

THE WALL STREET JOURNAL

What's News

Business & Finance

U.S. natural-gas futures reached a 14-year intraday high Tuesday before falling at the close, a sign of the unceasing demand for U.S. shale gas across the Atlantic and likely pointing to rising prices and market volatility ahead. **A1**

◆ **Saudi Arabia** and some of its oil-producing allies have suggested cutting crude production, disappointing U.S. officials who predicted the kingdom would be instrumental in cooling the market. **A7**

◆ **A whistleblower complaint** by Twitter's former head of security alleging widespread mismanagement spurred new scrutiny of the social-media company, adding to its challenges as it prepares for its legal battle with Musk. **A1, A6**

◆ **Intel struck** an unusual \$30 billion funding partnership with Brookfield to help the chip maker finance its factory-expansion ambitions. **A1**

◆ **Business activity** in the U.S., Europe and Japan fell in August, according to new surveys, pointing to a sharp slowdown in global economic growth. **A2**

◆ **U.S. stocks edged lower**, with the S&P 500 and Dow retreating 0.2% and 0.5%, respectively. The Nasdaq slipped less than 0.1%. **B11**

◆ **Macy's and Nordstrom** became the latest retailers to lower their financial guidance for the year, citing risks of a steeper economic downturn. **B1**

◆ **Bed Bath & Beyond** has found a financing source to shore up its liquidity, according to people familiar with the matter. **B1**

World-Wide

◆ **Six months after** Russia launched its full-scale invasion of Ukraine, signs are accumulating that the balance on the military and economic battlefields is slowly tilting the way of Kyiv and its Western backers. **A1, A8**

◆ **Boxes recovered** from Trump's Florida home in January contained more than 700 pages of classified material, according to correspondence between the National Archives and Trump's legal team. **A4**

◆ **White House officials** are planning for Biden to make an announcement on Wednesday about his proposal for dealing with student-loan debt, according to people familiar with the matter. **A2**

◆ **The Biden administration** completed plans for a fall Covid-19 booster campaign that would launch in September with 175 million updated vaccine doses provided to vaccination sites. **A3**

◆ **Two men were** found guilty in their second trial for conspiring to kidnap Michigan Gov. Whitmer over her policies to contain the Covid-19 pandemic. **A6**

◆ **Rep. Charlie Crist** secured the Democratic nomination for governor in Florida, setting up what promises to be an uphill battle against incumbent Republican Gov. Ron DeSantis. **A4**

◆ **A former Louisville, Ky.**, detective pleaded guilty to helping falsify a warrant affidavit to search the home of Breonna Taylor, a Black woman shot dead by police in 2020. **A3**

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Malaysia's Ex-Leader Imprisoned in 1MDB Fund Scandal



LONG FALL: Najib Razak, shown speaking to supporters during a break in court proceedings on Tuesday, was taken to prison after the former prime minister's final appeal of corruption convictions stemming from the 1MDB scandal was dismissed. **A9**

Natural Gas Price Touches 14-Year High

U.S. futures more than double from last year on a planned Russian closure, hot weather

By RYAN DEZEMBER

U.S. natural-gas futures reached a 14-year intraday high Tuesday, before falling at the close, a sign of the unceasing demand for U.S. shale gas across the Atlantic and likely pointing to rising prices and market volatility ahead.

The latest price surge came in response to Russia's plans to shut down one of Europe's main fuel arteries for a few days at the end of the month. The closure announced Friday is either the latest episode of unplanned maintenance along the vital Nord Stream gas pipeline or an act of economic warfare on Russia's part in retaliation for Western Europe's support for Ukraine.

Prices were climbing again Tuesday before a major U.S. gas exporter said that its fire-damaged plant in Texas would restart later than expected and leave a lot of gas in the domestic market that would otherwise be sold overseas.

Futures for September delivery dropped from a fresh high of \$10.028 per million British thermal units to end at \$9.193, more than twice the price a year ago. Futures for delivery this winter are even more expensive.

The run-up in natural-gas prices comes as global business activity downshifted in

◆ **Saudis and their allies weigh** reducing oil output..... **A7**

Twitter's Ex-Security Head Files Whistleblower Complaint

By SARAH E. NEEDLEMAN

A whistleblower complaint by Twitter Inc.'s former head of security alleging widespread mismanagement spurred new scrutiny of the social-media company, adding to its challenges as it prepares for its legal battle with Elon Musk.

The complaint, which was submitted to the Securities and Exchange Commission last month and became public on Tuesday, was made by Peiter Zatkó, who was fired this year. Mr. Zatkó's submission says he

"uncovered extreme, egregious deficiencies by Twitter in every area of his mandate," including privacy, digital and physical security, platform integrity and content moderation.

The SEC declined to comment. The whistleblower complaint also was submitted to the Federal Trade Commission and the Justice Department. The Justice Department declined to comment. The FTC didn't respond to a request for comment.

Among Mr. Zatkó's claims are that Twitter executives, including Chief Executive Parag

Agrawal, deliberately undercounted the prevalence of spam on the platform. Those claims could further complicate Twitter's battle with Mr. Musk, whom the company sued in July to enforce his \$44 billion takeover deal. Mr. Musk alleged Twitter misrepresented its business, particularly as it relates to spam or bot accounts—claims Twitter denies.

The existence of the whistleblower complaint was reported Tuesday by the Washington Post and CNN.

A Twitter spokeswoman said

Mr. Zatkó was fired "for ineffective leadership and poor performance" and the complaint "is riddled with inconsistencies and inaccuracies and lacks important context."

A lawyer for Mr. Musk said: "We have already issued a subpoena for Mr. Zatkó, and we found his exit and that of other key employees curious in light of what we have been finding."

Twitter shares fell 7.3% in

◆ **Whistleblower claim attracts** scrutiny in Washington..... **A6**

Intel, Brookfield Join Up on Plants

By ASA FITCH

Intel Corp. has struck an unusual \$30 billion funding partnership with Brookfield Asset Management Inc. to help finance its factory-expansion ambitions, signaling some big investors are upbeat about the long-term demand for semiconductors.

The agreement with the publicly traded Canadian asset-management firm is the first of what could be a series of such arrangements Intel pursues to underpin Chief Executive Pat Gelsinger's push to make the company a leading contract chip maker and re-

gain its manufacturing advantage over competitors in Taiwan and South Korea.

Under the deal, which company executives described as a first of its kind for the industry, Intel would fund 51% of the cost of building new chip-making facilities in Chandler, Ariz., and will have a controlling stake in the financing vehicle that would own the new factories, Intel Chief Financial Officer David Zinsner said. Brookfield will own the remainder of the equity and the companies will split the revenue that comes out of the factories, he said.

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INSIDE



U.S. NEWS

Two of Paul Newman's daughters sue the Newman's Own Foundation. **A2**

OBITUARY

Julian H. Robertson Jr., pioneering hedge-fund investor, dies at the age of 90. **B1**

At Six Months, Kyiv Gains Momentum

By MARCUS WALKER AND GORDON LUBOLD

Six months after Russia launched its full-scale invasion of Ukraine, signs are accumulating that the balance on the military and economic battlefields is slowly tilting the way of Kyiv and its Western backers.

In the biggest war between European countries since World War II, the death and destruction have no end in sight. Ukraine is still struggling against Russia's advantage in raw firepower, but the country's defenders increasingly are hitting Russian logistics and bases, including in

Crimea, as they get more Western weapons.

A drone strike on the headquarters of Russia's Black Sea Fleet in Crimea on Saturday was one of many recent signs that Russia's rear areas increasingly are vulnerable to Ukrainian attack.

Political and popular backing for Ukraine in the U.S. and most of Europe remains robust, despite fears that a drawn-out war, and rising en-

◆ **Russia and Turkey are** deepening ties..... **A8**
◆ **U.S. warns of potential attacks** during Ukraine holiday..... **A8**

Home of Avocado Toast Moves On

A glut of the fruit yields new recipes: cupcakes, mousse

By MIKE CHERNEY AND ALLISON PRANG

SYDNEY—Suzanne James has big dreams for one of her favorite fruits.

Avocado smoothies. Avocado cake. Avocado chocolate mousse. She tried the avocado pickle recipe—vinegar, chili, sugar—but her family didn't love it.

Australia, credited with spreading avocado on toast around the world, is creaking under a mountain of the green, pear-shaped fruit. Farmers in past years had planted thousands of avocado trees to keep up with demand, which, turns

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A Billion-Dollar Bet to Fix Crypto

30-year-old CEO spends big on ailing industry

By ALEXANDER OSIPOVICH

Crypto is ailing. Sam Bankman-Fried is betting a billion dollars he can fix it.

The chief executive of cryptocurrency exchange FTX Trading Ltd. has appointed himself the industry's savior—and crypto investors are closely watching his moves after months of market carnage. This year, he bailed out a troubled digital-currency lender and tried to stabilize another. He acquired crypto exchanges in Canada and Japan. He appeared in magazine ads opposite supermodel Gisele Bündchen in a bid to keep mainstream investors enthusiastic about crypto despite the downturn.

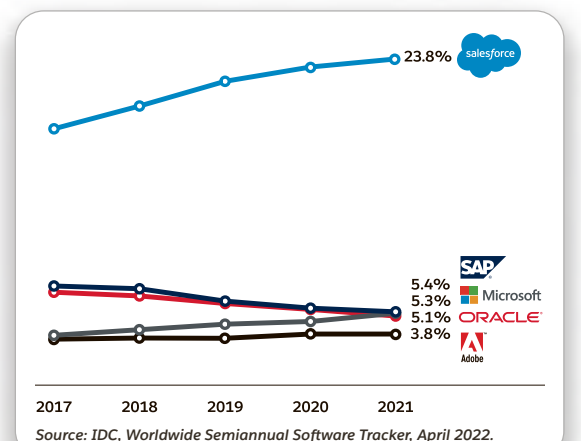
That kind of speed is routine for Mr. Bankman-Fried, a 30-year-old billionaire with a mop of curly hair who sleeps a few hours a night and toys with a fidget spinner during interviews. Last year, when regulatory scrutiny of crypto led Mr. Bankman-Fried to move FTX's headquarters from Hong Kong to the Bahamas, dozens of employees relocated to the island nation within about a month.

Mr. Bankman-Fried says his ultimate goal is to bring crypto to the masses. He wants to make FTX a household name and use the technology behind bitcoin to reinvent traditional finance, including the stock market

Please turn to page A10

Salesforce. #1 CRM.

Ranked #1 for CRM Applications based on IDC 2021 Revenue Market Share Worldwide.



Source: IDC, Worldwide Semiannual Software Tracker, April 2022.



salesforce.com/number1CRM

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U.S. NEWS

Global Economies Signal a Slowdown

Surveys of purchasing managers show soft manufacturing and services sectors

By PAUL HANNON
AND GABRIEL T. RUBIN

Business activity in the U.S., Europe and Japan fell in August, according to new surveys, pointing to a sharp slowdown in global economic growth as higher prices weaken consumer demand and the war in Ukraine scrambles supply chains.

U.S. companies reported a sharp drop in business activity in August in a broad-based decline led by services companies, though manufacturing slowed as well. High inflation, material shortages, delivery delays and interest-rate rises all weighed on business activity, the S&P Global survey said.

The composite purchasing managers index for the U.S. economy—which measures activity in both the manufacturing and services sectors—was 45.0 in August, down from 47.7 in July. That marked the second consecutive month with a decline and was the lowest reading since May 2020, early in the pandemic. A reading below 50 indicates a contraction; a reading above that level indicates growth.

“Gathering clouds spread across the private sector as services new orders returned to contractionary territory, mirroring the subdued demand conditions seen at their manufacturing counterparts,” said Sián Jones, senior economist at S&P Global Market Intelligence.

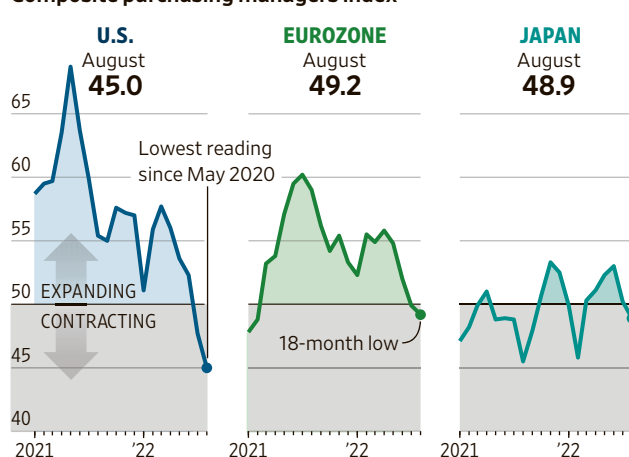
The U.S. economy has contracted for two consecutive quarters, though job growth remains robust with unemployment matching a half-century low. Inflation remains near records despite a slight cooling in July, with the Federal Reserve pursuing an aggressive rate-raising strategy to cool demand and slow price gains.

Europe’s business activity also declined for a second month in a row amid a renewed rise in energy prices over uncertainty about Russia’s willingness to maintain its already reduced supply of natural gas ahead of the heating season.

Russian state gas supplier Gazprom on Friday said it would shut down the Nord Stream natural-gas pipeline to Germany for three days of maintenance later in August. That sent gas prices up, spurred by worries over Europe’s ability to amass sufficient fuel supplies before winter.

S&P Global said its composite purchasing managers index for the eurozone fell to 49.2 in August from 49.9 in July, reaching an 18-month low.

Composite purchasing managers index



Note: The composite PMI measures activity in both the manufacturing and services sectors
Sources: S&P Global; au Jibun Bank (Japan)

Manufacturing output fell for a third straight month, while the services sector narrowly avoided a contraction. Businesses in both sectors reported a decline in new orders, which points to weakness in the months to come, while factories reported a buildup in inventories as goods remained unsold.

“This glut of inventories suggests little prospect of an improvement in manufacturing production anytime soon,” said Andrew Harker, an economist at S&P Global.

The PMI for Germany pointed to the sharpest decline in business activity since June 2020, while the measure

for France pointed to the first decline in activity since the first wave of the pandemic.

The eurozone economy has been hit by the fallout from Russia’s February invasion of Ukraine as higher energy and food prices have weakened household spending power and threatened business profit margins. The largest military conflict on the continent in almost eight decades—and one of the longest—also has hit household and business confidence.

For now, however, the jump in inflation has yet to derail the eurozone’s recovery from the pandemic, which has been slower than in the U.S. partly because government restric-

tions were lifted later. The reopening of parts of the economy that had been fully or partly closed during much of 2021 led to an acceleration in economic growth during the three months through June, even as the U.S. economy contracted for a second straight quarter.

The PMI for U.S. service providers fell to 44.1 so far in August, from 47.3 in July. Businesses encountered more client hesitancy in placing new work, leading to a steep decline in new orders, S&P Global said.

U.S. service providers are raising prices more slowly than they have in 17 months as softer orders and more competition lead to pricing moderation. Input costs also have moderated for service providers, but wage, supplier, and transportation costs continue to weigh on businesses.

U.S. manufacturers’ output contracted for a second straight month as they faced softening demand and continued supply-chain issues, though manufacturers also registered the slowest rise in cost burdens since January 2021.

While a summer tourism season that is closer to the prepandemic norm could see the eurozone economy grow modestly in the three months through September, S&P’s survey pointed to a decline in ac-

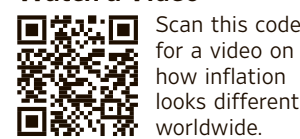
tivity in the tourism and recreation industry during August.

That suggests that the eurozone economy may already be in contraction, and economists doubt it will avoid that fate in the final months of the year as high energy prices take a bigger bite out of household budgets. The duration and severity of that contraction will depend on the scale of the hit to household spending, and whether energy rationing that would directly reduce factory output becomes necessary.

Economists at Barclays expect the eurozone economy to grow this quarter and then contract in the final three months of this year and the first quarter of 2023. But, in a note to clients, they said their forecast of a mild recession “increasingly looks too optimistic,” given uncertainties about the availability of natural gas.

S&P Global’s surveys indicated that private-sector activity in Japan and Australia also declined in August for the first time since a wave of new Covid-19 infections at the start of the year.

Watch a Video



Scan this code for a video on how inflation looks different worldwide.

Newman Daughters Sue Foundation

By KHADEEJA SAFDAR

Two of Paul Newman’s daughters sued the Newman’s Own Foundation, saying its leaders have strayed from their late father’s wishes and limited their involvement in its charitable giving.

The Hollywood star created the Newman’s Own Foundation in 2005, three years before his death. The nonprofit controls a food company called Newman’s Own Inc. that funds the private foundation with its after-tax profits. The foundation had assets valued at about \$234 million at the end of 2020, according to federal tax filings.

The foundation’s board of directors in 2020 reduced the yearly amount that Mr. Newman’s daughters each receive to direct charitable donations—from \$400,000 to \$200,000—a move they said is a violation of Mr. Newman’s wishes, according to the lawsuit filed Tuesday by Elinor “Nell” Newman and Susan Newman in a Connecticut state court.

The lawsuit seeks \$1.6 million in damages to be donated to the charities of the daughters’ choosing, along with a judgment that requires the foundation to abide by Mr. Newman’s wishes. The daughters aren’t members of the foundation’s board of directors.

Philanthropic decisions by the foundation’s board vary each year, said a spokesman for the foundation. “Best practices surrounding philanthropic organizations do not allow for the establishment of perpetual funding allotments for anyone, including Nell and Susan Newman. A meritless lawsuit based on this faulty wish would only divert money away from those who benefit



Paul Newman in 1967’s ‘Cool Hand Luke.’ The actor created the Newman’s Own Foundation in 2005.

from Paul Newman’s generosity,” the spokesman said.

Andy Lee, a lawyer at Foley & Lardner LLP representing Nell and Susan Newman, said, “This lawsuit does not seek personal compensation for Mr. Newman’s daughters, but simply seeks to hold Newman’s Own Foundation accountable to the charities they have shortchanged in recent years.”

The lawsuit offers a glimpse into the longstanding tensions between the foundation’s leaders and some members of the Newman family.

Mr. Newman, who starred in films like “Cool Hand Luke” and “The Hustler,” was married to actress Joanne Woodward, his second wife, at the time of his death in September 2008. He had six children, including five daughters and a

son, who died of a drug overdose.

Three daughters and Ms. Woodward aren’t part of the lawsuit against the foundation. A spokesman for the Newman family said the other family members declined to comment.

Mr. Newman launched Newman’s Own in 1982 with a homemade salad dressing and later produced pasta sauce and other products. The company has given away its profits to various causes each year, an amount that has totaled more than \$600 million over 40 years.

When he established the private foundation, Mr. Newman gave instructions on the structure and its charitable giving, which included amounts for his children to direct to charities.

The lawsuit said Mr. Newman’s will was amended a few months before his death, when he wasn’t mentally competent. The changes stripped provisions meant to empower Newman family members in dealings with the foundation, according to the suit.

The lawsuit said that Mr. Newman’s daughters and Ms. Woodward were surprised when the will was read to them because it was different from what their father and his advisers had explained to them and others over the years, including in a 2007 recorded video.

The daughters didn’t challenge the validity of the changes made to the will earlier because they were threatened they would get disinherited due to a provision of the will, according to the suit.

Biden’s Decision Expected on Federal Student-Loan Debt

White House officials are planning for President Biden to make an announcement on Wednesday about his proposal for dealing with student-loan debt, according to people familiar with the matter.

By Andrew Restuccia,
Gabriel T. Rubin
and Tarini Parti

The president and his senior aides have for months been weighing whether to cancel some federal student-loan debt. Mr. Biden’s top advisers have discussed several proposals, including eliminating \$10,000 in federal student-loan debt for borrowers making less than \$125,000 a year, the people said.

The White House has kept the details of the decision closely guarded. Only a small group of Mr. Biden’s top aides have been informed of his plans, some of the people said.

As of Tuesday evening, senior Biden administration officials were still ironing out the details of the announcement, according to some of the people familiar with the discussions. Those people said they expected Mr. Biden to opt for \$10,000 in debt cancellation with a \$125,000-a-year income cap, but cautioned that those figures could change.

The president is also expected to extend a pandemic pause on federal student-loan payments.

Mr. Biden was scheduled to return to the White House on Wednesday from Delaware, where he is on vacation with his family. The president has said he would announce a decision on student loans by Aug. 31.

The White House declined to comment on the specific timing of the announcement or provide further details. A spokesman reiterated that the president would make his de-

cision before the end of the month.

A move to forgive \$10,000 in student debt under certain income thresholds would fall short of progressive Democratic demands for full student-debt cancellation or for canceling \$50,000 per borrower, but it could apply to the majority of the 40 million people who hold a total of \$1.6 trillion in student-loan debt.

Mr. Biden spoke by phone on Tuesday night with Senate Majority Leader Chuck Schumer (D., N.Y.) to discuss the issue, and he separately held a joint call with Sens. Elizabeth Warren of Massachusetts and Raphael Warnock of Georgia, according to people with knowledge of the conversations. All three Democrats have been encouraging Mr. Biden to forgive student debt.

Republicans have opposed broad student-debt forgiveness, saying such a move would be unfair to those who have already paid off their loans or never went to college, and could worsen inflation.

