meituan, reached \$386 million in July, the highest monthly outflow since December last year, according to Morningstar Direct data.

On Wednesday, SoftBank Group Corp., a longtime shareholder in Alibaba, said it would cut its stake in the company to 14.6% from 23.7%, after settling a large amount in derivative contracts into which it previously entered.

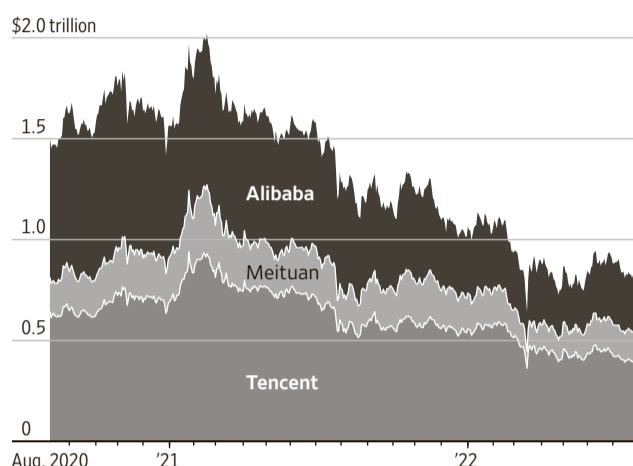
Part of the problem is that as domestic sources of uncertainty show signs of easing, geopolitical risks are going in the other direction. China's support of Russia following the invasion of Ukraine, as well as heightened tension around Taiwan, have worsened an already fraught relationship between China and the U.S.

The worry is that geopolitical risks and the potential adverse economic impact of the



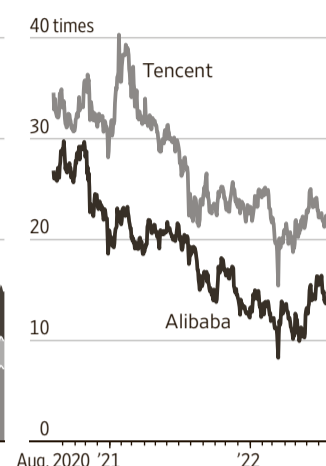
Alibaba, once boasting an \$858 billion market capitalization, was valued at \$240 billion on Wednesday.

Market capitalization



Note: Data are through Tuesday

Forward price/earnings ratio



Source: FactSet

ailing property market will deter further investment, according to Eva Lee, head of Greater China equities at UBS Global Wealth Management Chief Investment Office. "Our concern now is not investors backing out from these names, but the lack of new interest," she said.

There is also a question of earnings multiples. Analysts say the days of heady growth for Chinese tech stocks are over, meaning that forward earnings projections will need to transition to a new normal.

"I don't think the multiples we saw three to five years ago

are going to come back any time soon," said Kai Wang, a Hong Kong-based senior equity analyst at Morningstar.

Alibaba said this week that its revenue had fallen to \$30.7 billion in the April-June quarter, the first decline since its initial public offering eight years ago. Tencent and Meituan are due to release their earnings later this month.

But the greatest shadow will be cast by the slowing economy. China recorded annualized growth of 0.4% in the April-June quarter, the weak-

est since the first quarter of 2020, when the emergence of Covid-19 wreaked havoc on the domestic economy.

That points to a key argument being made by China tech bears—that although the bad news might be fading for the sector, that doesn't necessarily mean good news will follow.

"These tech stocks may be undervalued," said Matthew Tuttle, managing director of AXS Investment, which runs the Short China Internet ETF. "But they may stay undervalued for a very long time."

Bonds Rally on Encouraging News on CPI Growth



The Labor Department said that overall consumer prices were roughly unchanged in July.

By SAM GOLDFARB

U.S. government bonds rallied Wednesday after new data raised investors' hopes that the pandemic era's stubbornly high inflation may be easing.

Yields, which fall when bond prices rise, slid after the Labor Department said that overall consumer prices were roughly unchanged in July from the previous month and that core prices, excluding volatile food and energy categories, rose 0.3% from June.

Economists surveyed by The Wall Street Journal had forecast a 0.2% increase in overall prices and a 0.5% increase in core prices.

The better-than-expected data caused investors to immediately bet that the Federal Reserve won't have to raise short-term interest rates as high—or at least as fast—as they had previously anticipated. That in turn pulled down Treasury yields, which largely reflect the expected

path of short-term rates.

The yield on the benchmark 10-year U.S. Treasury note settled at 2.786%, according to Tradeweb, compared with 2.797% Tuesday.

The yield on the two-year note, which is more sensitive to changes in the near-term interest rate outlook, dropped to 3.214% from 3.284% Tuesday.

Even before Wednesday's data, longer-term Treasury yields in particular had come a long way off of their highs reached in mid-June, when the 10-year yield nearly touched 3.5%.

After ratcheting up their interest-rate expectations for most of the year, investors in recent weeks have started betting more heavily that the U.S. economy will soon enter a recession—if it isn't in one already—forcing the Fed to eventually start cutting interest rates to stimulate growth.

The trend toward lower yields was interrupted on Friday when investors were confronted with a surprisingly

strong jobs report. But longer-term yields had already started to edge down again earlier this week.

Wednesday's rally in bonds was particularly evident among shorter-term Treasuries.

The 10-year yield initially fell as low as 2.673% after the inflation report but then retraced a large portion of that decline.

That reversal reflected a basic calculation among investors that what the Fed does in the near term could alter its course over the longer term, analysts said.

Many investors believe that if the Fed raises rates aggressively now, it is more likely to cause a severe recession that would lead to more rate cuts later.

As a result, shorter-term yields have climbed above longer-term yields—a phenomenon known as an inverted yield curve that has often been a harbinger of recessions.