A report released Tuesday from the Penn Wharton Budget Model estimated that a one-time maximum debt forgiveness of \$10,000 per borrower with incomes of less than \$125,000 a year would cost around \$300 billion.

Last month, more than 100 Democratic senators and House members from across the party’s ideological spectrum asked Mr. Biden to extend the loan-payment pause beyond its Aug. 31 expiration, citing continued economic hardships. Mr. Biden cited similar reasoning for extending the pause previously, most recently in April.

Republicans have opposed continuing the pause, arguing that it constitutes “de facto loan forgiveness.”

—Ken Thomas
contributed to this article.

IRS Prepares Employee Security Overhaul

By RICHARD RUBIN

WASHINGTON—The Internal Revenue Service is beginning a comprehensive review of safety and security protocols for its employees, citing threats, misinformation and social-media postings in the days following Congress’s decision to beef up the tax agency’s enforcement efforts.

In a message to employees on Tuesday that mentioned unspecified threats it described as “concerning,” Commissioner Charles Rettig said the IRS is conducting risk assessments and working with law-enforcement officials and the employees’ union as it considers potential new security measures. It is examining exterior lighting and security at IRS buildings in the first such full review since the mid-1990s.

The IRS has its headquarters in Washington, D.C., but operations are dispersed around the country, both in large campuses that process

returns and in buildings that house other federal agencies.

“For me this is personal,” wrote Mr. Rettig, who was nominated in 2018 by then-President Donald Trump for a term that ends in November. “I’ll continue to make every ef-

President Biden signed a law that allocates \$80 billion for tax enforcement.

fort to dispel any lingering misperceptions about our work. And I will continue to advocate for your safety in every venue where I have an audience.”

President Biden last week signed a law that would give nearly \$80 billion to the IRS over the next decade to enhance tax enforcement, which has suffered over the past de-

cade as the IRS dealt with flat budgets and increased responsibilities. It would provide enough money to hire 87,000 new employees for an organization that has had fewer than 80,000 full-time-equivalent jobs for the past few years. Some of the new hires would backfill expected attrition and retirement.

Republicans have been criticizing the planned spending in sometimes stark terms, warning about an army of IRS agents.

Sen. Chuck Grassley (R., Iowa), for example, speculated in a television interview about IRS strike forces with agents ready to shoot small-business owners.

Some of the 87,000 new employees would be auditing taxpayers or directly collecting taxes, while others will be performing back-office functions. Only a fraction of them carry firearms.

In a letter on Monday, leaders of the American College of

CORRECTIONS & AMPLIFICATIONS

Instacart Inc. cut its internal valuation in March. A July 29 Markets article about the company incorrectly said it was in May.

The name of the Public Lands Interpretive Association was given incorrectly as the Public Lands Initiative in a Journal Report article on Saturday about travel to natural spots that attract fewer visitors than national parks.

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

Ex-Officer Pleads Guilty Over Fatal Raid

By ARIAN CAMPO-FLORES

A former Louisville, Ky., detective pleaded guilty to helping falsify a warrant affidavit to search the home of Breonna Taylor, a Black woman whose fatal shooting by police more than two years ago sparked protests around the U.S.

The detective, Kelly Goodlett, is one of four former Louisville Metro Police Department officers charged by the Justice Department earlier this month in connection with a 2020 raid on Ms. Taylor's apartment to execute a search warrant. By pleading guilty to one count of conspiracy in a federal court in Louisville on Tuesday, she became the first person convicted as a result of federal and state investigations of the killing.

Ms. Taylor, 26 years old, was in bed with her boyfriend when police broke through the front door. The boyfriend, believing they were intruders, fired at the officers and hit one. Police returned more than 30 shots, hitting Ms. Taylor in the chest and killing her, according to prosecutors. In her plea agreement, Ms. Goodlett, 35, admitted she worked with another detective, Joshua Jaynes, to present false information to a judge to obtain a search warrant for which they lacked probable cause. Mr. Jaynes wrote in the affidavit that he had verified with a postal inspector that a target of a drug investigation was receiving packages at Ms. Taylor's home—an allegation Ms. Goodlett said she and Mr. Jaynes knew was false.

Ms. Goodlett also added a paragraph that she knew was misleading, writing that detectives had confirmed that the drug-investigation target was using Ms. Taylor's address as his current home address, according to her plea agreement. In addition, she didn't object to Mr. Jaynes's request for a "no-knock" warrant—which allows police to storm a residence without first announcing their presence—even though she didn't think one was necessary.

After Ms. Taylor's killing, the two reiterated some of those misleading claims in a letter they submitted to police investigators, according to the plea agreement. When media outlets reported that the postal inspector refuted the claim that the target was receiving packages at Ms. Taylor's address, Ms. Goodlett and Mr. Jaynes sought to cover up their wrongdoing, meeting in person to agree on a false story to tell investigators, she said in the plea agreement.

Mr. Jaynes and the other two ex-officers pleaded not guilty. Ms. Goodlett faces a maximum sentence of five years in prison.

U.S. Readies Covid Booster Campaign

By STEPHANIE ARMOUR

The Biden administration has completed plans for a fall Covid-19 booster campaign that would launch in September with 175 million updated vaccine doses provided to states, pharmacies and other vaccination sites.

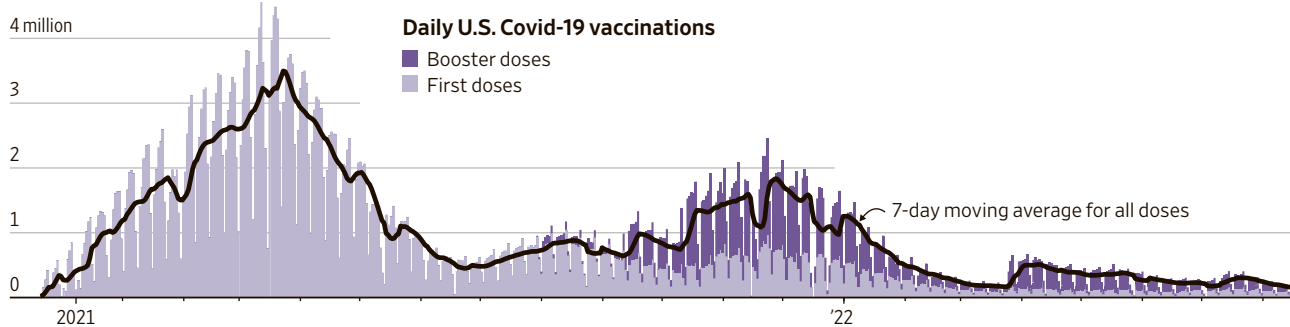
The administration is procuring the doses, which drugmakers are updating to target the newest versions of the virus. The administration has also informed states, pharmacies and other entities they can begin preordering now through the end of August, according to the administration's fall vaccination planning guide.

Vaccines would be shipped immediately following an expected authorization by federal drug regulators, who still must review and sign off on the shots, and recommendations from the Centers for Disease Control and Prevention, which must review the data and sign off on administering the shots.

Administration officials have expressed hope that the boosters would help head off a wave of serious illnesses and deaths in the fall and winter, when cases often increase as more people gather indoors.

Yet the campaign is expected to face challenges, including waning public interest in booster shots and a mutating virus that risks making even the tweaked boosters less effective.

The CDC posted the planning guide online ahead of the authorization of any new



Source: Centers for Disease Control and Prevention

shots, or of recommendations from the agency on their use. The document provides a road map for states and other jurisdictions preparing to distribute the new round of booster shots. For instance, it gives dates for placing orders and explains how the federal government will decide who gets the first shipments.

The guide doesn't provide the kind of guidance that people deciding on getting boosted will probably seek, such as how long someone who developed immunity from a real-world infection should wait before getting boosted.

Vaccination sites will generally offer two types of inoculations. People who aren't fully vaccinated will be offered an original vaccine targeting the early form of the virus. About 79% of the U.S. population, according to the CDC, have gotten the two doses required to be fully vaccinated with a messenger RNA vaccine from either Pfizer Inc. and partner BioNTech SE or Moderna Inc.

Moderna Asks FDA To Clear New Shot

Moderna Inc. asked U.S. regulators to authorize a new version of its Covid-19 vaccine that targets the latest coronavirus strains.

Moderna said Tuesday that it is ready to ship doses of the new shot in September if it is cleared by the Food and Drug Administration.

Competitors Pfizer Inc. and

BioNTech SE said Monday that they have also applied for clearance of a new vaccine shot.

Moderna's new shot is designed to protect against the original coronavirus strain that emerged in China in late 2019, as well as the Omicron subvariants BA. 4 and BA. 5 that are currently dominant in the U.S.

Moderna started a clinical trial this month of its new booster shot. Pfizer and BioNTech said they would start a study of their new shot this month.

—Joseph Walker

Fully vaccinated people, including anyone who has gotten one or two booster shots already, will be offered boosters modified to work more effectively against the Omicron subvariants known as BA.4 and BA.5. The BA.5 subvariant is now the dominant version of the virus in the U.S.

The Food and Drug Administration asked drugmakers to tweak their booster shots to

target the subvariants as well as the original strain of the virus, after evidence mounted that currently available vaccines weren't as effective against the subvariants as they had been against earlier versions of the virus.

Only people who are fully vaccinated will be able to get the modified booster, according to the administration's fall vaccination planning guide. It

doesn't matter if a person got one or two booster shots as long as they are fully vaccinated, according to the vaccination planning guide.

The administration expects the updated boosters from Pfizer-BioNTech to initially be authorized for people 12 and older, while Moderna's booster would be cleared at first for people 18 and older, according to the fall booster guide.

A fall vaccination campaign that reaches the number of people who got flu shots last year would save about 100,000 lives and prevent more than one million hospitalizations, according to an analysis by the Commonwealth Fund, a health-care philanthropy. It would also result in a \$63 billion savings associated with direct medical costs such as hospitalization by the end of March 2023.

About 160,000 lives could be saved and 1.7 million hospitalizations prevented if 80% of people eligible for their first or second booster doses get a shot by Oct. 31, according to the study.

California Races to Keep Nuclear Plant Running

By KATHERINE BLUNT

California lawmakers are racing to hammer out a plan to keep the state's last nuclear plant online, citing anticipated power shortages for years to come.

The effort, spearheaded by Gov. Gavin Newsom, is likely the legislature's last opportunity to extend the life of the plant, known as Diablo Canyon, past its planned retirement in the coming years. The state energy commission has signaled the plant is needed to help keep the lights on as heat waves, drought and challenges in bringing new resources online threaten to disrupt power supplies.

The plant has long faced opposition from antinuclear activists, as well as environmentalists concerned about its effect on marine life. Some legislators are concerned about the costs of continuing to operate it.

Proposed legislation, which hasn't yet been filed, would push PG&E Corp., a utility company that owns the plant, to renew its federal nuclear operating licenses and do other work necessary to keep the plant running. Days remain for a vote on



Diablo Canyon, seen above in 2021, supplies about 8% of the power produced in California. It has long faced opposition from activists.

the bill before California's 2022 legislative session ends Aug. 31.

PG&E's licenses to operate the plant expire in 2024 and 2025, and the company is running out of time to renew them, a lengthy process that involves safety and environmental reviews by the Nuclear Regulatory Commission. Waiting until the 2023 legislative session could imperil that process, analysts say. The proposed legislation also requires PG&E to seek federal funding through the Energy Department, the deadline for which is Sept. 6.

Industry observers say the company could get interim approval to keep the units operating while completing the full relicensing process, but must seek it soon. If lawmakers fail to pass a bill this month, Mr. Newsom could convene a rare special session to consider the issue, but would be unlikely to do so, people familiar with the matter say.

Mr. Newsom's push to keep the plant open is an about-face for the Democrat, who, as lieutenant governor, supported a 2016 plan to close it.

A deal requires support from legislators across the state, some of whom have questioned the safety of the plant, citing its proximity to nearby geologic fault lines among other things, and how much it would cost to keep it operating. Draft legislation supported by Mr. Newsom proposes using the state general fund to lend PG&E as much as \$1.4 billion, some of which could be forgiven or repaid with federal funding.

The State Assembly late last week circulated a competing proposal that would allow the plant to close as scheduled and instead establish \$1.4 billion in grants and incentive programs aimed at speeding up the development of clean energy projects.

State Sen. John Laird, a Democrat whose district is home to Diablo Canyon, has expressed concern about a range of issues associated with the plant, including whether it will need substantial maintenance. Mr. Laird said he has been discussing his concerns with the governor's staff.

"How can you judge if you don't have answers to some of the key questions?" he said.

A spokesman for Mr. Newsom said the governor's office is "making real progress" in negotiating with the legislature and expects a bill to pass. Several lawmakers agreed there is a reasonable chance that the governor can rally the necessary support.

The 2,250-megawatt Diablo Canyon plant supplies roughly 8% of the power produced in California. PG&E in 2016 agreed to decommission it when its federal operating licenses expire, saying it would be cheaper to replace the output with renewable energy than to re-license it and keep it running. The company said the plant is seismically safe and it stands ready to support any changes to state policy.

Numerous issues have emerged to strain the grid in California. Prolonged drought has crimped hydroelectric power production throughout the West, where nationwide heat waves have strained electricity supplies in recent years.

Supply-chain snarls and increases in raw-material costs have resulted in delays in wind, solar and battery storage projects needed to replace the output from Diablo Canyon.

ART AS ILLUSION PATRICK HUGHES

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Part painting, part sculpture and part optical illusion, this original work by Patrick Hughes invites the viewer on a visual journey. Using Hughes' revolutionary "reverspective" 3-dimensional construction method, the oil on panel breaks free from the wall and appears to shift and change as one moves before it. The composition is set in the Scottish Museum of Modern Art, and all of the artworks, painstakingly rendered here by Hughes, are part of the museum's collection. Pablo Picasso, Joan Miró, René Magritte and many more 20th-century artists are represented, identifying Hughes as an enthusiastic student of art history. Driven by ideas of engagement, originality and humor, Hughes is one of the leading figures in contemporary British art. Signed (en verso). Dated 2019. Panel: 22 1/4" h x 59 7/8" w. Frame: 29 3/4" h x 67" w. #31-5197



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U.S. NEWS



Rep. Jerrold Nadler, chairman of the House Judiciary Committee, celebrated his win Tuesday in a Democratic primary forced by redistricting.

New York's Nadler Defeats Fellow Incumbent Maloney

BY JIMMY VIELKIND
AND SIOBHAN HUGHES

Rep. Jerrold Nadler, the long-serving congressman from Manhattan's Upper West Side, defeated fellow veteran Rep. Carolyn Maloney in a Democratic primary Tuesday after redistricting forced them to compete for a single House seat in New York.

Mr. Nadler drew national attention when he helped lead the first impeachment of then-President Donald Trump as chairman of the House Judiciary Committee. He secured more than 50% of the vote in the Manhattan district, parts of which he and Ms. Maloney have represented for nearly 30 years. Ms. Maloney, who chairs the Oversight and Reform Committee, had about a quarter of the vote.

In a race seen as an early test of Democrats' efforts to use the issue of abortion access to motivate their base in competitive contests, Democrat Pat Ryan defeated Republican Marc Molinaro in a special election to fill an open House seat in New York's Hudson Valley, the Associated Press projected.

In New York City, Democrats poured their energy into primary contests for the 10th and 12th districts. Longtime Reps. Nadler and Maloney found themselves facing off when they were drawn together in the 12th District, which includes Midtown Manhattan and the areas surrounding Central Park.



Rep. Carolyn Maloney lost her race in the Manhattan district.

Another incumbent, freshman Rep. Mondaire Jones, was in danger of being ousted from Congress after being pushed into the 10th District, covering Manhattan and Brooklyn. Dan Goldman, a former federal prosecutor who also served as lead counsel in Mr. Trump's first impeachment, held a slight lead over Assemblywoman Yuh-Line Niou. Mr. Jones was in third.

Mr. Goldman, an heir to the Levi Strauss & Co. fortune, has lent his campaign several million dollars and has outspent his rivals.

Following redistricting, Mr. Jones scrapped plans to seek re-election from his Westchester County home when a more senior member, Rep. Sean Patrick Maloney, said he would run there. Mr. Maloney, who heads the Democratic Congressional Cam-

paign Committee, won his primary race against state Sen. Alessandra Biaggi.

In Oklahoma, Rep. Markwayne Mullin won a Republican primary runoff in the race to fill the remainder of the term of retiring Republican Sen. Jim Inhofe. Mr. Mullin defeated T.W. Shannon, who was the first Black person to serve as state House speaker.

Mr. Mullin will take on former Democratic Rep. Kendra Horn in a special election this fall in the deep red state. Mr. Inhofe, who plans to retire in early January, was elected to a six-year term in 2020.

In an Oklahoma Democratic primary, Madison Horn beat Jason Bollinger to be the party's candidate against incumbent Republican Sen. James Lankford in the fall.

All New York primaries were originally scheduled for

June 28, but the congressional and state Senate contests were moved to August after a judge struck down Democratic-drawn district lines.

There is no tradition of August voting in the state, and its early-voting numbers lagged behind the June primary, when primaries for governor, lieutenant governor and state Assembly took place.

In the Hudson Valley's 19th District, Mr. Ryan, a Democrat, held a narrow lead over the GOP's Mr. Molinaro in a contest to fill the term of former Rep. Antonio Delgado.

Mr. Ryan, the Ulster County executive, aired ads touting his support for abortion access after the Supreme Court struck down Roe v. Wade in June. Mr. Molinaro, the Dutchess County executive, said abortion policy should be left to states and has said he personally opposes abortion.

The seat opened up when Gov. Kathy Hochul appointed Mr. Delgado as lieutenant governor when the previous holder of that office, Brian Benjamin, resigned after he was charged with bribery. Mr. Benjamin has pleaded not guilty.

The other special election was to serve out the term of former GOP Rep. Tom Reed, who canceled his re-election efforts after apologizing for inappropriate sexual conduct, and later resigned. Republican Joe Sempolinski defeated Democrat Max Della Pia.

—Joshua Jamerson
and Arian Campo-Flores
contributed to this article.

Crist Wins Nod In Florida Race To Face DeSantis

BY ARIAN CAMPO-FLORES

Rep. Charlie Crist secured the Democratic nomination for governor in Florida, setting up what promises to be an uphill battle against incumbent Gov. Ron DeSantis, a rising Republican star with a formidable fundraising advantage.

Mr. Crist, a former Florida governor and attorney general, prevailed against Nikki Fried, the state agriculture commissioner, according to the Associated Press.

With about 75% of the vote counted, Mr. Crist received 60.2% of the ballots cast, compared with 35% for Ms. Fried, according to the AP.

Both Democrats sought to portray themselves as the strongest candidate to take on Mr. DeSantis, who raised his national profile over his handling of the pandemic and is widely considered a potential 2024 presidential candidate. The incumbent's legislative and policy agenda targeting what he calls "woke indoctrination" by schools and corporations has electrified conservatives and enraged liberals.

"This is the most consequential race in the history of our state," Mr. Crist told supporters in St. Petersburg after winning the primary. Floridians "want a governor who cares about them to solve real problems, that preserves our freedom, not a bully who divides us and takes our freedom away."

Ms. Fried congratulated Mr. Crist in a concession speech and urged Democrats to unite in November. "We are going to make Ron DeSantis a one-term governor and a zero-term president," she said.

Mr. Crist, who is 66 years old and an experienced campaigner with a genial style, cast himself as a unifying consensus-builder who can heal what he considers the divisiveness of Mr. DeSantis's ten-

ure. He secured endorsements from prominent Democrats, large unions and major newspaper editorial boards.

Mr. Crist won his 2006 race for Florida governor as a Republican, and governed as a moderate. He chose not to seek re-election in 2010 and instead unsuccessfully ran for the U.S. Senate as an independent against Republican Marco Rubio.

Two years later, he became a Democrat, saying the GOP had been overtaken by the extreme right, and in 2014, he lost a race for governor against Rick Scott. He has been a Democratic congressman representing a district in the St. Petersburg area since 2017.

In the wake of the Supreme Court's June decision eliminating a constitutional right to abortion, reproductive rights became a central focus of the campaigns. Ms. Fried accused Mr. Crist of appointing conservative judges to the Florida Supreme Court who could vote to uphold the state's recently enacted 15-week abortion ban. Mr. Crist vowed to sign an executive order to protect abortion rights in the state under the Florida Constitution.

Mr. DeSantis championed the 15-week abortion ban and celebrated the Supreme Court decision. But unlike Republican leaders in some other states, he hasn't proposed significant new restrictions.

In the general election against Mr. DeSantis, Mr. Crist will face an incumbent whom Democrats would relish defeating but whom political analysts consider a solid favorite. Mr. DeSantis has maintained largely favorable approval ratings. He has raised about \$172 million, vastly outpacing Democratic rivals, according to FollowTheMoney.org, which tracks campaign contributions. Mr. Crist has raised about \$15 million.



Rep. Charlie Crist addressed supporters after his win Tuesday.