Wednesday's move, though, made the yield curve slightly less inverted.

Tech Stocks Rebound

Continued from page B1

The yield on the benchmark 10-year U.S. Treasury note fell to 2.786% on Wednesday from 2.797% the day prior. Yields fall as prices rise.

Apple and Amazon have both climbed more than 25% in the past seven weeks, reasserting their dominance after helping to propel the market's rally for more than a decade.

As the stock market slumped to start the year, investors piled into defensive stocks because consumers typically give priority to spending on utility bills, household goods and medical expenses ahead of discretionary items during a recession.

Their hefty dividend yields were another draw. The utilities sector offers a 2.94% yield, followed by consumer staples at 2.58% and healthcare at 1.66%. The yield on the index as a whole is 1.62%.

Now, the haven rally is coming under pressure. The worst-performing decile of stocks in Russell 1000—which tracks the largest 1,000 public compa-

nies—from the first half of the year are up more than 32%

in recent weeks. The stocks that held up the best, in contrast, have risen less than 3%, according to Bespoke Investment Group.

Mr. Wightman trimmed his positions last month in companies related to consumer goods, snacks and beverages, pharmaceuticals and healthcare and insurance.

He boosted stakes in tech stalwarts, among others. He pointed to their lower valuations, the stability of their business and the allure of higher future cash flow. He hasn't bought shares of speculative growth companies, he added.

Likewise, Chris Zaccarelli, chief investment officer for Independent Advisor Alliance, said his firm is staying clear of utility and consumer-staple stocks. It has boosted its stake in small and midcap tech companies in the past month after cutting its exposure in late 2021 when it believed some were too expensive or risky to own. "If we do have a recession, they're [staples and utilities] unlikely to gain much more from here because they're already so expensive," Mr. Zaccarelli said. "If it turns out we don't have a recession, I think they have much further to fall."

The S&P 500 utilities sector

traded recently at 20.47 times its projected earnings over the next 12 months, according to FactSet, while consumer staples traded at 20.82 times earnings. That is above the average multiples of 17.25 and 19.10, respectively, over the past 10 years.

Some investors haven't been swayed by the recent rebound in tech stocks. Sandi Bragar, chief client officer at wealth management firm Aspiriant, said her firm has shed much of its holdings in tech and other growth stocks over the past five years and invested in small-cap companies and value stocks in emerging markets.

Watch a Video



Scan this code for a video on how investors deal with recession risks.

AUCTION RESULTS

Here are the results of Wednesday'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.

10-YEAR NOTES	
Applications	\$110,768,345,400
Accepted bids	\$57,136,938,400
* noncompetitively	\$27,867,100
* foreign noncompetitively	\$0
Auction price (rate)	99.956556 (2.755%)
Interest rate	2.750%
Bids at clearing yield accepted	63.47%
Cusip number	91282ZCF3
The notes, dated Aug. 15, 2022, mature on Aug. 15, 2032.	

Traders Convicted Of Fraud

Continued from page B1

Traders are a ruse to trick the market into thinking supply or demand have changed. That causes other traders to update their prices, benefiting the spoofer.

Prosecutors used charts of trades and orders to show a pattern they said was spoofing. Proving the case was harder than in some prior spoofing trials because the Justice Department lacked chats or other messages to reveal the traders' intent for their orders. In earlier spoofing cases, prosecutors found electronic messages that showed traders bragging about spoofing. The case against Mr. Ruffo was also different in that he wasn't a trader but was nonetheless charged with involvement in a conspiracy.

The jury cleared all three defendants of conspiracy and racketeering charges. The latter count indicated prosecutors believed the precious-metals desk essentially functioned as a criminal enterprise inside JPMorgan.

David Meister, a lawyer for Mr. Nowak, said, "While we are gratified that the jury acquitted Mr. Nowak of racketeering and conspiracy, we are extremely disappointed by the jury's verdict on the whole, and will continue to seek to vindicate his rights in court."

Attorneys for Messrs. Smith and Ruffo didn't respond to requests for comment.

In addition to charts, prosecutors used a trio of cooperating witnesses—former traders at JPMorgan or other banks—who testified over the course of three weeks about how they

Prosecutors used charts of trades and orders to show a pattern of spoofing.

spoofed and watched Messrs. Smith or Nowak do the same thing to get better prices on gold futures trades and make more money for the bank.

Mr. Smith was JPMorgan's top gold trader, a rapid-fire trader who used his mouse to manually enter and cancel orders so fast that colleagues joked he needed to put ice on his fingers to cool them down, according to trial testimony.

Mr. Smith spoofed "all the time," according to Christian Trunz, a former junior trader who pleaded guilty in 2019 and testified that he learned the tactic by looking over Mr. Smith's shoulder.

Mr. Nowak was the head of JPMorgan's precious-metals desk during the period scrutinized by prosecutors. He also spoofed but less than Mr. Smith, according to the traders who testified.

Prosecutors alleged spoofing was critical to JPMorgan's ability to serve hedge-fund clients such as Moore Capital Management, Soros Fund Management LLC and Tudor Investment Corp. Mr. Ruffo, who was acquitted, was the bank's salesman dealing with those big traders and sometimes encouraged spoofing to get better prices for them, according to John Edmonds, a former JPMorgan trader who pleaded guilty in 2018 and testified for prosecutors.

Defense attorneys during the trial sought to undermine the credibility of the cooperating witnesses, pointing out they had misled authorities in the past about their trading. Mr. Edmonds acknowledged lying to FBI agents when they first approached him about his trading. Mr. Trunz admitted lying to JPMorgan's compliance team about spoofing in 2016.