Letter Detailed Concern Over Documents at Mar-a-Lago

WASHINGTON—Boxes recovered from Donald Trump's Florida home in January contained more than 700 pages of classified material, including

By Jan Wolfe,
Alex Leary
and Sadie Gurman

documents marked as extremely sensitive, according to correspondence between the National Archives and the former president's legal team.

The letter, written by Acting Archivist of the United States Debra Steidel Wall and dated May 10, shows that months before the Aug. 8 Federal Bureau of Investigation search at Mar-a-Lago, the intelligence community and the Justice Department had become alarmed by Mr. Trump's handling of presidential re-

records, which by law are the property of the government.

In her letter to Mr. Trump's lawyers, Ms. Wall said the National Archives and Records Administration (NARA) would allow the FBI to access 15 boxes transferred from Mar-a-Lago to the archives in January. She wrote that those boxes contained more than 100 documents with classification markings, comprising some 700 pages.

"NARA identified items marked as classified national security information, up to the level of Top Secret and including Sensitive Compartmented Information and Special Access Program materials," Ms. Wall wrote in the letter, addressed to Trump lawyer Evan Corcoran.

The archives confirmed the authenticity of the letter and posted it on its website on

Tuesday.

Special Access Programs are some of the most closely held government secrets, typically relating to extremely sensitive operations abroad or technological capabilities and generally accessible only in specially designed Sensitive

The archives said 700 pages of classified papers were found in January.

Compartmented Information Facilities, or SCIFs.

The letter was part of an extensive exchange over the course of the previous year between the archives and the for-

mer president's lawyers about the disposition of records from the Trump White House.

Additional documents were recovered in early June, when Mr. Trump's lawyers met with investigators at Mar-a-Lago, and this month's search of the property recovered 11 sets of classified documents.

The FBI agents who searched the home on Aug. 8 found highly sensitive and classified documents lying in unsecured places outside the storage room that Justice Department officials had earlier asked to be better secured, people familiar with the matter said.

At least one person familiar with the location of the documents at the complex had alerted investigators, the people said, heightening what officials thought to be the need for agents to take the step of

seizing them.

According to the May letter, Mr. Trump sought to make an executive privilege claim over the documents handed over in January. That claim was rejected by the National Archives after consultation with the Justice Department and President Biden's White House lawyers. Executive privilege is a legal doctrine that protects the confidentiality of some White House communications.

The letter was first posted Monday night on the website of John Solomon, a conservative commentator whom Mr. Trump named in June as one of his interlocutors with the National Archives.

Mr. Trump, who has dismissed the document battle as politically motivated, reacted Tuesday morning on his social-media platform, focusing

on references in the letter to the Biden administration's involvement.

"The White House stated strongly that they were NOT INVOLVED, and knew absolutely nothing about, the political Witch Hunt going on with me, & that they didn't know anything at all about the Break-In of Mar-a-Lago," Mr. Trump wrote. "This was strongly reiterated again & again. WRONG!"

The letter indicates that the White House left it up to NARA to decide on Mr. Trump's privilege claim.

The White House didn't respond to requests to comment. Mr. Trump said he declassified broad sets of records, but there is no documentation of that.

—Aruna Viswanatha
contributed to this article.

U.S. WATCH

ATLANTA

Officers Won't Be Charged in Shooting

Two white Atlanta police officers who clashed with Rayshard Brooks acted reasonably during the 2020 encounter that ended with the 27-year-old Black man's fatal shooting, a specially appointed prosecutor said Tuesday in announcing his decision not to pursue charges against them.

Officer Garrett Rolfe, who shot and killed Mr. Brooks in June 2020, and Officer Devin

Brosnan faced a "quickly evolving" situation when Mr. Brooks lunged and grabbed one of their Tasers during an arrest attempt, said Pete Skandalakis, executive director of the Prosecuting Attorneys' Council of Georgia.

"Given the quickly changing circumstances, was it objectively reasonable that he used deadly force? And we conclude it was," Mr. Skandalakis said of Officer Rolfe.

The shooting happened against the backdrop of heightened tensions and protests nationwide after the death of

George Floyd under the knee of a Minneapolis police officer less than three weeks earlier.

On June 12, 2020, police responded to complaints of a man sleeping in a car in the drive-through lane of a Wendy's restaurant. Police body camera video shows the two officers having a calm conversation with Mr. Brooks for roughly 40 minutes. Then, when the officers told Mr. Brooks he had had too much to drink to be driving and tried to arrest him, he resisted in a struggle caught on dash-camera video. Mr. Brooks grabbed a Taser

from one of the officers and fled, firing it at Officer Rolfe as he ran. Officer Rolfe fired his gun. An autopsy found that Mr. Brooks was shot twice in the back.

—Associated Press

MICHIGAN

Over 20 Dogs Die Of Unidentified Illness

An unidentified illness has killed dogs in Michigan, officials said, stumping investigators who haven't determined what is causing the dogs to show symptoms

including vomiting and lethargy.

Local officials said earlier this month that they had been receiving reports of dogs, mostly young ones, throwing up and passing bloody stools. More than 20 dogs had died in Otsego County in northern Michigan, according to the Otsego County Animal Shelter.

Nora Wineland, the state veterinarian, said an early investigation showed that some of the dogs may have had canine parvovirus, but officials were still investigating the illness.

—Alyssa Lukpat

TEXAS

Gov. Abbott Declares Disaster After Storms

Texas Gov. Greg Abbott signed a disaster declaration for 23 counties Tuesday after days of heavy rain and flash flooding caused water to inundate homes, businesses and roads. One person died.

The declaration will allow for easier access to state resources to help flooded regions, according to Mr. Abbott's proclamation.

—Talat Ansari



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U.S. NEWS

Conservative Group Gets \$1.6 Billion

By JULIE BYKOWICZ

WASHINGTON—A nonprofit group led by a legal strategist who spent decades helping push conservatives onto the U.S. Supreme Court received about \$1.6 billion from a private donor in what fundraising advisers believe is the largest single contribution to any politically active group in U.S. history.

The Marble Freedom Trust listed the donation on a recent tax filing reviewed by The Wall Street Journal. The documents don't identify the donor, but people familiar with the transactions say the gift came from Chicago billionaire Barre Seid. Between May 2020 and April 2021, the new trust distributed more than \$228 million to other funds that in turn awarded grants to conservative organizations and political groups.

The trust says in its tax filing that its purpose is to "maintain and expand human freedom" consistent with the Constitution and Declaration of Independence. People familiar with the nonprofit's goals say it will primarily finance efforts to make the judiciary more conservative, back voter integrity projects favored by Republicans and fight Democrat-led drives to protect access to abortion. The size of the donation indicates the trust will have money to operate for years to come.

The trust's leader, Leonard Leo, 57 years old, spent nearly his entire career at the Federalist Society, a network of lawyers established during the administration of former President Ronald Reagan to groom conservative scholars, officials and judges. He resigned as president of the soci-



Leonard Leo in 2016. He now leads the Marble Freedom Trust.

ety in January 2020 to begin building the Marble Freedom Trust and a companion consulting firm called CRC Advisors.

In a statement, Mr. Leo compared his effort to left-leaning donor funds that have attracted hundreds of millions of dollars from billionaires George Soros and Hansjörg Wyss, among others.

In the 2020 election, Democratic nonprofits spent more than twice as much as their Republican counterparts and outspent them in 2018, according to the nonpartisan Center for Responsive Politics. The largest liberal nonprofit, the Sixteen Thirty Fund, invested about \$400 million in 2020, much of it on voter registration and Democratic turnout efforts, its tax filing shows.

"We are confident that over time our model will deliver more and more wins for our constitution and the values it stands for," Mr. Leo said in the statement.

The creation of the Marble Freedom Trust and how it obtained its \$1.6 billion largess were first reported by the New York Times.

Marble Freedom Trust's tax filing says it received as a gift, and then sold, 100% of the stock in a privately held company. The documents don't name the company, but people familiar with the transactions said it was Chicago-based power strip and electrical device manufacturer Tripp Lite, which was wholly owned by Mr. Seid. A report filed last year in Illinois shows Mr.

Seid's name crossed out as an officer of Tripp Lite and Mr. Leo added as an officer.

Representatives for Mr. Seid didn't respond to requests for comment. While not a frequent political donor, Mr. Seid's family foundation has contributed to the Heartland Institute, a think tank that disputes the idea of man-made climate change, and the Chamber Opera Chicago, among others, records show.

After Mr. Seid donated his stock in Tripp Lite to Marble Freedom Trust, Eaton Corp., a power management company based in Dublin, said in January 2021 that it would purchase Tripp Lite for \$1.65 billion, records show.

Mr. Seid's donation enabled him to avoid the capital-gains

taxes normally due when company stock that increased in value is sold. However, because the donation was to a social welfare group—commonly called a 501(c)(4) after the section of the tax code it falls under—rather than a charity, Mr. Seid couldn't use it as a tax deduction against other income.

Social welfare groups such as Marble Freedom Trust and the Sixteen Thirty Fund are limited in what they can spend directly on politics. Still, nonprofits can advocate on issues that motivate voters, such as by funding ads urging people to thank a lawmaker for work on legislation.

Campaign finance reform advocates have called such spending "dark money" because it is difficult to trace through public records even as it shows up in elections.

Tax and campaign finance filings covering parts of 2020 and 2021 lay out one example of how nonprofit money makes its way into electoral politics.

One early recipient of \$16.5 million in Marble Freedom Trust money was the Concord Fund, also known as the Judicial Crisis Network. The Concord Fund's largest donation between July 2020 and June 2021 was \$9 million to One Nation, a nonprofit political advocacy group linked to Senate Minority Leader Mitch McConnell.

During the 2020 campaign, One Nation gave more than \$85 million to the Senate Leadership Fund, a super-PAC also aligned with Mr. McConnell that spends heavily on television and digital ads to elect Senate Republicans. Representatives for the Concord Fund, One Nation and the Senate Leadership Fund didn't respond to requests for comment.

Two Men Convicted Over Plot To Kidnap Governor

By JOE BARRETT

Two men were found guilty in their second trial for conspiring to kidnap Michigan Gov. Gretchen Whitmer over her policies to contain the Covid-19 pandemic, a victory for the government's effort to prosecute potential acts of domestic terrorism.

In the first trial in April, a jury in Grand Rapids, Mich., failed to reach a unanimous verdict in the case against Adam Fox of Michigan and Barry Croft of Delaware. Two other men were acquitted in the first trial, while another pair entered guilty pleas and testified against the others at both trials.

Government prosecutors portrayed the men as violent extremists who hatched the plot to kidnap the governor and took several steps in the summer of 2020 that went far beyond talk.

"These defendants were outside a woman's house in the middle of the night with night vision goggles, and guns, and a plan to kidnap her," said Assistant U.S. Attorney Nils Kessler in his closing argument on Monday.

"Today's verdicts prove that violence and threats have no place in our politics and those who seek to divide us will be held accountable," Gov. Whitmer said.

Defense attorneys expressed disappointment with the rulings and said they would continue to pursue legal relief for their clients, including possibly appealing after sentencing. The men both face the possibility of life imprisonment.

The defense argued the men were entrapped by overeager government informants and their FBI handlers, who they say brought the men together and had to spur them into action on their idle talk.

"The FBI put big talkers from all over the country in the same room, shook them up, popped the top and nothing happened," Chris Gibbons, attorney for Mr. Fox, said in his closing, arguing that a confidential FBI informant named Dan Chappel and others essentially goaded Mr. Fox to take key steps throughout the summer.

Joshua Blanchard, a lawyer for Mr. Croft, said his client was targeted by the Federal Bureau of Investigation because Mr. Croft blamed the agency for the death of a friend, and they made efforts to lure him into the Michigan investigation as a way to prosecute him for his antigovernment stance.

The original six defendants were arrested in October 2020 and charged with kidnapping conspiracy after federal authorities said they had spent a summer training and conducting surveillance operations at the governor's summer home and surrounding areas. The men allegedly wanted to carry out the plot before the Nov. 3 election.

Whistleblower Claim Attracts D.C. Scrutiny

By JOHN D. MCKINNON AND DAVE MICHAELS

WASHINGTON—A whistleblower's complaint opens up new political and legal challenges for Twitter Inc. in Washington, as lawmakers and regulators examine possible responses to the social-media company's alleged missteps.

The complaint from former Twitter security executive Peiter Zatkó was filed to the Securities and Exchange Commission, the Federal Trade Commission and the Justice Department, which are expected to investigate.

The complaint was also sent to lawmakers on the Senate Judiciary and Intelligence committees, who pledged to conduct their own investigations.

"If these claims are accurate, they may show dangerous data privacy and security risks for Twitter users around the world," said Sen. Dick Durbin (D. Ill.), the chairman of the Judiciary Committee. "I will continue investigating this issue and take further steps as needed to get to the bottom of these alarming allegations."

A Twitter spokeswoman said Mr. Zatkó's complaint, which was earlier reported by the Washington Post and CNN,

was rife with "inconsistencies and inaccuracies and lacks important context."

Twitter declined to comment on possible congressional investigations.

The complaint comes as Twitter wages a legal battle in Delaware with Tesla Inc. Chief Executive Elon Musk, who sought to buy the company but has accused it of misrepresenting the prevalence of bots and fake accounts on its service.

Mr. Zatkó's complaint echoes some of what Mr. Musk has already alleged or questioned about Twitter's user base and accuses the company of failing to protect sensitive user data and lying about its security problems.

Any regulatory response from Washington would take time to develop. The SEC in particular takes years to investigate and bring securities-fraud cases, and it isn't clear whether Mr. Zatkó's claims would rise to that level.

The SEC could investigate Mr. Zatkó's allegations that the company and its executives understated or misrepresented the scope of spam or fake accounts on its platform.

To pursue an enforcement action, the SEC would need to

find that any omitted or misleading information was material to shareholders, meaning it could influence a decision to buy or sell.

The SEC tends to probe many whistleblower tips and, if investigators find wrongdoing, can punish public companies that misled shareholders about material risks or financial metrics. Whistleblowers are eligible to receive payments equal to 10% to 30% of the fines collected if their in-

Probes by the Justice Department, Congress and regulators are likely.

formation is original and helpful to an enforcement action.

Mr. Zatkó's decision to publicize his complaint is unusual for SEC whistleblowers, whose identities are kept secret by the SEC. Some whistleblowers choose to go public with their allegations because it can create more political and public support for an investigation.

It couldn't be learned how much of Mr. Zatkó's information

would be new to the SEC. Mr. Musk has waged a monthslong campaign to raise questions about how Twitter estimates and discloses the percentage of its monetized users who are bots or spam accounts.

"This reads like an overreach to make known and logical issues that likely have been the subject of regulatory scrutiny for months to appear as 'original' information under the SEC's whistleblower statute," said Jacob Frenkel, a former SEC enforcement attorney who is now a defense lawyer at Dickinson Wright LLP.

"The SEC's investigative process will get to the core of what actually was said to whom and what was not disclosed and why," he added. "SEC enforcement will separate financially motivated spin from fact."

An SEC spokesman and a Justice Department spokeswoman declined to comment. The FTC didn't respond to a request for comment.

In Congress, aides to Mr. Durbin and the Senate Judiciary Committee's top Republican, Sen. Chuck Grassley (R., Iowa), have been working together to plan next steps in their investigation.

The Senate Intelligence

Committee also is looking into the complaint, and "is in the process of setting up a meeting to discuss the allegations in further detail," a Democratic spokeswoman for the committee said.

Legislation to create new consumer-privacy protections, meanwhile, has been bottled up after passing a House committee by a lopsided margin last month.

The allegations, if true, "are alarming and reaffirm the need for Congress to pass comprehensive national consumer privacy legislation to protect Americans' online data," said a joint statement from House Energy and Commerce Committee Chair Rep. Frank Pallone Jr. (D., N.J.) and Rep. Cathy McMorris Rodgers (R., Wash.), the panel's ranking Republican.

Some lawmakers urged federal regulators to take tough stands, including against individual Twitter executives.

"These troubling disclosures paint the picture of a company that has consistently and repeatedly prioritized profits over the safety of its users and its responsibility to the public," said Sen. Richard Blumenthal (D., Conn.) in a letter Tuesday to FTC Chairwoman Lina Khan.

Complaint Is New Test For Twitter

Continued from Page One

Tuesday trading to their lowest closing price in nearly a month.

Mr. Zatkó, a former hacker known as "Mudge," has been a noted computer-security researcher for decades. He was a member of a Boston cybersecurity collective that came to prominence in 1998 when it offered warnings about the state of national cybersecurity in testimony to the U.S. Senate. He was hired by Twitter in late 2020 after stints at the payments company Stripe, Alphabet Inc.'s Google unit and the U.S. Defense Advanced Research Projects Agency, known as Darpa, according to his LinkedIn profile.

The complaint adds a new dimension to the lawsuit over Mr. Musk's intention to walk away from the deal, according to Charles Elson, founding director of the John L. Weinberg Center for Corporate Governance at the University of Delaware. "He is

arguing that he was misled by Twitter" and the complaint suggests the same thing, Mr. Elson said. Mr. Zatkó is expected to be brought in as part of the discovery process, Mr. Elson said, and the judge will be tasked with deciding whether the allegations would have a material impact on Mr. Musk's case.

Mr. Zatkó alleges Twitter miscounts users by focusing only on what are known as monetizable daily active users, or MDAUs, rather than all total daily users. The former category counts only those accounts that are thought to view advertising.

"There are many millions of active accounts that are not considered 'mDAU,' either because they are spam bots, or because Twitter does not believe it can monetize them," Mr. Zatkó says in the complaint. "These millions of non-mDAU accounts are part of the median user's experience on the platform."

Twitter has said it has a system for measuring users and spam that entails multiple human reviews of thousands of accounts sampled at random over time.

Mr. Zatkó says in the complaint that he attempted to formally notify Twitter's board of his concerns but was steered off by Mr. Agrawal.



Peiter Zatkó is a former hacker known as 'Mudge.'

John Tye, founder of Whistleblower Aid, an organization that helped file the whistleblower claims, said Mr. Zatkó first approached the nonprofit in early March through the encrypted messaging app Signal. Mr. Tye said Mr. Zatkó has never met or spoken with Mr. Musk and Mr. Musk's team hasn't been in contact with the nonprofit about Mr. Zatkó's complaint. "He sees this whistleblowing as sort of the last resort," Mr. Tye said of Mr. Zatkó.

Mr. Zatkó was brought into Twitter by co-founder and then CEO Jack Dorsey after a high-profile hack by a teenager who bypassed the company's security systems. Mr.

Dorsey "specifically recruited Mudge for his reputation of speaking truth to power," according to the complaint.

Mr. Dorsey was a sporadic presence at the company, and the new hire—who had hundreds of staff reporting to him—was quickly overwhelmed by the task at hand, according to the complaint. At one point, Mr. Agrawal told his team, "Twitter has 10 years of unpaid security bills," per the complaint.

The relationship between Mr. Zatkó and Twitter's leadership deteriorated over the subsequent months, according to both parties. Mr. Zatkó helped oversee a critical report on Twitter's ability to fight misin-

formation and spam, which other executives watered down, according to the complaint. Mr. Zatkó said he was told by a Twitter lawyer that the changes were intended to hide the findings and prevent them from leaking internally or externally.

Mr. Zatkó, in the complaint, expressed concerns about Twitter's ties to foreign governments and said the company might have foreign spies on its payroll. Mr. Zatkó believed the Indian government forced Twitter to knowingly hire at least one employee who had access to "vast amounts of Twitter sensitive data," the complaint shows. India's Washington embassy didn't respond to a request for comment.

Earlier this month, a former Twitter employee was found guilty by a U.S. jury of spying for Saudi Arabia by passing on private user information associated with critics of the kingdom while he worked at the company from 2013 to 2015.

In a memo to employees Tuesday, Mr. Agrawal said: "I know this is frustrating and confusing to read, given Mudge was accountable for many aspects of this work that he is now inaccurately portraying more than six months after his

termination." Mr. Agrawal defended Twitter's work on privacy and security, while adding that the attention the complaint has brought to the company will make its work harder. "We will pursue all paths to defend our integrity as a company and set the record straight," he said.

Twitter reached an agreement in 2011 with the FTC to maintain rigorous security, including limiting the number of employees with access to its key security and privacy controls. Mr. Zatkó alleges the company is in violation of that accord.

"A consent decree is like a yellow card in soccer," said Nils Puhmann, a security specialist who was formerly chief security officer at cloud-communications company Twilio. "There is no second yellow card."

Copies of the complaint were sent to the Senate Judiciary and Intelligence committees, aides of each panel said.

"If these claims are accurate, they may show dangerous data privacy and security risks for Twitter users around the world," Sen. Dick Durbin (D., Ill.), chairman of the Judiciary Committee, said in a statement.

—Dave Michaels, Erin Mulvaney, Dustin Volz and Robert McMillan contributed to this article.

WORLD NEWS

Saudis, Allies Weigh Reducing Oil Output

Move would let down U.S., which was hoping for a production boost to curb high prices

Saudi Arabia and some of its oil-producing allies have suggested cutting crude production, disappointing U.S. officials who predicted the kingdom would be instrumental in

By *Benoit Faucon,*
Stephen Kalin
in Riyadh
and Summer Said

cooling the market after President Biden met Crown Prince Mohammed bin Salman for the first time in office.

The Saudi-led Organization of the Petroleum Exporting Countries and a coalition of producers led by Russia—collectively known as OPEC+—agreed to a smaller-than-expected production increase earlier in August.

Now, Saudi Arabia's energy minister and some OPEC officials have suggested the alliance could extract fewer barrels of oil to stabilize a market buffeted by economic uncertainty, the risk of global recession and energy sanctions triggered by Ukraine war.

"OPEC+ has the commitment, the flexibility, and the means...to deal with such challenges and provide guidance including cutting production at any time and in different forms," Saudi Energy Minister Prince Abdulaziz bin Salman said late Monday.

The Saudi state news agency published his comments first made in an interview with Bloomberg. He described oil markets as "in a state of schizophrenia," and said Saudi Arabia would soon begin working on a new OPEC+ agreement beyond 2022.

Prince Abdulaziz also maintained a commitment to a year-long tie-up with Russia that has frustrated U.S. policy makers trying to isolate Moscow because of its invasion of Ukraine.

The comments are the latest indication that Mr. Biden's July visit to Jeddah didn't help toward lower prices at U.S. gas stations, and are the opposite of what the Biden administration hoped to achieve during the president's trip to the kingdom.

Several OPEC members also told The Wall Street Journal on Tuesday that they might back a reduction in output, particularly if a global recession materializes.

The Saudi energy chief's comments pushed oil prices higher, climbing by \$1.30 to around \$97.80 a barrel early Tuesday, after a sell-off in recent months.

Prices for a barrel of crude are still 17% lower than in early June.

Falling gas prices in the U.S. in recent weeks, spurred in part by recession fears and recurring Chinese lockdowns, have helped Mr. Biden, and any move to reduce oil output could undo those gains.

A production cut also could partly negate any reintroduction of Iranian oil to the market if talks to revive the 2015 nuclear deal, which are at a crucial stage, prove successful.

Sanctions reimposed after the collapse of the agreement have kept Iranian oil largely out of play since 2018, when the U.S. withdrew from the deal. The White House had hoped reinvigorating the arrangement and the addition of Iranian oil would curb prices when Americans vote in midterm elections in November.

The U.S. and its allies have persistently called on oil producers to make up for dwindling supplies caused by sanctions imposed on Russia after it invaded Ukraine. The war sent oil prices above \$100 a barrel for the first time in eight years.

The divergent positioning from Washington and Riyadh on global-energy markets points to a deeper disconnect between the world's biggest oil consumer and its top crude exporter.

The signaling from Riyadh



President Biden met Crown Prince Mohammed bin Salman in Saudi Arabia in July. Left, an Aramco oil tank in Saudi Arabia.



AHMED JADALI/REUTERS

contrasts sharply with the White House's public and private expectations of the Saudis following Mr. Biden's high-profile trip to the kingdom, where he met with Prince Mohammed for the first time during his presidency.

Two days after the visit, Amos Hochstein, the State Department's senior adviser for energy security, said in a TV interview that, "based on what we heard on the trip, I'm pretty confident that we'll see a few more steps in the coming weeks."

A week later, a senior ad-

ministration official said that the White House was "optimistic that there could be some positive announcements coming out of the next OPEC meeting."

After boosting output by 648,000 barrels a day in July and August, however, the alliance agreed on Aug. 3 to raise its collective production by only 100,000 barrels a day in September.

In response, Mr. Hochstein called on producers to pump more "when possible and to the degree that it is necessary to keep these prices coming down."

received initial indications the Saudis could back an output rise of as much as 500,000 barrels a day at the August meeting, according to Saudi officials. But OPEC+ eventually opted for only a 100,000 barrel a day increase.

State Department spokesman Ned Price said "discussion ensuring a steady supply of global energy [with America's partners] will continue, especially as we face an energy situation that has been made all the more acute by Russia's aggression against Ukraine."

The U.S.'s National Security Council and the Saudi Energy Ministry didn't respond to requests to comment.

The Saudis have been dissatisfied with Washington's focus on the kingdom's human-rights violations, including the murder of Mr. Khashoggi by men close to Prince Mohammed, and are unhappy with the administration's insistence on returning to the Iran deal, said the Saudi officials.

Riyadh also is content with the windfall it is seeing since crude prices recovered from a 2020 price war with Russia, and the pandemic.

Aramco, the Saudi national oil company, posted a 90% jump in profit in the second quarter, generating billions of dollars in cash that is infusing fresh momentum into the kingdom's ambitious economic makeover, and strengthening its geopolitical power.

The result was the highest quarterly net income Aramco had posted since it started trading its shares on the Saudi stock exchange in 2019.

Saudi Arabia registered 11.8% on-the-year economic growth in the second quarter.

While the International Monetary Fund predicts growth of 7.6% this year, more-bullish economists forecast a rate of 10%. That higher estimate would make it one of the world's highest economic performers, as the U.S. and Europe are concerned about recession.

Demand Propels Gas Prices

Continued from Page One August, with surveys of purchasing managers in the U.S., Europe and Japan pointing to a sharp slowdown in global economic growth. As inflation weakens consumer demand, threatening recession in some parts of the world, the war in Ukraine continues to scramble supply chains and looms as a point of pressure for natural-gas supplies.

Surging prices in Europe, weather that remains hotter than normal in much of the U.S. and the heart of hurricane season, when storms can knock out production platforms in the Gulf of Mexico, threaten to send natural-gas prices higher, analysts and traders said.

"Virtually all of our fundamental and technical indicators continue to flash green lights toward higher price levels," trading firm Ritterbusch & Associates told clients, predicting near-term prices could climb to as high as \$11.90.

The last time natural-gas prices were so high was back before the shale-drilling boom flooded the domestic market with cheap gas and the U.S. flipped from importing the power-plant fuel to becoming the world's leading exporter.

Normally this time of year, prices ease into the mild weather of autumn, encouraging producers and traders to store gas in underground caverns until winter, when demand and prices are usually at their highest.

This year, though, brisk exports, the electricity demand associated with hot weather and sluggish production growth have kept U.S. natural-gas supplies from swelling into heating season.

The U.S. Energy Information Administration reported last week an unseasonably meager injection into storage facilities that widened to 12.7% the deficit to typical inventory levels for this time of year.

"We are beginning to see a lag in storage builds that



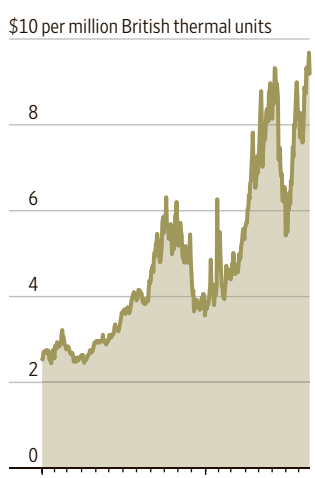
Brisk exports of natural gas, which is liquefied and shipped via tankers like this one, are leading to lower U.S. supplies.

could lead to a precarious situation during the draw season in the event of a harsher-than-expected winter," said Neal Dingmann, an energy equities analyst at Truist Securities. "There is potential for a winter U.S. superspike."

Monthly domestic production reached its highest level since the pandemic in May, though it remained short of the output record set in December 2019, EIA data show. Analysts said output has decreased lately.

Domestic demand is rising, though. Coal prices that have risen more sharply than those for gas and scarce supplies have limited power producers' options for generating electricity, which has been in high demand to run air conditioners this summer. Government energy forecasters expect average daily U.S. gas consumption this year to be 3% higher. They expect year-over-year production gains at about the same rate.

Natural-gas futures price, front-month contract



Source: FactSet

Meanwhile, exports are set to rise this fall when one of the U.S.'s biggest liquefied-natural-gas, or LNG, terminals resumes operations. Freeport LNG's facility on a Texas barrier island has been shut down since a fire in early June, reducing U.S. export capacity by about one-sixth, or about 2 billion cubic feet a day.

That is about enough gas to power 50,000 homes for a year and became available to domestic buyers this summer, helping to keep prices down at home. Freeport said Tuesday that it now expects to restart LNG production in November and resume full operating capacity in March, revising an earlier timeline that called for an October restart.

The S&P Global survey of business activity found a sharp drop in the U.S. this month, led by services companies, though manufacturing slowed as well. High inflation, material shortages, delivery delays and interest-rate rises all weighed on business activity, the survey said.

The composite purchasing managers index for the U.S. economy—which measures activity in both the manufacturing and services sectors—was 45.0 in August, down from 47.7 in July. That marked the second consecutive month with a decline and was the lowest reading since May 2020.

S&P Global said its composite purchasing managers index for the eurozone fell to 49.2 in August from 49.9 in July, reaching an 18-month low. Manufacturing output fell for a third straight month, while the services sector narrowly avoided a contraction.

—Paul Hannon and Gabriel T. Rubin contributed to this article.



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WORLD NEWS

Putin, Erdogan Are Deepening Ties

By JARED MALSIN

ISTANBUL—Turkey and Russia are stitching their economies more tightly together, heightening concerns among the U.S. and its allies that the burgeoning relationship could undermine sanctions imposed on the Kremlin as punishment for its invasion of Ukraine.

Expanding trade and financial ties show how the countries are turning to each other to shore up their troubled economies. Moscow increasingly is leaning on Turkey to ease its international isolation after the West imposed sweeping sanctions on Russia since its assault on Ukraine began in February. Turkish President Recep Tayyip Erdogan needs foreign currency amid an economic crisis resulting largely from his own monetary policy, economists say.

“Because the U.S. and EU countries closed their doors to Russia, Russia turned to Turkey,” said Gıyasettin Eyyüpkoca, the head of the Laleli Industrialists and Businessmen’s Association, an industry group for Turkish trade with Russia.

From energy and industrial hardware, to Russian oligarchs parking their yachts on Turkey’s glittering Mediterranean coast, the deepening relationship with Russia has sharpened concern among senior officials in Washington and Europe that Turkish policies are working against the Western sanctions imposed on Russia.

The Biden administration has become increasingly vocal in response. U.S. Deputy Secretary of the Treasury Wally Adeyemo sent written warnings Monday to two top Turkish business associations, saying that Turkish institutions risk coming under sanctions if they work with sanctioned Russians, The Wall Street Journal reported.

It came after Mr. Adeyemo spoke with his Turkish counterpart on Friday to raise “concerns that Russian entities and individuals are attempting to use [Turkey] to evade sanctions put in place by the United States and 30 countries,” the Treasury De-



Turkish President Recep Tayyip Erdogan, left, and Russian President Vladimir Putin at a meeting this month. The relationship between the countries has concerned Western officials.

partment said.

In June, Mr. Adeyemo privately urged Ankara to make progress on complying with international sanctions on Russia during a rare visit to Turkey, according to U.S. officials. On the same trip, he also visited the United Arab Emirates, which has become a haven for Russian money and assets such as private jets.

Mr. Adeyemo urged Turkish officials to clamp down on hundreds of millions of dollars in assets that Russians, including oligarchs, are sheltering in Turkey, according to one of the officials. “Turkey and the U.A.E. are the short poles in the tent” when it comes to upholding sanctions on Russia, the U.S. official said.

Turkey’s Treasury Ministry said that the country’s deputy finance minister assured Mr. Adeyemo that “no institutions or individuals are allowed to violate the sanctions.” Emirati officials have said that many nonsanctioned Russians had sought shelter in the U.A.E.

Turkey’s Ministry of Treasury and Finance didn’t respond to a request to comment on the concerns expressed by U.S. officials.

Russians opened 500 companies in Turkey in the first six months of this year, more than

double the number of firms started by Russian nationals in the country in all of 2021, according to data from Turkey’s chambers of commerce reviewed by The Wall Street Journal. Turkey’s exports to Russia grew by 75% in July over the previous year, as Russians pivoted to Turkey to replace off-limits European imports.

Mr. Erdogan’s moves to deepen economic cooperation

Moscow opened 500 companies in Turkey during the first six months of this year.

with Russia follow months in which he carefully has balanced relations with the Kremlin and the West while pursuing Turkey’s own narrow interests during the war in Ukraine.

Turkey has sold weapons and military equipment to Ukraine, including at least 50 armed drones that have played a key role in Ukraine’s resistance to the Russian invasion. Turkey also invoked an international treaty to block additional Russian warships from entering the Bosphorus strait.

After taking those steps to concretely support Ukraine in its conflict with Russia, Turkey increasingly took a neutral stance while hosting unsuccessful peace talks between the two and has cultivated relations with both sides. Mr. Erdogan during a visit to Ukraine on Aug. 18 reiterated an offer to host further rounds of peace talks.

The Turkish president has also leveraged his country’s relationships with both Ukraine and Russia to help broker a United Nations-backed agreement to resume Ukrainian grain exports via the Black Sea. Turkey’s constructive role in the grain talks and provision of weapons to Ukraine strengthened its hand in talks with the U.S. over sanctions compliance and other issues, according to officials familiar with the conversations.

Turkey’s role as a linchpin in the grain agreement and a separate deal allowing Sweden and Finland into NATO, means that some Western countries are unlikely to confront Turkey over its intensifying relationship with Russia, analysts said.

“Getting into a confrontation with Turkey, especially for Europe, comes with a lot of costs,” said Erik Meyersson, a senior economist at Swedish bank Handelsbanken.

U.S. Warns of Possible Russian Attacks Ahead of Anniversary

By MATTHEW LUXMOORE

DNIPRO, Ukraine—The U.S. warned of a potential escalation in Russian attacks on civilian areas in Ukraine to coincide with the war-torn country’s Independence Day on Wednesday, urging Americans to leave as soon as possible.

The public holiday commemorates the August 1991 signing of a declaration that took Ukraine out of the collapsing Soviet Union and made it an independent state. And this anniversary also marks six months since Russia’s invasion.

In recent years, the day has been celebrated with military parades and mass gatherings, but this time no major events are expected, and officials in major cities have called for heightened awareness and additional curfews.

The U.S. Embassy in Kyiv cited on its website “information that Russia is stepping up efforts to launch strikes against Ukraine’s civilian infrastructure and government facilities in the coming days.” A State Department official said the warning is most closely tied to concerns surrounding Ukraine’s Independence Day celebrations.

“There is a heightened risk of rocket strikes and other provocations,” Andriy Yusov, a spokesman for Ukraine’s defense intelligence agency, said in a TV interview. “[Russia] is obsessed with dates and symbols, so it’s perfectly logical to take extra precautions.”

The warnings come as Russia’s military offensive in Ukraine has stalled and its forces have struggled to gain territory in the east and south. Ukraine, meanwhile, has continued attacks on Russian military infrastructure.

The U.K.’s Defense Ministry said Tuesday that Russia began moving barges into position for the construction of a floating bridge across the Dnipro River that connects the Russian-oc-

cupied city of Kherson with other Russian-held areas in southern Ukraine and is used by Moscow to resupply the city and forces stationed there.

The bridge is meant to run alongside the Antonivsky bridge, which was severely damaged by repeated Ukrainian strikes, limiting Russia’s resupply efforts. According to the Institute for the Study of War, a U.S. think tank, the bridge essentially is unusable for heavy transport, and it is unclear whether the pontoon bridge could fill the crucial role it played as Russia has sought to cement its control in Kherson.

Elsewhere in the country’s south, Ukraine’s nuclear regulator Tuesday said Russia has expanded the troop contingent occupying the Zaporizhzhia nuclear-power plant, and brought more military equipment to the facility. Intense fighting in recent weeks has prompted urgent warnings from officials in Kyiv, Moscow and Western capitals about the likelihood of a nuclear accident.

In Moscow on Tuesday, government officials and public figures gathered for the funeral of Daria Dugina, the daughter of far-right ideologue and Putin ally Aleksandr Dugin. Ms. Dugina died in a car bombing near Moscow over the weekend. Russia has blamed Ukrainian special services for the killing. Kyiv has denied playing a role.

At the funeral, Mr. Dugin said his daughter died in the name of victory, and that only victory could justify the price she paid. Politicians and government officials present called for the West to pay for Ms. Dugina’s killing, and on Russians to unite behind the state.

“Whatever your political party, faith or age, there can be only one approach: One country! One president! One victory!” said Russian lawmaker Leonid Slutsky.

—William Mauldin contributed to this article.

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WORLD NEWS

Kyiv Is Gaining Momentum

Continued from Page One
energy and food prices could undermine Western unity.

The U.S., in particular, is sending Ukraine steadily growing quantities of advanced weapons such as the High Mobility Artillery Rocket System, or Himars, as well as crucial financial support. The U.S. announced another nearly \$800 million in military assistance for Ukraine on Friday, including drones, artillery and ammunition. For the first time, the package includes mine-clearing equipment and tactical vehicles that suggest the U.S. is arming Ukraine in new ways to retake territory.

"The Russian military has lost much of what momentum it had and has redeployed a lot of its forces in anticipation of a Ukrainian offensive in the southern part of the country," said Michael Kofman, director of Russia studies program at CNA, a defense research organization in Arlington, Va.

"I don't think there is a natural stalemate on the ground," he said. "I think there is at least another chapter to play out before winter."

The outcome of that effort is far from clear, but the fate of the conflict now lies with what the Ukrainians are able to achieve.

Both sides are believed to have lost tens of thousands of soldiers killed or wounded since Moscow's full-scale attack began Feb. 24. Russia is struggling even more than Ukraine to replace losses of troops and materiel, relying on mercenaries, proxy militias and old tanks to fill the gaps. Russia's economy is facing a far deeper recession than Western nations.

Some results of the war already seem settled. The attempt by President Vladimir Putin of Russia to rewrite the ending of the Cold War by restoring Moscow's historic sphere of influence in Eastern Europe has failed. His war on Ukraine has instead united almost all of Europe against him, revivifying the North Atlantic Treaty Organization, which is poised to add Sweden and Finland as new members. Widespread evidence of al-



A Ukrainian soldier, above, walks through a field during an exercise in the Mykolaiv region of southern Ukraine. Right, displaced Ukrainians get food at the Lviv train station. Below, police check the identities of bodies at a cemetery in Bucha. Russians killed hundreds of people in the town outside Kyiv.



leged Russian atrocities against Ukrainians and Mr. Putin's weaponization of energy, food and even nuclear safety have made his regime a pariah throughout the developed world—although not in the Global South, where skepticism toward the West runs deep.

And Ukraine has achieved a political win by surviving as an independent country, against expectations in Moscow, as well as many Western capitals that Kyiv would collapse under Russia's onslaught. The war has reinforced Ukraine's distinct national identity and its determination to reorient its economy, politics and security arrangements toward the West. But the final outcome of the

war remains as uncertain as its duration. Russia still has far more artillery and shells. The difficulty of advancing over open ground makes it hard for Ukraine to retake occupied land. Western military aid, especially from Europe, remains slow and stuttering from Kyiv's perspective. Many Western policy makers continue to doubt that Ukraine can achieve military victory short of a level of Western support that might risk escalation into a direct war with Russia.

As summer ends, Ukraine's defenders are showing a newfound ability to strike deep behind Russian lines.

Russia's offensive in the eastern Donbas area is losing steam. Moscow has been forced



to redeploy its troops to shore up vulnerable positions in the south. Retaking large territories from Russian occupiers remains a formidable challenge for Ukrainian soldiers, however.

"Ukraine has gained the strategic initiative. But we don't know what they can do with it yet," said François Heisbourg, a former French official and special adviser at the Paris-based Foundation for Strategic Research.

Ukraine's southern counter-offensive won't be a mass frontal assault on Russian lines, Mykhailo Podolyak, an adviser to President Volodymyr Zelensky of Ukraine, said in an interview.

Rather, he said, Ukraine will try to replicate the strategy it

used to defend Kyiv: attacking Russian logistics behind the front line, including with guerrilla tactics, to degrade Russia's ability to wage war and force a withdrawal.

"The Russians need ammunition, fuel and field headquarters that are close to the front. We destroy the fuel and ammunition, then there is confusion because there is no headquarters, so it is already a demoralized army. Then you start to strike and slice it up," Mr. Podolyak said. "It worked in the defense of Kyiv, and it will work the same way in the counteroffensive."

Mr. Podolyak said Ukraine needs more Himars and attack drones that can pierce Russian electronic-warfare defenses.

Meanwhile, the EU remains on high alert about running out of energy this winter, though some said the risk of an outright natural-gas shortage is subsiding as countries buy up non-Russian gas and EU efforts to save energy and share supplies take effect.

Russia's economic outlook is much worse than the West's—although possibly not as bad as predicted early this year, after Moscow stabilized the ruble and restored its oil exports. The International Monetary Fund forecasts that Russian gross domestic product will contract 6% this year, and shrink further for years to come.

So far, Russia's dwindling economic prospects haven't moved Mr. Putin to end the war. Western officials say the goal of sanctions is to weaken his industrial and military capabilities, rather than to change his mind. But Russia's strategy of using economic pressure to undermine Western political support for Ukraine isn't working either, so far.

Mr. Putin's determination to continue the war and evidence of widespread alleged Russian atrocities against Ukrainians have left the EU with little choice but to continue to support Kyiv and sanction Moscow.

The U.S. has pumped about \$10.6 billion of military aid into Ukraine since the Biden administration entered office, with more assistance expected in the coming weeks. There is little sign that support for Ukraine is flagging in the U.S.

"Most Americans are sympathetic to Ukraine and Zelensky has become a folk hero in a sense with a very large percentage of the population," said Larry Sabato, a political analyst at the University of Virginia. Sustaining large amounts of assistance might become harder if the war goes on for many years, he said.

Some analysts said there could be more opposition to support for Ukraine in Congress if Republicans gain control of one or both houses after the November midterm elections. But a congressional staffer believes the Republicans won't relent in their support.

"The votes will be there for Ukraine," the staffer said. "It'll be a lot like the NATO accession vote for Finland and Sweden in the Senate, a lot of churn, but intellectually honest Republicans know what's at stake in Ukraine."

—James Marson
contributed to this article.

Former Malaysian Leader Imprisoned in 1MDB Case

By FELIX SOLOMON
AND YING XIAN WONG

KUALA LUMPUR—Former Prime Minister Najib Razak was taken to prison after Malaysia's top court dismissed his final appeal of corruption convictions, capping a yearslong quest by authorities to prosecute him for his role in one of the world's largest financial scandals.

The ruling by Malaysia's Federal Court on Tuesday upheld Mr. Najib's guilty verdicts on seven charges including abuse of power, money laundering and criminal breach of trust. He was convicted in 2020, sentenced to 12 years in prison and fined nearly \$50 million, but his punishment was stayed during the appeals process.

The 69-year-old Mr. Najib, who remains influential in Malaysian politics, denies wrongdoing. On Tuesday, he appeared in court with his wife and three children and deliv-

ered a long statement before the ruling, saying that the court treated him unjustly. "At the final stage of a case, it is the worst feeling to have, to realize that the might of the judicial machinery is pinned against me in the most unfair manner," he said.

The court's five-member bench unanimously dismissed Mr. Najib's appeals and affirmed his conviction and sentence, said Federal Court Chief Justice Tengku Maimun Tuan Mat. "The defense is so inherently inconsistent and incredible that it has not raised reasonable doubt on the case," she said.

Prosecutors accused Mr. Najib of being behind a sprawling multinational fraud scheme involving 1Malaysia Development Bhd., known as 1MDB, the country's state investment fund. Investigators in Malaysia and the U.S. alleged Mr. Najib and his associates pilfered billions of dollars from the fund while he was in office.

The dismissal of Mr. Najib's

appeal and his immediate imprisonment may repair some of the damage the scandal, which spanned multiple jurisdictions, did to Malaysia's international reputation. While others have been prosecuted for their involvement in the 1MDB fraud, Mr. Najib was accused of being the political figure at its center.

"The perception has been that people in senior positions of political power can get away with their crimes," said Bridget Welsh, an honorary research associate at the University of Nottingham Malaysia. "Most Malaysians didn't believe this would ever happen."

Mr. Najib could still be freed by a royal pardon.

The scandal led to calls for Mr. Najib's resignation and his ultimate defeat in elections in 2018, when he was trounced by political rivals who later revived investigations into his alleged financial misconduct. He has since faced 42 criminal charges in five separate cases, most of



Najib Razak arrived at Malaysia's federal court on Tuesday, where his corruption appeal was dismissed.

which are still before the courts.

The decision Tuesday was tied to a case that was the first against him to result in a conviction, and involved allegations that roughly \$10 million was transferred from a former 1MDB unit called SRC International Sdn Bhd. into his personal bank accounts.

Mr. Najib's political party, the United Malays National Or-

ganization, has regained some popularity after its defeat in 2018, which ended its six consecutive decades in power. After Mr. Najib lost the premiership he continued serving as a member of parliament, but now that his conviction has been upheld he is barred from holding his seat and making future runs for office.

Malaysian authorities say Mr. Najib oversaw the plunder of

1MDB, which he expanded after being elected prime minister in 2009. The U.S. Department of Justice said more than \$4.5 billion was stolen from the fund between 2009 and 2015 in a scheme that involved bribing officials in Malaysia and the United Arab Emirates to get lucrative deals and raise money for the fund, and laundering the loot through luxury real estate, artwork and Hollywood films.

WORLD WATCH

SYRIA U.S. Strikes Site Tied To Iran-Backed Forces

The U.S. military said it struck ammunition and logistics bunkers Tuesday in northeast Syria used by groups affiliated with Iran's Revolutionary Guards Corps.

Four fighter jets carried out the strikes near Deir Ezzour, dropping bombs on nine bunkers where the groups operate, military officials said. The strikes were in retaliation for attacks U.S. military officials said were conducted by Iranian-backed groups Aug. 15 at the al-Tanf garrison in southern Syria, and an area known as Green Village in northeast Syria.

About 1,000 American troops operate out of those bases, as part of a years-long mission to counter Islamic State. No casualties were reported from Tuesday's U.S. strikes or the attacks on the bases with U.S. personnel.

President Biden approved the strikes in which a pair of F-15E and a pair of F-16E fighter jets dropped guided bombs on the nine bunkers. U.S. military officials said they took "proportionate, deliberate action" in an effort to mitigate escalation and minimize the risk of casualties.

Two bombs were held back when military officials saw people walking near the bunkers, officials said.

—Gordon Lubold

BRAZIL Police Search Homes Of Bolsonaro Allies

Brazilian police searched the homes of several prominent businessmen allied with President Jair Bolsonaro on Tuesday as the Supreme Court investigates the men for discussing a possible power grab in the event the conservative leader loses October's presidential election.

A team of 35 police officers carried out search warrants across five states to gather evidence. Legal and political analysts said the operation was likely to inflame tensions over allegations of antidemocratic behavior on both sides of the political divide.

Supreme Court Judge Minister Alexandre de Moraes, who heads the country's electoral court, also ordered police to access the banking records of the businessmen and ruled their social-media accounts should be suspended, according to a person close to the investigation.

The operation is part of an investigation by Mr. Bolsonaro and his supporters for allegedly spreading false information about the integrity of the voting system and inciting violence ahead of October's vote. Mr. Bolsonaro has denied those accusations, saying his concerns over voter fraud are based on a police investigation into alleged hacker attacks on the electoral court.

Brazil's Metrópoles news site

reported last week that business leaders allied with the president had begun openly discussing ways to prevent former President Luiz Inácio Lula da Silva and his leftist party from returning to the presidency if he wins.

—Samantha Pearson

IRAQ Sadr's Supporters Demand New Vote

Hundreds of supporters of an influential Shiite cleric in Iraq rallied on Tuesday in Baghdad's heavily fortified Green Zone, demanding the dissolution of parliament and early elections.

The followers of the cleric, Moqtada al-Sadr and his political

rivals, the Iran-backed Shiite groups, have been at odds since after last year's parliamentary elections. Mr. Sadr won the largest share of seats in the October vote but failed to form a majority government, leading to a political crisis. His supporters in late July stormed the parliament.

The cleric's supporters pitched tents outside the Supreme Judicial Council and carried banners calling for the authorities to dissolve parliament, schedule early parliamentary elections and combat corruption. The Council and Federal Supreme Court said they have suspended court sessions after receiving phone threats to pressure them to dissolve parliament.

—Associated Press

FROM PAGE ONE

Brookfield, Intel Sign Plant Deal

Continued from Page One

Scott Peak, a managing partner in Brookfield's infrastructure group, said such deals are common in industries including energy and telecommunications and are now trickling into the chip business because of its growing capital needs. Brookfield, which has more than \$750 billion in assets under management, sees the Intel deal as a good fit with the company's experience in large and complex deals, he said.

The move would preserve cash to help Intel continue paying dividends and would obviate the need to rely more on

borrowing to fund its expansion, which could dent the company's creditworthiness, Bernstein Research analyst Stacy Rasgon said.

Intel's stock closed up slightly on Tuesday.

Mr. Gelsinger and other industry officials have said they expect annual semiconductor sales to roughly double by the end of the decade—topping \$1 trillion—even if short-term demand softness is weighing on chip-industry earnings.

Intel made public last year the construction of two new factories in Arizona, where it already makes chips, calling it a \$20 billion expansion. But Mr. Zinsner said the figure was an early estimate and inflation had since added to the cost. Intel also has said it could spend as much as \$100 billion each on new plant complexes in Ohio and Germany.

As chips become more advanced and their circuitry

shrinks to just thousandths of the width of a human hair, manufacturing them has become more expensive. A large, advanced chip plant today can cost more than a state-of-the-art aircraft carrier or a nuclear-power plant, according to a Boston Consulting Group analysis.

Mr. Zinsner said the rising cost of making chips and Intel's ambitions under Mr. Gelsinger to rapidly expand its manufacturing footprint drove the company to look for new pools of capital instead of relying on more traditional funding sources, such as bank loans or bond sales.

"We have gotten behind, and that requires a fairly aggressive investment cycle over the next few years, which is not a place Intel typically finds itself," he said.

Intel's big plans have weighed on investor sentiment. Its share price ended

Monday down more than 45% since Mr. Gelsinger detailed his chip-making ambition last year, compared with an 8% retreat in the PHLX Semiconductor Index.

The company also has been stung by manufacturing missteps and falling demand for personal computers its chips go into, after a surge of buying during the pandemic. Intel posted a sharp drop in sales and a loss for the second quarter.

Mr. Zinsner said in a call with analysts Tuesday that the Arizona investment hinged on the company's conviction that longer-term demand was strong. "The investments we make today in the Arizona facility won't translate to volume [production] for several years," he said. "So our thinking here is that we've got to have a good sense of where we think demand over the longer term is going to be for [silicon] wafers

and invest in our capital accordingly."

The company is giving itself flexibility in when it meets that demand by building empty shells of chip factories at first, then deciding when to put manufacturing machinery inside them depending on markets, customers and product readiness, said Intel's chief global operations officer, Keyvan Esfarjani.

Mr. Zinsner said one of the benefits of working with Brookfield is the off-balance-sheet nature of the financing. It also could help the company eventually fulfill its commitment to deliver free cash flow at 20% of revenue.

Intel isn't alone in having aggressive chip-investment plans. Last year Taiwan Semiconductor Manufacturing Co., the world's largest contract chip maker, said it would spend \$100 billion over three years to boost output, and

South Korea's Samsung Electronics Co., also a major chip maker, unveiled a three-year plan to spend more than \$205 billion.

Intel is counting on government help to defray some costs. Political leaders in the U.S. and Europe have signaled eagerness to build up chip-making locally and counter the industry's shift toward Asia, where manufacturing has typically been less costly.

In the U.S., whose share of the chip market has fallen to about 12%, according to Boston Consulting Group, President Biden signed legislation this month allocating more than \$50 billion for domestic chip manufacturing and research. Intel and other chip manufacturers lobbied heavily for the bill. The European Union is considering incentives to double its share of global chip-making to 20% by 2030.

Billionaire Aims to Fix Crypto

Continued from Page One

and ordinary consumer payments.

He has a lot of work to do. More than a decade after bitcoin's birth, proponents still struggle to explain the value of digital currencies to a broad audience. Bitcoin has fallen nearly 70% from its November peak and the crash has erased \$2 trillion of value from the crypto market, hurting millions of investors.

Not all of Mr. Bankman-Fried's moves have paid off. An investment in Japan has proved rocky for FTX. And the trading firm he owns alongside FTX, Alameda Research, took losses when it tried to prop up troubled crypto lender Voyager Digital Ltd. Alameda lent Voyager \$75 million and increased its stake in the company to 9.5%—only for Voyager to file for bankruptcy less than two weeks later.

"We want to do what we can to stem contagion, and sometimes that's going to mean that we try to help out in cases where it's not enough," Mr. Bankman-Fried said. "If that never happened, I'd feel that we were being way too conservative."

Juggernaut

Like other crypto exchanges, FTX's core business is to facilitate the buying and selling of digital currencies, and it takes a small cut of transactions. The firm has grown into a juggernaut since it was founded three years ago. With only about 300 employees, FTX is the world's third-biggest crypto exchange by volume, doing \$9.4 billion worth of trades on an average day, according to data provider CoinGecko.

The firm made net income of \$388 million on \$1.02 billion of revenue last year, according to a person familiar with the matter. It has stayed profitable in 2022 even as crypto prices slumped, Mr. Bankman-Fried said. FTX was valued at \$32 billion during its last funding round in January.

Now, with bitcoin hovering around \$21,000—roughly in line with its level in late 2020, before last year's big bull market—Mr. Bankman-Fried says the worst is over.

"Anything could happen, obviously, but as far as I know, we've seen most of the contagion already flushed out of the system," he said.

The plea for help from the CEO of BlockFi Inc., a digital-currency lender, came on a Saturday evening in June. Mr. Bankman-Fried saw the message around 11 p.m. after playing padel, a tennis-like sport, with colleagues. He jumped into his Toyota Corolla with fellow FTX executive Ramnik Arora, turned on the air conditioning and returned the call.

BlockFi was essentially a crypto bank, taking deposits and lending them to borrowers that use the funds for trading purposes. In return, depositors earned interest on their digital money—usually at much higher rates than traditional banks offered on dollar deposits. BlockFi and other crypto lenders did brisk business until May, when the swift collapse of two cryptocurrencies called TerraUSD and Luna sent shock waves through the market and blew up hedge

fund Three Arrows Capital Ltd., one of the biggest borrowers in crypto.

Fears of a 2008-style financial contagion spread. On June 12, a popular crypto lender called Celsius Network LLC suspended withdrawals. Other lenders, including BlockFi and Voyager, were threatened with the crypto equivalent of a run on the bank.

The crash set off rounds of calls into FTX's headquarters in the Bahamas. Around 15 crypto firms sought money from FTX during a two-week stretch in June, including "miners" who run computer algorithms to generate bitcoin, as well as Celsius itself, Mr. Arora recalled.

Celsius, which has since filed for bankruptcy, didn't respond to a request for comment.

FTX concluded that Celsius was beyond saving, FTX executives said, but that BlockFi was healthier. Following a Sunday morning Zoom meeting with BlockFi's leadership on June 19, the day after the initial call from his car, Mr. Bankman-Fried decided to push for a deal.

By throwing BlockFi a lifeline, Mr. Bankman-Fried also seized the opportunity to expand his empire.

In the final deal unveiled on July 1, FTX agreed to loan BlockFi \$400 million with an option to buy the firm for up to \$240 million. That price is a steal compared with the \$4.75 billion valuation that BlockFi reached in July 2021, according to PitchBook data.

"It's certainly not the outcome that we were expecting last summer," BlockFi CEO Zac Prince said, but he called the FTX deal a win for the company and its clients. Unlike other offers BlockFi received, which could have forced BlockFi's retail customers to lose part of their deposits, the FTX transaction was designed to keep depositors whole.

BlockFi says it has more than 650,000 funded accounts. If FTX ends up buying BlockFi, it will expand into the lending market, adding the crypto version of a big bank to Mr. Bankman-Fried's portfolio.

Public figure

Mr. Bankman-Fried says he wants to turn FTX into a sort of financial supermarket, offering everything from lending to stock trading to payments.

"The idea generating this is, 'What do you actually want to do with your money, as the typical consumer? What are the things that are actually valuable for your day-to-day life?'" he said.

Mr. Bankman-Fried is a longtime vegan. He majored in physics at the Massachusetts Institute of Technology and worked for quantitative-trading giant Jane Street Capital for three years before diving into crypto. He is the son of two professors at Stanford Law School.

Bloomberg recently estimated his net worth at \$11.9 billion, down from nearly \$26 billion last year before the crypto crash. He is an adherent of effective altruism, a philosophical movement that says individuals should maximize their positive impact on society by making substantial money and giving it away. His favored causes include pandemic prevention and preventing artificial intelligence from harming humanity.

People close to him express surprise at how naturally Mr. Bankman-Fried became a public figure. He has become a regular in Washington, testifying before Congress, promot-



FTX Chief Executive Sam Bankman-Fried says his goal is to bring crypto to the masses.

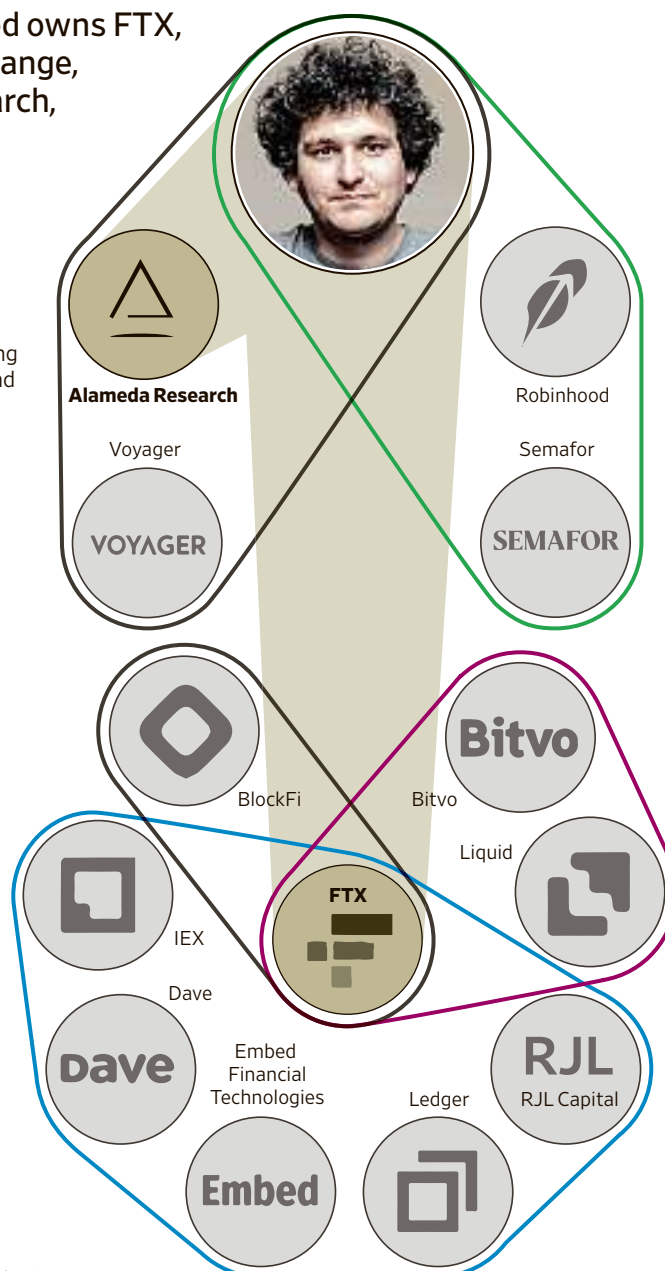
Sam Bankman-Fried owns FTX, a major crypto exchange, and Alameda Research, a trading firm.

● During the recent downturn, he attempted to bail out two crypto lenders, Voyager and BlockFi, by loaning them money from Alameda and FTX, respectively.

● Mr. Bankman-Fried has also invested personally in Robinhood Markets and a media startup, Semafor.

● FTX also acquired two crypto exchanges—Liquid and Bitvo—expanding into Japan and Canada, respectively.

● FTX has invested in non-crypto companies too, such as U.S. stock exchange operator IEX, as it expands into other markets.



Anthony Kwan for The Wall Street Journal (photo)

ing FTX's agenda and lobbying for the crypto industry.

"He has had to transition from talking to a purely crypto audience to dealing with lawmakers, journalists and the public," said Chris McCann, a partner at Race Capital, an early investor in FTX. "In 2019 he didn't have a lot of those skill sets. He was much more of a shy, quirky, geeky person."

Mr. Bankman-Fried's first headquarters was a rented house in Berkeley, Calif., where he started Alameda Research in 2017—outfitted with desks and computers bought on Amazon. He later moved Alameda to Hong Kong, where crypto regulation was lighter than in the U.S.

Alameda sought to capture profits from the bitcoin market, where a mishmash of exchanges enabled arbitrage opportunities—the ability to buy a coin in one location and sell it elsewhere for more. One

early strategy involved buying bitcoin in the U.S. and then selling it in Japan, where it commanded a premium.

He launched FTX in 2019, betting that his team could build a better exchange than the incumbents. Last year, amid mounting scrutiny of crypto by global regulators, Mr. Bankman-Fried decided to move FTX's headquarters to the Bahamas, where the government had established a crypto-friendly regulatory regime.

Expansion

Today FTX is based in an office park ringed by palm trees and dominated by a sun-baked parking lot. Mr. Bankman-Fried lives in a nearby luxury apartment complex. Although he has a reputation for living frugally—he has long lived with housemates and often sleeps on a beanbag at

work—real-estate records show a unit of FTX paid \$30 million for a five-bedroom penthouse there.

Mr. Bankman-Fried said he's one of 10 FTX colleagues who share the apartment. "Obviously, it would be a ridiculous place for me to be living alone," he said.

FTX expanded earlier this year by acquiring Japanese crypto exchange Liquid, which was hit by a \$97 million hack in August 2021.

Shortly after the hack, Seth Melamed, then a Liquid executive, was getting on a plane to Tokyo. Liquid faced insolvency, customers were angry, and Mr. Melamed worried that Japanese police might arrest him at the airport. He wrote to Mr. Bankman-Fried on the Telegram messaging app.

His note read: "Fully understand this unusual, but if FTX would consider investing or acquiring Liquid it would sal-

vage our business and benefit the crypto community more broadly."

The plane had no Wi-Fi. When it landed, he was relieved to find no police waiting for him and a response from Mr. Bankman-Fried: "happy to take a look!"

A few days later, FTX agreed to loan Liquid \$120 million, keeping it afloat and setting the stage for the takeover.

It wasn't an entirely smooth acquisition. FTX ended up losing thousands of Japanese customers who were already using FTX and refused to move over to the local unit regulated by Japan's Financial Services Agency, a person familiar with the matter said.

Mr. Melamed, now chief operating officer of FTX Japan, said, "We are confident we can return to previous levels of activity by Japanese users at FTX before the end of this year and surpass this by 2023."

In June, FTX agreed to buy Canadian crypto exchange Bitvo Inc. FTX has also amassed licenses to provide financial services in Australia, Dubai and the European Union as part of an international push.

FTX's ambitions extend to traditional markets. After buying a registered U.S. brokerage firm last year, it recently allowed American customers to trade stocks on its app alongside bitcoin. In May, Mr. Bankman-Fried spent \$648 million of his personal fortune to buy a 7.6% stake in Robinhood Markets Inc., maker of the popular trading app. He revealed his purchase after Robinhood stock plunged nearly 80% from its initial public offering; the shares have edged slightly higher since then.

Mr. Bankman-Fried is the majority owner of both FTX and Alameda, an arrangement that has drawn criticism from crypto skeptics as well as some digital-currency traders. In traditional markets such as stocks and futures, exchanges are required to be neutral platforms that don't benefit one trader over another. Regulators discourage them from being intertwined with trading firms, considering it a conflict of interest. No such restrictions exist in crypto.

Mr. Bankman-Fried said Alameda doesn't get special privileges on FTX. While it was initially a major participant on FTX, helping to juice trading activity, it has since dropped to a small share of trading volumes, he said.

Last year Mr. Bankman-Fried resigned from his role as CEO of Alameda, saying he was spending most of his time on FTX. The firm continues to generate significant profits for him. One cryptocurrency wallet controlled by Alameda—where the firm holds some of its funds—has generated more than \$550 million in trading profits since 2020, according to Nansen, a blockchain analytics firm.

FTX amassed a war chest of some \$2 billion in a series of funding rounds in 2021 and early 2022, while crypto prices were still high. Investors in FTX included established asset managers such as Singapore state-owned investment company Temasek Holdings Pte. Ltd. and the Ontario Teachers' Pension Plan. The funding allowed FTX to make acquisitions after crypto crashed.

Mr. Bankman-Fried said that FTX has a few billion in cash that it could use for other deals—money it keeps in dollars, not crypto.

—Megumi Fujikawa contributed to this article.

Harness the Healing Power Of Water



BONDS
ELIZABETH BERNSTEIN

On a dusty August day two years ago, Wallace J. Nichols hiked into the California valley where he had lived for more than 20 years to find his family's home and all their possessions destroyed by a wildfire. Stunned, Dr. Nichols searched the debris. He walked the entire property. Then he did the only helpful thing he could think of to do. He went down to the nearby creek, stripped off his clothes, and submerged himself.

Dr. Nichols, who is a marine scientist, was seeking the healing power of water.

It has been a rough few years. Many of us are finding ourselves exhausted, burned out, struggling to build balance back into our lives. We need to recharge.

Water can help. Neuroscientists say spending time

Participating in water activities such as swimming or surfing can help us enter a "flow state" where we become fully immersed in what we're doing. This calms our mind's internal state, which is often absorbed by rumination and worry, says Ricardo Gil-da-Costa, a neuroscientist and chief executive of Neuroverse who has studied how water affects our brain.

Bodies of water also can produce a glorious sense of awe—the emotional response to something vast that expands and challenges how we see the world. Awe can decrease stress and help us put things into perspective.

"Water meditates us by taking away all the noise," says Dr. Nichols, whose work focuses on how blue spaces affect our well-being. "All we have to do is show up."

Water has special properties that may boost nature's positive impact, environmental psychologists say. When you are near it, there is often less visual and auditory information to process. Our mind can rest.

rest, too, in a way we never can on land.

Most important: Water is dynamic. It moves rhythmically, producing a play of light, color and sound that is mesmerizing. It holds our attention, but not in an overly demanding way. Researchers call this soft fascination. It gives our brain a

Water holds our attention, but not in an overly demanding way.

break from the intense, focused attention that much of daily life requires and that is cognitively depleting.

"Water helps your mind wander in a positive way," says Marc Berman, director of the Environmental Neuroscience Laboratory at the University of Chicago. "This is what is so restorative."

Here's some advice on how to harness the healing power of water.

Remember that all water counts.

You likely have some close by, even if it is just a creek alongside the road. Start there. Then branch out to water you can visit on the weekend or a vacation.

Urban water such as rivers, canals and fountains counts. So does domestic water—in pools, bathtubs, even sprinklers. Pay attention to the sound, play of light and movement, says Dr. Nichols, author of "Blue Mind," which explores how water makes us happier and healthier.

If you can't get to the water, paintings, photographs, videos and movies can produce some of the same benefits, he says. If you want to boost the positive effect, choose locations that represent positive memories for you.

Even virtual reality

helps. In research studies, computer-generated virtual reality water scenes boosted participants' mood, likely because they got to interact with the environment.

Go often.

A little bit makes a big difference.

A 2019 study found that it takes at least two hours a week in nature to improve our well-being, which can be broken into smaller stretches. A more recent, yet-to-be-published study found that spending a similar amount of time near water has the same benefits, says Mathew White, an environmental psychologist at the University of Vienna who studies the health benefits of water environments and was lead researcher on both studies. Scientists also have found that people who peered into aquariums had lower heart rates and better moods after just 15 minutes.

Try a water sport.

And get good at it. This will help you experience a flow state where time, and your worries, fall away as you become fully engaged in what you are doing, Dr. Gil-da-Costa says. When you become proficient at an activity, your brain forms new neural pathways, which become faster and stronger. This makes it even easier in the future to enter a state of flow while doing this same activity.

Listen.

It is no coincidence that nine of the top 10 most-popular soundscapes on the Calm app in July involved water. (No. 1: "Rain on Leaves.")

One of the most calming properties of water is its sound, Dr. White says. In a study published in May, he and colleagues found that the water sounds people find most restorative are a rain-forest with rain, a beach and a babbling brook. When the researchers added biotic

sounds, from living beings, to the water sounds, people liked them even more.

Make an audio recording of your favorite water. It will trigger happy memories.

Use your imagination.

You can spend time on the water anywhere, anytime in your mind. And when the water you imagine is water you have enjoyed in real life, the positive effect will be even stronger, Dr. Nichols says.

Often when I feel overwhelmed, I close my eyes and picture myself sailing years ago off the coast of Michigan with my dad and sisters. I visualize the sun sparkling on the water, the sound of the waves splashing against the boat, the voices of my family. Almost immediately, I feel calmer.



Spending time around water can lift well-being.

When Dr. Nichols surfaced for air after submerging himself in Mill Creek, behind the ruins of his still-smoldering home, he sobbed. Then he floated on his back until he felt calm.

Since then, he has gone into the creek each day after working on his property. "It is like a daily reset," he says. "I don't know how I would have gotten through all my feelings without it."



Water produces a mesmerizing play of light, color and sound.

near oceans, lakes, rivers and other blue spaces can provide a range of benefits including reducing anxiety, easing mental fatigue and rejuvenating us.

The sound of water, typically steady and soft, soothes us. Its smell can provoke positive memories and associations. When we're floating, our body can

Wave of New Stars Arrives to Fill Arenas

By NEIL SHAH

Mick Jagger once said he'd rather be dead than sing "Satisfaction" at 45 years old. Yet here he is—79, prancing across European stages this summer in music's most powerful money-making machine. Since 1980, the Rolling Stones have grossed \$2.2 billion on tour, more than any other act to date.

But Mick and Keith and many other leading arena and stadium rockers are now pushing 80. Who will succeed them when they're ready to retire?

The answer, it seems, is an eclectic array of new stars including Bad Bunny, Harry Styles and Billie Eilish. Older musicians like the Stones, Bruce Springsteen and U2 have long dominated the upper echelons of the concert industry. In the past, artists over 50 have accounted for half of the grosses generated by the top 100 tours.

But concert-business executives now say a wave of new talent has ascended to arena and stadium status over the past decade. These acts represent a broader range of musical genres—not just rock, but pop, country, hip-hop, Latin and dance music.

On Saturday, Mr. Styles brought his traveling mini-residency to New

York City for the first of 15 shows at Madison Square Garden. "You have changed my life," he told the audience. Last year, the former One Direction frontman and now solo pop star had the second-highest-grossing tour after the Stones.

Ghost, a Swedish hard-rock and metal act, played for rooms of 500 to 600 fans during its U.S. tour in 2012. In September, the band will headline UBS Arena, which holds up to 18,500 for concerts.

"There is such a long list of new artists that have emerged and developed over the last 12 years that are selling out arenas and stadiums around the world," said Arthur Fogel, president of global touring at Live Nation Entertainment, the world's largest concert promoter. "It's a regeneration cycle—not only of artists, but of fans."

It's no easy feat to advance to arenas, which typically accommodate 10,000 to 20,000 or more fans, and stadiums.

Rapper Tyler, the Creator, 31, played clubs on his first headlining tour in 2013, said Kevin Shivers, partner and co-head of hip-hop/R&B at talent agency WME. Six years later, he did his first show at the over-20,000-capacity Madison Square Garden. Latin superstar Bad

Bunny, 28—Spotify's most-streamed artist for two years running—is in stadiums, while alternative-pop phenom Ms. Eilish, 20, is in arenas. In country music, stadium star Kenny Chesney, 54, has grossed \$1.1 billion during his career, according to the trade publication Pollstar.

Dua Lipa and Lizzo; R&B-pop act The Weeknd; Germany's Rammstein; and—among many others—Lady Gaga, Ed Sheeran, Taylor Swift and Beyoncé.

In the streaming era, society's consumption of music is more fragmented than ever, making it harder

Nation said concert bookings are up 30% this year compared with 2019; there are more stadium tours than ever before. Partly because of the aftermath of the pandemic lockdown, other industry professionals see an oversupply of concerts. That, combined with higher touring costs, is fueling cancellations among some artists and festivals, they say.

The story of Ghost shows how an unlikely act can unexpectedly become a global concert-touring juggernaut.

The band, masterminded by singer-songwriter Tobias Forge, 41, combines occult-themed lyrics with catchy 1970s-ish melodies. Its elaborate stage show includes provocative costumes—Mr. Forge appears in character as a kind of demonic anti-pope—and the band does brisk business with its merchandise.

Ghost's 2012 U.S. club tour, dubbed "13 Dates of Doom," sold out small venues like the Roxy in Los Angeles. But Mr. Forge wanted to expand the band's audience by touring relentlessly across the U.S., he said.

The game-changer for Ghost was merchandise. The band leveraged gothic iconography into T-shirts that proved popular. Ghost went from opening for Iron Maiden at Brooklyn's Barclays Center in 2017 to being headliners the next year.

Mr. Forge said there's something timeless about the desire to attend large-scale events, where many thousands of people are intently experiencing the same thing.

"I wouldn't be too worried about arena rock or stadium rock dying."



Once there were fears of a shortage of newer arena and stadium acts. Now there may be an ample supply: There are rappers Kendrick Lamar and Travis Scott; K-pop heavyweights BTS and Seventeen; country star Morgan Wallen; rock bands Green Day, Coldplay, My Chemical Romance and the Strokes; pop stars

for new acts to sustain attention and achieve the level of stardom of their predecessors. But the concert business has also expanded dramatically over the past decade, creating room for more midsize arena acts. That could mean intense competition for consumer dollars and performance slots at venues in the future. Live

PERSONAL JOURNAL.

By RACHEL WOLFE

Few shoppers want to think about Christmas gifts in August. But an unusual set of deals could mean major savings for those who do.

They'll find the best deals in home, apparel, electronics, sporting goods and toys, analysts say.

These long-delayed goods have arrived ashore at the same time spending is slowing. Retail analysts say they expect the typically discount-light fall months to see some of the best sales in years.

In many cases, retailers have started discounting certain items. Toy prices were down 8.2% year-over-year in July, according to Adobe, the biggest drop since before the pandemic. Prices for electronics decreased 9.3% in that time, and clothing prices dropped 1%.

Target and Walmart last week said they continue to struggle with a supply surplus. That problem hit Target's profit especially hard. Walmart had sent a warning to investors saying efforts to clear out excess inventory and weak demand would diminish operating income for the quarter. Inventory at toy company Mattel, meanwhile, is up 44% year-over-year, the company's second-quarter earnings show.

Savvy consumers are paying attention.

Christine Whisler has started buying toys for her 9-year-old daughter for Christmas and her birthday, also in December. The 35-year-old retail merchandiser and single mom in San Angelo, Texas, snapped up a \$52 doll-size light-up car on sale for \$15 at Wal-

Great Deals Move Up Gift Season

Inventory surpluses are a boon for buyers way before holidays



mart. She also got a \$20 build-your-own solar-powered robot kit for \$6 and a \$20 doll based on the Pixar movie "Turning Red" for \$3 from Walmart, plus a \$100 Rainbow High doll for \$40 on Amazon.

"I can't afford much of anything for my kiddo otherwise," Ms. Whisler says. Her grocery bill has practically doubled since January, she says. "If I know it's a great deal and my daughter would love it, I get it before the deal is gone."

Chirag Modi, who oversees supply-chain execution and warehousing at consulting firm Blue Yonder, says retail and manufacturing companies are sitting on huge piles of inventory because of how much they had ordered ahead of time and demand changes in an inflationary environment. "Come October, maybe even September, they will dump it. They are going to start marking it down."

Big sales are part of an effort this fall to motivate shoppers grappling with the highest inflation in four decades and giving priority to the travel and restaurants they missed out on, retail analysts say.

The period between back-to-school and Thanksgiving is typically slower for retailers, says Mickey Chadha, a Moody's Investors Service analyst who tracks the retail industry. In a normal year, he says, stores would have timed their inventory accordingly and held off on major promotions until shoppers got into a more festive frame of mind.

This year is different. "Because they have more inventory, they are more focused on getting rid of that inventory rather than saying, 'I want to make X amount of mar-

8.2%

Decline in toy prices in July, year over year

gin,' " Mr. Modi says.

Nikaiya Snell, an elementary-school cafeteria worker based in Lansdowne, Pa., has had to pick up freelance shifts working events to pay her bills with inflation. New clothes and other luxuries had been furthest from her mind—until she saw a bunch of trendy summer tops marked down from \$16 to \$3 apiece at Walmart. "Summer will be here next year," the 44-year-old says.

Retailers with lower inventory turnover, including stores like Gap, Bed Bath & Beyond, Kohl's, Best Buy and Dick's Sporting Goods, are especially likely to put goods on super sale, Mr. Chadha says.

Value stores like TJX Cos., Dollar General Corp. and Dollar Tree Inc. are unlikely to cut their prices further, Mr. Chadha says, because the stores are already benefiting from

higher foot traffic from consumers looking to stretch their dollar.

What to buy now (and what to wait on)

Retail analysts break down the best items from your list to buy in advance, and where to hold off.

► **BUY** High-end televisions: "If it were me, I would definitely get a TV right now, especially if I have a certain model in mind," says Vivek Pandya, lead analyst for Adobe Digital Insights. More upscale varieties, like Samsung's the Frame, are at the sweet spot of availability and discounted price, he says. Consumers might be better off holding off on budget models, however, because they're likely to come down even further in price, he says.

► **DON'T BUY** Game consoles: The best bundling (where manufacturers throw in, say, a few games with the cost of the console) happens around the holiday season, Mr. Pandya says.

► **BUY** Computers: Prices fell 10.2% year-over-year in July, according to Adobe. Especially for shoppers who have a specific make and model in mind, now is a good time to buy a new laptop for the same reason a TV purchase could make sense, Mr. Pandya says.

► **DON'T BUY** Certain home goods: Mr. Pandya thinks consumers should wait before splurging on appliances and furniture as excess inventory may drive bigger discounts closer to the holiday season.

► **BUY** Classic toys and games: Companies are looking to get rid of excess stock of games like Uno and Scrabble, Mr. Modi says. They are more likely to hold on to the hot new Cocomelon stuffed animal until they can fetch a better price. While Mr. Pandya expects discounts to continue into the holiday season, he says there are no guarantees. Today's goods glut could be next week's shortage, he says.

► **DON'T BUY** A new back-to-work wardrobe. Demand for stay-at-home categories like home goods, electronics and casual wear has been rapidly replaced by demand for back-to-office and party clothes, Mr. Chadha says, driving up prices on suits and formal dresses. If you don't need that office outfit ASAP, discounts are possible later, especially if demand stabilizes or retailers use these items to increase traffic and drive interest in other categories, Mr. Chadha says.



Walmart said last week that it continues to struggle with a supply surplus.

FROM TOP: PHOTO ILLUSTRATION BY ERICKA BURCHETT/WSJ; STOCK (2); JEFFREY GREENBERG/GETTY IMAGES

ROLEX



OYSTER PERPETUAL SUBMARINER DATE

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Avocado Glut Hits Australia

Continued from Page One
out, hasn't grown nearly as fast as supply.

Prices in Australia are at rock bottom. Some of the fruit is left to rot. Yet the tough times for avocado farmers have yielded a bounty for avocado lovers.

"I don't remember ever seeing them this cheap," said Ms. James, a 51-year-old nurse. Australia's avocado deflation affords culinary experiments at a time when other groceries are more expensive.

Average avocado prices at some Australian grocery stores are down about 30% compared with a few years ago. Grocery chains recently sold avocados for 1 Australian dollar each, equivalent to about 70 cents.

Australia's surplus is by one estimate enough to provide every resident with 22 avocados for the year. A social-media campaign is trying to persuade residents to eat more of them.

An industry-sponsored contest invited people to post pictures of avocado creations on Instagram and Facebook to win A\$1,000, about \$700. Avocado spaghetti and avocado parfait were recent winners.

A branded Instagram account sends out new recipes every few days—creations such as grilled avocados and chocolate avocado cupcakes.

"I was a bit skeptical on avocado fries, but I was quickly turned around," said Stuart Tobin, a creative director at TBWA Sydney, the ad agency that developed the avocado marketing campaign. "They actually got crunchy, but creamy in the middle."

Mexico is the world's leading producer and supplies most of the U.S. market. Americans started buying more avocados after seeing 1992 Super Bowl ads that featured guacamole, said Jeff Miller, author of "Avocado: A Global History" and an associate professor of hospitality

management at Colorado State University.

"Everybody's growing them," Dr. Miller said. "Until fairly recently, they were just like money in the bank," he added.

In Australia, Bill Granger, owner of a chain of restaurants and cafes, put avocado toast on his menu in the 1990s and got credit for making the dish popular. Avocado toast is now offered at virtually every Australian cafe. (Some amateur food historians wave around references to putting avocado on toast in Australian newspaper articles of the 1920s.)

a formidable competitor. The growers are trying to sell more to countries in Asia, including Japan.

In a local push, grower Tom Silver, who likes his avocados with a beer, said he has been trying to persuade his cafe and restaurant customers to sell avocado smoothies, which are popular in some Southeast Asian countries.

Mr. Silver said he hasn't had much luck, maybe because his preferred recipe calls for ice cream. "It's not particularly healthy," he said. "The avocado is the most healthy thing in it."

John Tyas, chief executive



Australia's avocado bounty has lowered prices.

In 2016, Australian columnist Bernard Salt in a satirical piece wrote that the reason young people couldn't afford houses was because they were spending their cash on pricey avocado toast, sparking a national debate.

A TV ad during the Tokyo Olympics last year featured comedian Nazeem Hussain discussing how the avocado—which has a green and gold hue similar to the colors of Australia national team jerseys—is the "official, unofficial sponsor of pretty much everything Australian, ever."

Australian avocado growers aren't allowed to sell their fruit in the U.S. Even if they could, they would find Mexico

of the industry association Avocados Australia, said part of the strategy to sell more avocados is to get consumers to eat avocados not just for breakfast or in summer salads, but also in desserts.

He is investigating another avenue to ease the avocado glut: An attempt at the Guinness World Record for the largest serving of guacamole. The Guinness benchmark is a 8,300-pound tub of guac made in Mexico.

"We've got some ideas about how we might be able to do that, possibly leasing some facilities at a dairy because they've got big vats," he said. "Then we've got to find enough people to eat it."

ARTS IN REVIEW



FX NETWORKS (2)

“There is a version of this story,” actor Rob McElhenney tells actor Ryan Reynolds during their “Welcome to Wrexham” docuseries, “where we’re the villains.” It’s not just a candid thing to say, it’s strategic: Two Hollywood A-listers buying a stalled-out Welsh soccer team? They might be perceived as dabblers, tourists, only in it for the TV show. They might have to sell, eventually. They might even leave the team worse off than it was, and a temporarily buoyant community bereft. “Football isn’t a matter of life or death,” says one Wrexhamite (paraphrasing the late Liverpoolian Bill Shankly). “It’s more important than that.”

Not something you want to toy with, anyway. So Mr. McElhenney wins points for honesty—just as the show wins points for being as anxious-making as a penalty kick, whether or not the viewer knows a pitch from a fireplug.

Why Wrexham? That’s something the members of the Wrexham Supporters Trust want to know before handing over their team to the two Americans, and their answers tell part of the story. Both of the new owners-to-be are from working-class backgrounds and express an affinity for struggling Wrexham. Mr. McElhenney claims to understand sports passion: Having grown up in Philadelphia, a fan of the Eagles, he recalls the team’s 2018 Super Bowl win as one of the greatest days in his life. Whether either man has been

TELEVISION REVIEW | JOHN ANDERSON

Two Actors and Soccer Lovers, One Goal



Members of the squad jogging onto the pitch, above; team owners Ryan Reynolds and Rob McElhenney, top

watching “Ted Lasso” does not come up.

More intriguing, perhaps, is why the two performers pick a Welsh team at all, but that’s all about the

U.K. system: Among the various levels of U.K. football, teams can be promoted or relegated each season depending on how well they do. At the top is the Premier

League, followed by Championship, League One and League Two—and then the National League, the lowest fully professional level of U.K. soccer and the one in which Wrex-

ham dwells. (In the NFL, teams stay put regardless of performance. Just ask fans of the Jets or Browns.) There are real stakes involved in having a winning or losing season. The best and worst teams go up or down. The drama is built in. Can two guys with cash redeem a team in the doldrums?

Each episode of “Welcome to Wrexham” is less than 30 minutes, and the 18-part first season (a second will follow) moves along as fluidly as Mo Salah, Kylian Mbappé or even Paul Mullin, the first big player purchased by the new owners of a team founded in 1864—the oldest squad in Wales and the third oldest in the world. Its plight is common to relegated teams—once you’re demoted it’s doubly difficult to claw your way back up because there’s no longer TV money. “I have TV money,” Mr. McElhenney says in episode 1. But to finance a soccer team, he adds, “I needed movie-star money.” Cut to Mr. Reynolds. “Superhero-movie-star money.” Cut to Mr. Reynolds in “Deadpool.” Soon, the new partners realize that they are going to be spending large; just repairing the pitch (field), we learn, costs them more than \$360,000.

“In the short time I’ve been a football-club owner,” Mr. Reynolds says in episode 4, “I have found it to be very time-consuming, emotionally exhausting, financially idiotic and utterly addictive.” Viewers may find the exploits in Wrexham to be habit-forming, too.

Welcome to Wrexham
Begins Wednesday, 10 p.m., FX

MUSIC REVIEW

Charleston-Flavored Jazz

BY LARRY BLUMENFELD

Handclaps grow frenzied. Waves of sound swirl from a Hammond organ. Drumbeats form gestural, speech-like cadences more so than strict rhythms. “Summer,” the second movement of a four-part suite that forms the emotional core of Quentin Baxter’s “Art Moves Jazz” (Baxter Music), reveals where the drummer’s musical life began—at church, in Charleston, S.C. He’s playing in the same manner he did while underscoring a preacher’s sermon decades ago.

At the Mount Zion Holiness Church, both of Mr. Baxter’s parents played drums and most in attendance provided some form of percussion. “Congregants would beat sticks and stamp their feet on the hardwood floor,” Baxter once told me, “so that our church physically swung.” On his new album, after the handclaps of “Summer” cohere with tambourine shakes around an insistent two-beat rhythm, Mr. Baxter’s bass-drum kicks and snare-drum hits suggest that environment. Minutes later, the piece sounds like a distinctly Southern church revival: Trumpeter Charlton Singleton, tenor saxophonist Mark Sterbank and alto saxophonist Calvin Baxter (one of the drummer’s older brothers) play soulful fanfares and engage in spirited collective improvisation.



Quentin Baxter

Though this is his first release as a leader, Mr. Baxter, now age 51, is an accomplished jazz drummer with an authoritative style, a notably lyrical approach to his drum kit and a knack for composing music whose appeal belies its complexity. His suite here, named for the seasons, also includes sections that are buoyant (“Spring”), wistful (“Fall”) and searching (“Winter”). In jazz circles, he’s best known for his work in vocalist René Marie’s band and with Freddy Cole during the final years of the pianist-singer’s life. His wid-

est acclaim came as a founding member of Ranky Tanky, whose 2019 release, “Good Time,” won a Grammy for Best Regional Roots album. That group mines Gullah tradition, which is among the drummer’s formative inheritances.

Gullah people are descendants of enslaved West Africans who live in the Lowcountry regions of South Carolina and Georgia, on the coastal plain and the Sea Islands. (Those in Georgia are referred to as “Geechee.”) Vestiges of Gullah life abound in Charleston—in seagrass baskets, originally for sifting

rice, and in the fried fish, okra and slow-cooked stews that dot restaurant menus. Gullah influence on American music is evident in both Gershwin’s opera “Porgy and Bess” and the folk song “Kumbaya.”

Ranky Tanky’s music champions the spiritual heft, playful nature and rhythmic thrust of Gullah music within a contemporary framework. On “Art Moves Jazz,” Mr. Baxter inflects modern jazz with Gullah influence in subtler ways, aided by a savvy and responsive quintet, including Mr. Singleton, his close associate ever since the two met at a local record store more than 20 years ago. “Off Minor,” one of two Thelonious Monk compositions, stays true to the composer’s idiosyncratic intent yet also displays the Gullah “rhythmic lilt,” as Mr. Baxter calls it, which emphasizes and extends the second of each measure’s four beats. Here, Mr. Baxter’s solo commands attention more through details than flash; it is simultaneously loose and precise, and rich with melody.

After meeting tenor saxophonist and composer Jimmy Heath, Mr. Baxter arranged three of his compositions in the hopes they’d perform them together. Sadly, Mr. Heath’s death in 2020 made that impossible. Mr. Baxter’s version of “For Miles and Miles” sounds

mostly faithful. Adding conga player Gino Castillo to the group, he sets “For Minors Only” to an Afro-Cuban guaguancó rhythm, and “Resonant Emotions” to a cha-cha-chá beat.

Mr. Singleton’s own release on Mr. Baxter’s independent label (with Mr. Baxter on drums) bears a similar musical inspiration. “Crossroads,” the title track, might well be named for the intersection it proposes between the distinctly Gullah beats of the song’s opening sections and the straight-up swing that animates Mr. Singleton’s soft-spoken yet hard-hitting solo. Throughout, he plays with impressive agility and admirable concision, his disarmingly sweet sound giving way at times to bluesy curls or fiery passages. His eight tracks here, all originals, reveal a composer more interested in moods than strict styles.

Like New Orleans, Charleston is a Southern city in which the ingredients of jazz coalesced more than 100 years ago. While its jazz history is less well known, it is nonetheless rich. The band of the city’s Jenkins Orphanage, founded in 1891, gave rise to the careers of, among others, Freddie Green, Count Basie’s rhythm guitarist; Cat Anderson, Duke Ellington’s high-note trumpet ace; and trumpeter Jabbo Smith, who dueted admirably with Louis Armstrong. This new music from Messrs. Baxter and Singleton isn’t a nod to that legacy but, rather, a strong statement on where it has led.

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

SPORTS

By JOSHUA ROBINSON

Annie Borus had every reason to be confident on the October day she stepped on court with a wiry teenager making her professional debut named Serena Williams.

Back in 1995, the name didn't mean much in sports. It didn't even mean much in the first qualifying round of a late-season tournament in Quebec City. Serena Williams was a long way from being *Serena Williams*, the global icon. In fact, she wasn't even the most famous tennis player in her own home. Serena was only 14 years old.

Borus, then ranked No. 149 in the world and known by her maiden name, Annie Miller, was a few years further along in her budding career. She was 18 and accustomed to bouncing from tournament to tournament. An opponent four years her junior, playing her first match as a pro, wasn't all that much to worry about. If anything, Miller was curious to discover what the second Williams kid to hit the circuit had up her sleeve.

"People were interested in seeing her play, for sure," says Borus. "There was a lot of pressure for her to prove herself—not just to the tennis world, but also because she was the younger sister."

Borus had already heard plenty about the sisters who had been coached as a pair by their obsessive father, Richard Williams. In tennis circles in the mid-1990s, they were already impossible to ignore. Borus knew that they had emerged on the public courts of Compton, Calif., and she was aware that they had been held out of junior tournaments, because Richard felt that competition would hinder their development.

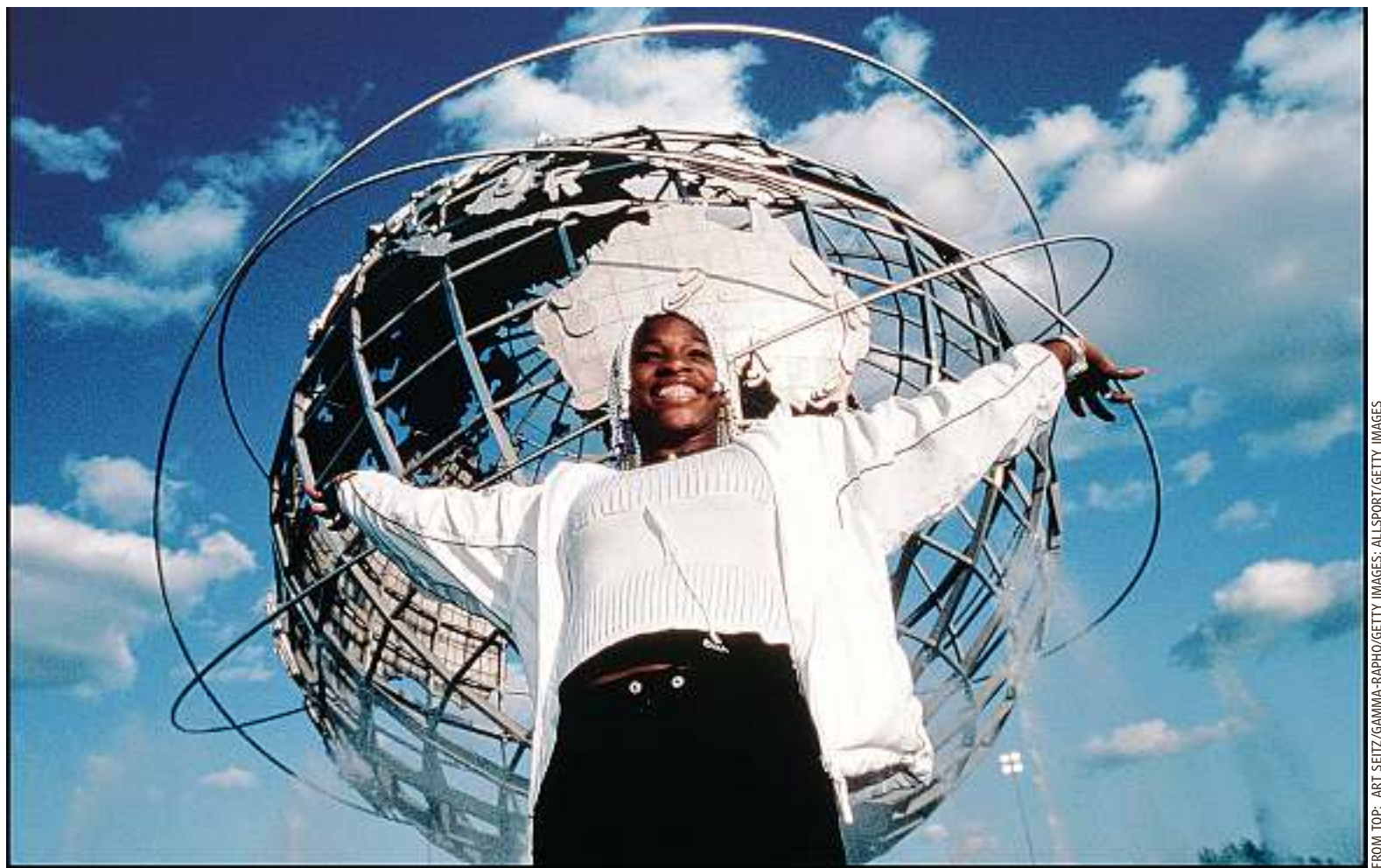
Most of all, though, she knew Venus. Fifteen months older than Serena, Venus had already joined the professional ranks and flashed real potential. There were magazine spreads, television interviews, and a \$12 million endorsement deal with Reebok. In 1995, Venus was clearly a star in the making. Serena, to most people, was still hearsay.

"I had heard rumors that she was going to be incredible," Borus, 45, says from Portland, Ore. "But Venus was more out there."

So as a sparse crowd gathered around an indoor carpeted court at Quebec City's Club Avantage Multi-Sports, those in the know paid special attention to the girl who looked like she probably owed somebody some homework in the morning. Williams, more anxious than she had ever been before a match, had been too nervous to eat. She stepped out feeling nothing but butterflies in her stomach.

Annie Miller jumped all over her.

"Basically she crushed me," Williams wrote in 2015. "Not only did I look like a novice but I looked



Annie Borus, pictured below, was known by her maiden name, Annie Miller, when she played Serena Williams in 1995. Above, Williams at the U.S. Open in 1998.

Serena Williams Debuted in 1995— This Player Beat the Future Legend

Annie Borus beat a 14-year-old Williams in the qualifying round of a tournament in Quebec City



like I did not belong anywhere on the court."

The match ended 6-1, 6-1 to Borus and lasted less than an hour. Williams took home \$240 for her trouble.

Twenty-seven years and another \$94.6 million in prize money later, Williams is approaching the end of a career that has spanned multiple eras of tennis. Hundreds of players came and went, from Grand Slam champions to circuit short-timers. Going into the U.S. Open, which Williams has announced will be her last, dozens of different women have shared the court with her in more than a thousand matches. Borus, who quit tennis for good at age 23, was simply the first.

"I was scared," wrote Williams, who didn't play another pro event for 17 months. "I was not prepared for the stage."

Williams's tennis education up until that point had been one long series of calculated bets by her father, who eschewed traditional methods when he found much of the tennis world unresponsive to a pair of young Black girls.

Borus, on the other hand, was a seasoned veteran by comparison. After growing up in Michigan, she had followed the path that was

laid out for most promising American tennis players—at least until the Williams sisters turned the sport's orthodoxy upside down. Borus played aggressive junior schedules and, in 10th grade, relocated to the prestigious Bollettieri Academy in Bradenton, Fla. By the age of 14, she was playing in U.S. Open qualifiers and already worried that she might be behind schedule.

"I was also a kid trying to have a career on the tour," she says. When she faced Williams in 1995, Borus had already traveled all over North America, and as far afield as Australia and Indonesia, to collect ranking points.

At her peak, Borus would reach No. 40 in the world. But long before conversations about pressure or burnout in sports entered the mainstream, Borus found herself falling out of love with the grind of professional tennis. In 2000, she called it quits.

By then, Williams was approaching her 19th birthday and already a major champion. Borus made plans for life after tennis. She went back to the University of Michigan to complete her bachelor's in business administration and later a master's degree in accounting.

"It was a hard stop for me," Borus says. "I was so young, I spent

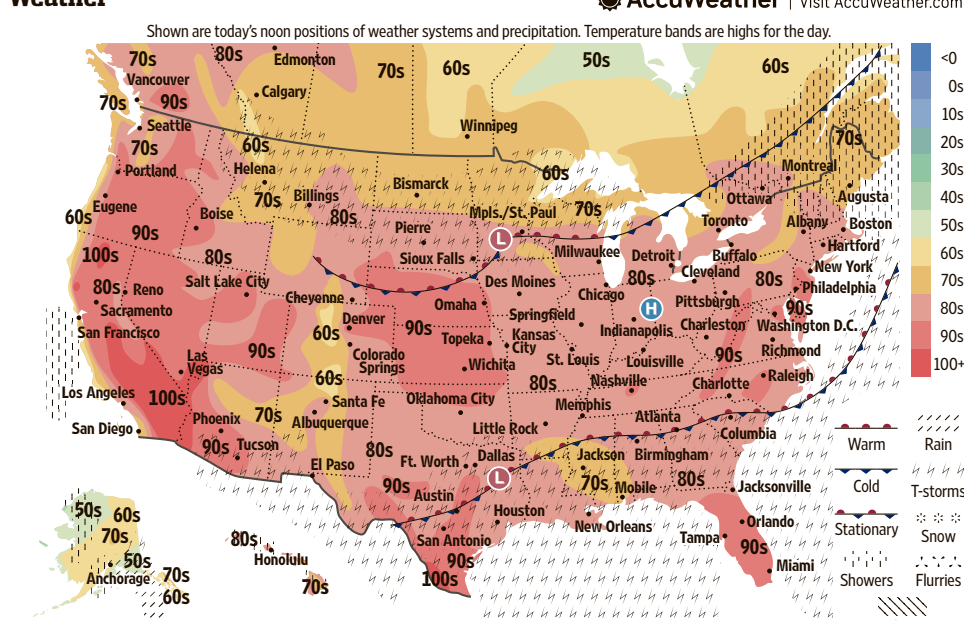
years looking back on it, wondering if I made the right choices. When you're independent at a young age and traveling at a young age, you think you're a lot older than you are."

Now a stay-at-home mom to two children, aged 13 and 11, Borus says she hasn't really watched tennis in 20 years. And she only ever plays the sport that defined the early part of her life on a casual basis. When she signed up to a mixed doubles league for this fall, she found that she was still carrying a high rating from the U.S. Tennis Association, because she had been a tour-level player. Borus petitioned to be downgraded.

Williams, meanwhile, is about to play in a Grand Slam tournament for the 81st time, with 23 major titles to her name. She is the undisputed GOAT of the Open Era. So with seemingly several lifetimes of hindsight, Borus recognizes that facing Williams at 14 was probably the best chance she'd ever have to beat Serena Williams. And she didn't miss.

"I was optimistic that I could do OK," Borus says. "But I think everyone had an idea that the Williams sisters were going to be amazing players....There was definitely an aura around them."

Weather



Forecasts and graphics provided by AccuWeather, Inc. ©2022

U.S. Forecasts

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

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Anchorage	61	55	r	61	53	sh
Atlanta	85	71	t	81	70	t
Austin	90	72	t	92	71	t
Baltimore	90	67	s	92	71	s
Boise	99	66	s	95	66	s
Boston	83	69	pc	85	69	s
Burlington	81	65	pc	81	64	pc
Charlotte	89	70	t	89	70	t
Chicago	85	68	s	81	65	t
Cleveland	83	64	s	83	67	pc
Dallas	86	72	t	87	73	t
Denver	90	61	pc	90	63	pc
Detroit	87	65	s	86	65	t
Honolulu	87	75	sh	88	76	s
Houston	87	75	t	88	74	pc
Indianapolis	85	65	s	86	66	pc
Kansas City	89	67	t	91	67	t
Las Vegas	99	79	t	93	79	t
Little Rock	82	71	t	86	70	t
Los Angeles	87	68	s	87	66	pc
Miami	92	80	pc	91	80	t
Milwaukee	85	68	s	80	64	t
Minneapolis	81	65	t	79	60	c
Nashville	90	70	s	89	70	t
New Orleans	83	76	t	83	75	t
New York City	88	72	s	90	74	s
Oklahoma City	89	67	s	90	66	s

International

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	82	67	pc	84	66	c
Athens	84	69	t	83	72	t
Baghdad	109	84	pc	109	84	pc
Bangkok	94	80	t	93	79	t
Beijing	82	62	c	87	62	s
Berlin	80	64	pc	83	66	t
Brussels	86	65	pc	87	65	pc
Buenos Aires	69	58	pc	69	58	pc
Dubai	111	91	s	109	89	s
New York City	88	72	s	90	74	s
Oklahoma City	89	67	s	90	66	s
Edinburgh	67	51	c	66	51	pc

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Frankfurt	91	66	pc	90	69	s
Geneva	82	58	pc	87	62	pc
Havana	90	73	t	91	73	t
Hong Kong	93	81	t	85	82	r
Istanbul	85	72	t	82	72	t
Jakarta	91	76	sh	91	76	pc
Jerusalem	88	65	s	88	66	s
Johannesburg	66	46	s	71	50	s
London	80	63	pc	72	57	c
Madrid	98	69	pc	94	68	s
Manila	89	78	t	89	79	t
Melbourne	55	49	sh	58	48	sh
Mexico City	73	56	t	74	56	pc
Milan	87	66	s	89	68	pc
Moscow	87	61	pc	88	63	s
Mumbai	86	78	sh	85	78	r
Paris	90	66	pc	89	65	pc
Rio de Janeiro	73	66	r	77	68	s
Riyadh	106	91	s	107	89	s
Rome	85	67	s	86	70	pc
San Juan	90	79	s	88	78	pc
Seoul	83	70	pc	81	66	c
Shanghai	87	80	sh	91	80	t
Singapore	87	79	t	87	80	t
Sydney	62	48	pc	65	52	pc
Taipei City	98	82	pc	93	81	c
Tokyo	87	74	c	83	78	c
Toronto	81	62	s	81	64	t
Vancouver	79	64	s	79	65	t
Warsaw	85	68	c	87	65	t
Zurich	81	54	pc	82	57	s

The WSJ Daily Crossword | Edited by Mike Shenk

CAPITAL GROWTH | By David Steinberg

- | | | | |
|--------------------------------|---------------------------------------|---|--------------------------|
| Across | 1 Geronimo, e.g. | 28 Class of '20 member, e.g. | 52 Owned up to a mistake |
| 7 Magnificent display | 29 "According to _____ records..." | 56 Word after scratch or scouring | |
| 11 Chocolate factory container | 32 Fleece | 57 Awesome, in slang | |
| 14 Spilled the tea | 37 Possible cause of fatigue | 58 Senior state | |
| 15 Nitro 5 laptop maker | 39 Helper from abroad | 62 Orwell's Napoleon or Snowball, e.g. | |
| 16 Palindromic name in Genesis | 40 Start of an apathetic remark | 63 Beauty store chain | |
| 17 Math major's ball? | 44 Grp. with badges | 64 Capital that's a phonetic hint to the first words of 20-, 33-, 40- and 52-Across | |
| 18 Very small: Prefix | 45 "Neither snow _____ rain..." | 65 Devious | |
| 19 Digit you can wiggle | 46 It should be hard to pick | 66 Look through binoculars, say | |
| 20 Was clearly victorious | 47 Very small, as chances | 67 Looking through binoculars, say | |
| 23 Wore out | 48 Like the markings on a thermometer | | |
| 26 Photoshop tool | 51 Unboxes | | |
| 27 Toledo's lake | | | |

- | | | |
|-------------------------------------|--|---|
| Down | 1 They may precede an online video | 30 Functional |
| 2 Spot on a domino | 3 Like most Broadway theaters on Mondays | 31 Trail mix bit |
| 3 Barbecue leftover? | 4 Noted Wookiee, familiarly | 33 As late as, informally |
| 4 Noted Wookiee, familiarly | 5 "Great blue" bird | 34 Like most Broadway theaters on Mondays |
| 5 "Great blue" bird | 6 Tree of life setting | 35 Go after in court |
| 6 Tree of life setting | 7 Like President Nasser's movement | 36 Small drinks of whiskey |
| 7 Like President Nasser's movement | 8 Anthem sung in Alberta | 38 Reeds' habitat |
| 8 Anthem sung in Alberta | 9 Repairs | 41 "Consider me interested" |
| 9 Repairs | 10 Plain text? | 42 One might be behind a steam locomotive |
| 10 Plain text? | 11 Presidential rejection | 43 Forestland measure |
| 11 Presidential rejection | 12 Boldly assert | 47 Toured past |
| 12 Boldly assert | 13 Many a first-time dater | 49 Prepare to play, as a song |
| 13 Many a first-time dater | 21 Batwoman or Ms. Marvel | 50 Plentiful |
| 21 Batwoman or Ms. Marvel | 22 Hang limply | 51 Lubricate |
| 22 Hang limply | 23 Joe without the jitters | 52 Modern dating options |
| 23 Joe without the jitters | 24 Like some of 44-Across's badges | 53 Shadow |
| 24 Like some of 44-Across's badges | 25 Dough | 54 Provocative, perhaps |
| 25 Dough | 28 "Get into my dream school," e.g. | 55 Soybean holders |
| 28 "Get into my dream school," e.g. | | 59 Wong of "Always Be My Maybe" |
| | | 60 Singapore sling ingredient |
| | | 61 Reading lang. |

Previous Puzzle's Solution

A	S	P	S	L	P	G	A	S	P	I	R	E		
L	I	L	O	L	E	C	R	O	E	L	I	T		
P	L	A	S	A	I	O	G	Q	U	A	D	S		
A	K	C	A	D	A	M	N	J	C	L	E	I		
C	H	E	R	O	M	E	C	L	O	C	L	I	N	G
A	A	M	I	L	N	E	A	V	I	C	T	N		
S	T	A	T	I	S	A	I	A	C					
S	T	E	A	L	I	S	T	H	E	S	H	O		
A	I	C	S	N	A	P	S	I	B	I	D			
A	I	C	T	T	I	C	A	P	I	C	O	D	E	
B	O	A	T	T	R	A	I	L	L	E	R	E	E	
D	O	N	O	R	S	D	E	C	O	P				
U	L	T	R	A										
C	L	O	M	P										
T	Y	R	E	S										

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

OPINION

Political Probes in Moscow and D.C.



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

Who killed the daughter of Alexander Dugin, the pro-Kremlin philosopher? What's in the boxes the Justice Department has been so keen to get back from Donald Trump?

You know, whatever the seeming vagary of linking these two matters, there is at least one connection: Vladimir Putin.

Straight-arrow Merrick Garland, the Biden attorney general, has already seen the impossibility of keeping the politically charged Trump investigation within its straight and narrow lane simply by declaring the Justice Department's desire that it be so. Whatever Mr. Garland intended in the Trump matter, the leaks are flying fast and furious in the media, and Mr. Garland's rigid posture and closed-lippedness only complicate the public's job in sorting out which leaks might be accurate, which might be authorized by Mr. Garland himself, which are meant to serve Mr. Trump, which are promoted by arch-leaking Democrats like House Intelligence Committee Chairman Adam Schiff.

The furor Mr. Garland instigated cannot be helpful to any purpose Mr. Garland has, but it clearly has benefited Mr. Biden and his Democrats, who want to run against Mr. Trump in

the midterms. It has so clearly benefited Mr. Trump that left and right are in heartwarming agreement on this point.

Of the many, many leaks, perhaps the least desultory and offhand were reported by Newsweek a few days ago, citing "two high-level U.S. intelligence officials," which is already more sourcing than most press outlets have given us.

A complete sentence spoken by one of Newsweek's sources indicates that the Mar-a-Lago raid's "true target was documents that Trump had been collecting since early in his administration." This includes, Newsweek adds in its own words, "material that Trump apparently thought would exonerate him of any claims of Russian collusion in 2016 or any other election-related charges."

Voilà, true or not, there was no way the seven-year battle between Mr. Trump and our intelligence agencies wasn't going to be propelled back to center stage in our politics once Mr. Garland opened this can of worms.

Mr. Garland might be struck by the symmetry of events in Moscow. The Kremlin almost immediately named a Ukrainian woman, traveling in Russia and later to Estonia with her preteen daughter, as the culprit in the car-bomb killing of Darya Dugina. The official story apparently aims to blame Ukraine, but everyone in Moscow knows authorities may have simply scoured visa

records for anybody who could have been in Moscow and had since left the country, and ended up with an unlikely story about an assassin who traveled with a child.

In any case nobody cares. The question that will consume Moscow and take on a life of its own is how Mr. Putin intends to benefit or at least protect himself from the fallout.

But when the stakes are high, the U.S. wins because voters have the final verdict.

Mr. Garland might even sympathize with his counterparts because no finding or fact asserted by Russian prosecutors can now quell a chaotic debate over who ordered the killing and why: Putin enemies on the left who oppose the Ukraine war? Putin enemies on the right who want it prosecuted more vigorously? Mr. Putin himself, to warn off any who might stand in the way of a negotiated settlement with Ukraine, or perhaps alternatively to frighten his public into accepting a doubling down on a failed war?

No criminal investigation, no matter how warranted by the facts, that intersects the top levels of power can proceed unpoliticized in any country I can think of. And Mr. Garland has four such

investigations under way: two Trump-related investigations, the Hunter Biden investigation, and special counsel John Durham's probe into the Clinton campaign's role in the Russia collusion hoax.

It is simply a metaphysical impossibility for Mr. Garland to make the decisions he'll have to make in these cases uninfluenced by political considerations as long as Donald Trump and Joe Biden are the anticipated presidential candidates in 2024. And if you think these decisions Mr. Garland will be making weren't also in Joe Biden's mind when he named the unforceful but upright former judge to be his attorney general, please see my famous-bridges-for-sale webpage.

It's hardly sacrilegious to notice that politics has parallels in capitals as different as Washington and Moscow and even sometimes unites them in common interest. Remind yourself you still don't know what really happened to Mikhail Lesin, the Putin crony who died in a D.C. hotel room in 2015, or the truth about the highly classified, possibly fake "Russian intelligence" that drove FBI Chief James Comey's actions in the Hillary Clinton email investigation.

Happily, the U.S., helped by its two-party system, has one giant advantage over Russia: U.S. primary voters can obviate many problems by making sure Mr. Biden and Mr. Trump won't be the major-party nominees in 2024.

BOOKSHELF | By Jennifer L. Mascott & Eli Nachmany

Should Agencies Interpret the Law?

The 'Chevron' Doctrine

By *Thomas W. Merrill*
(*Harvard, 355 pages, \$35*)

Judges are the primary interpreters of law. At least, that's the conventional view—that the Constitution entrusts federal judges with interpreting the laws passed by Congress. But since the 1980s, the Supreme Court, aided by expansive lower court rulings, has flipped this conventional wisdom on its head. Under the so-called *Chevron* doctrine, federal courts must defer to administrative agencies' legal interpretations of the statutes the agencies administer.

The doctrine originated, ironically enough, in a 1984 Supreme Court opinion, *Chevron v. Natural Resources Defense Council*, which upheld lenient Reagan-era environmental standards. The case was decided by six justices and drafted by liberal Justice John Paul Stevens. Over time, the perception of *Chevron* shifted, from textualist Justice Antonin Scalia's according it prominence and legitimacy to Justice Clarence Thomas's questioning its constitutionality in 2015, and many developments in between.

In "The *Chevron* Doctrine: Its Rise and Fall, and the Future of the Administrative State," Columbia Law School professor Thomas W. Merrill offers an insightful, creative contribution to this critical debate, addressing in depth the relative institutional competencies and proper roles of Congress, agencies and the courts in policymaking and legal interpretation. It's a timely examination of the pressing theme of the Supreme Court's momentous 2021 term: Which

institution within the constitutional framework has decision-making authority on issues of import for the American people?

Mr. Merrill's work hinges on a rethinking of *Chevron* deference as it has been commonly understood. First, he calls into question the idea that unclear statutory terms innately delegate law-making power to agencies. Second, he proposes a three-step reformulation that would avoid the pitfalls of handing legal or jurisdictional determinations over to the agencies themselves.

The result of the current two-step deference framework has been that agencies' authority has expanded incrementally in the absence of judicial boundary-watching. Mr. Merrill's three-step approach would do much to return judicial review of agency authority to the framework embedded in the 1946 Administrative Procedure Act (APA), because it incorporates a threshold judicial determination of whether an agency has operated within statutory bounds. This more limited policy discretion is consistent with the APA, under which procedurally proper actions within the range of statutory authority are unlawful only if they are "arbitrary" or "capricious."

Under the classic understanding of *Chevron*, courts first ask whether a statute is clear before evaluating a challenged agency interpretation. If the statute is ambiguous, the court affirms the agency so long as its interpretation is "reasonable," under the theory that the broad statute implicitly delegates power to the agency to discern its meaning. But that idea is a radical one—and, as Mr. Merrill notes, "wholly made up" in *Chevron*, which he has called an "accidental landmark": Though *Chevron* has become one of the most cited cases in administrative law, Justice Stevens did not believe he was fundamentally reshaping the relationship between courts and agencies when he wrote it.

Under 'Chevron' deference, the authority of administrative agencies has expanded in the absence of judicial boundary-watching.

Chevron is already evolving in the courts. Take a recent example: a challenge to President Obama's Clean Power Plan, reviewed by the Court this year in *West Virginia v. EPA*. In 2015 the Environmental Protection Agency determined that emissions standards shuttering numerous coal-powered plants in favor of renewable energy sources would constitute the "best system of emission reduction." The plaintiffs argued that in ruling on energy-generation methods rather than emissions reductions, the EPA had exceeded its authority. If the Supreme Court had applied *Chevron*, the EPA might have been empowered to assess what constitutes a "system," what makes a system "best," and what kinds of systems are "reasonable." But the decision, 6-3 in favor of West Virginia, implied a potentially important change. Under the emerging doctrine, the deference principle does not apply when a court is evaluating a "major question" with significant political and economic impact.

The delegation misconception is not the only problem with *Chevron*. Or perhaps even the worst. The doctrine consolidates power in the executive branch, creating a conflict of interest. When an agency responsible for administering a statute also decides what it means, agencies are less restrained and liberty suffers. Mr. Merrill contests the familiar criticism of *Chevron* that federal courts must have exclusive power to interpret law. But he agrees that the doctrine has thrown up destructive hurdles to judicial policing of "the boundaries of agency authority as established by Congress."

His three-step approach would instead require a reviewing court first to assess whether an agency's action falls within its authority. Second, the court should ask whether the agency's interpretation violates any specific provision of the law. Judicial evaluation of these questions essentially constitutes the kind of *de novo* evaluation of legal standards (as opposed to policy judgments) that members of Congress have proposed in legislation like the Separation of Powers Restoration Act. Mr. Merrill's third step would replicate the APA's procedural check on agencies, mandating a notice-and-comment process (in which agencies must permit public commentary before a proposed substantive rule takes effect) before according deference to an agency's interpretation.

Mr. Merrill's reworking of *Chevron* would retain it, at least in theory. But it is unclear that the reformulated doctrine would have any more bite than the disavowed Lemon test had for religious freedom over the decades that the Court ignored it until explicitly abandoning it this year. Under Mr. Merrill's approach, the modern *Chevron* framework similarly would survive in name but not in practice.

Any student of the exponential growth of administrative power over the last half century should study this book. Mr. Merrill masterfully charts a path to paring back administrative incursions on lawmaking power, with an eye toward integrity of process and the rule of law.

Ms. Mascott is an assistant professor at Antonin Scalia Law School and the co-executive director of the Gray Center for the Study of the Administrative State. Mr. Nachmany is a senior research fellow at the Gray Center.

Viktor Orbán's Illiberal Cheerleaders



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

For those who believe that the commentariat is unduly fixated on Viktor Orbán, Matthew Continetti's recent article in this newspaper should serve as a useful corrective. As Mr. Continetti observes, Hungary's prime minister has become a touchstone of a world-wide populist-nationalist social-conservative movement—and the leader some of Donald Trump's supporters hoped Mr. Trump would become.

For Reagan-era conservatives in the U.S. and abroad, the key issues were economic growth, limited government and opposition to communism. While President Reagan made common cause with evangelical Protestants and other social conservatives, he didn't allow them to dominate his rhetoric or his agenda. While his depiction of the U.S. as a shining "city on a hill" elided a multitude of ills on which his critics rightly focused, it was an optimistic and inclusive vision of what the country at its best could be.

Mr. Orbán's starring role in America's New Right marks the waning power of the conservatism Reagan inspired and the rising appeal of a different vision, dominated not by economic hope but by cultural fear. According to this new vision, Western civilization is being attacked from within by liberalism run amok. Making freedom the core value, as

many American conservatives once did, erases the line between liberty and license. In a liberal society, the New Right charges, everything is permitted—except social conservatism, which is under mounting legal and cultural attack. And because the threat is existential, it is legitimate to oppose it by all necessary means.

In a recent speech, Mr. Orbán made this new conservatism's priorities clear. He dismissed economic concerns such as inflation and the energy crisis as a "screen" between us and the real issues—"demography, migration, and gender"—at the heart of the "great historic battle that we are fighting . . . between left and right."

Mr. Orbán's focus on cultural concerns raises issues that his critics must confront. At their heart is the meaning of liberalism.

Along one dimension, liberalism is a philosophy of politics whose core is the fear of concentrated power that turns tyrannical and suppresses liberty. To ward off tyranny, power is divided among different branches and levels of government. There are also natural rights, including those of religion and conscience, that no government—even one that represents a majority—can rightly breach. Liberty is further secured by civil liberties—such as freedom of speech, assembly and press—that protect the diverse opinions and beliefs that arise in a free society. An independent judiciary protects the rule of law and enforces that boundary between permissible and

forbidden government action. All citizens enjoy civic equality of rights and legal protections regardless of any differences among them, including race and religion.

In recent decades, however, liberalism has developed a cultural dimension that challenges traditional hierarchies, including race and ethnicity, gender and sexual orientation, and religion. It is this challenge that most disturbs Mr. Orbán—and America's New Right. From their perspective,

For some on the right, the Hungarian is the leader they wanted Trump to become.

immigration from non-European sources is not an economic opportunity but a cultural threat, and the inclusion of those previously excluded from the mainstream weakens Western civilization.

Three decades ago, most Americans saw same-sex marriage as a threat to the so-called traditional family, widely held to be one of the pillars of this civilization. Today, more than 7 in 10 Americans, including majorities of Republicans and the elderly, support same-sex marriage. It is hard to find evidence that this shift has weakened the institution of marriage, let alone Western civilization. In response, social conservatives have shifted their attention to transgender issues, the latest alleged threat to the founda-

tions of our civilization.

As a political philosophy, liberalism creates space for a robust debate between those who challenge traditional gender and family relations and those who oppose them. Similarly, liberal societies are free to adopt a range of immigration policies, from open to restrictive. Liberal philosophy insists only that this debate be resolved peacefully, in accordance with the legal and institutional norms of a free society.

Mr. Orbán famously declared that he is creating an "illiberal democracy." If this meant only fostering a democracy whose citizens reject same-sex marriage and open immigration policies, it wouldn't violate the tenets of political liberalism—though the particular measures would be subject to the limitations imposed by his country's voluntary membership in the European Union. But Mr. Orbán has also weakened fundamental liberal institutions of liberal society, such as a free press and an independent judiciary. This is not something anyone should ignore, let alone tolerate in the pursuit of desired policy goals.

Social conservatives go wrong when they challenge the rule of law, including the peaceful transfer of power in accordance with the people's choice. But cultural liberals go too far when they blur the distinction between their beliefs and the requirements of a liberal polity. True liberals must defend core political institutions while preserving a wide space for differing cultural opinions and practices.

Liz Cheney for Attorney General

By *Peter Shinkle*

Now that Rep. Liz Cheney has lost her primary to a Trumpist Republican in Wyoming, it's time for President Biden to consider appointing her to his cabinet. Political tensions have risen to new levels since the Federal Bureau of Investigation's Aug. 8 search of Mar-a-Lago. Bringing a Republican into the administration would cool partisan temperatures and unite the country in support of the rule of law.

President Franklin D. Roosevelt used this strategy when the U.S. divided sharply over how to respond to Hitler's aggression. In June 1940, he appointed Henry Stimson and Frank Knox as secretaries of war and the Navy, respectively—demonstrating that stalwart Republicans would cross political lines to support FDR's policy of aiding European democracies under threat of Nazi invasion. Republican leaders were enraged. But before

long, the two appointees helped forge bipartisan congressional support for the president and worked with him to lead the allied forces to victory.

FDR's decision was bold, especially given that it came a few months before a hotly contested presidential election. If

Like FDR, Biden can enlist a Republican to preserve democracy.

partisan sentiments had prevailed, he could have lost the White House. Yet he put country over party and won reelection in November 1940.

Mr. Biden faces a distinct but similar challenge today. He must unite the country against antidemocratic forces marshaled by Mr. Trump and his advisers. Like FDR, Mr. Biden knows there are highly respected and capable Republicans who believe deeply in

American democracy and will support him in this battle.

If America must now enter the uncharted waters of prosecuting a former president, appointing a Republican as attorney general would provide the public with crucial assurance that the rule of law—not partisanship—is behind the charges. Under other circumstances, there would be no cause to replace Merrick Garland, who has a fine record of unbiased and measured enforcement of our laws. But these are not normal times.

As vice chairman of the Jan. 6 committee, Ms. Cheney has shed light on Mr. Trump's bid to hold the White House illegitimately. She has upheld fair elections and the rule of law as tenets of American democracy—principles many Republicans seem to ignore.

A graduate of the University of Chicago Law School, Ms. Cheney has the skills necessary for a superb attorney general. As a critic of the Obama

and Biden administrations, a former member of the House Republican leadership and the daughter of a former Republican vice president, she has the requisite GOP bona fides, too. It's possible Ms. Cheney would decline the president's offer. But that shouldn't prevent him from asking—or from seeking other Republican candidates in her place.

Americans disaffected with the two major parties are seeking bold ideas to address the nation's challenges. By appointing a Republican to his cabinet, Mr. Biden would show decisively that he isn't mired in partisanship. Such a move would signal that he's ready to reach across the aisle to protect the great American democratic experiment.

Mr. Shinkle is author of "Uniting America: How FDR and Henry Stimson Brought Democrats and Republicans Together to Win World War II," forthcoming in October.

OPINION

REVIEW & OUTLOOK

Washington's Prosecution by Leaks

Merrick Garland opened a press briefing two weeks ago with the words, "Since I became Attorney General, I have made clear that the Department of Justice will speak through its court filings and its work." Then how does the Right Honorable Attorney General explain the multiple leaks to the press concerning the Department of Justice investigation of Donald Trump's handling of presidential documents?

* * *

It sure looks like someone is prosecuting the case through the media. The latest example arrived Monday in a dispatch in the New York Times that Justice has recovered "more than 300 documents with classified markings" from Mr. Trump since he left office.

Which documents? The report doesn't say. But, rest assured, they "included documents from the C.I.A., the National Security Agency and the F.B.I. spanning a variety of topics of national security interest, a person briefed on the matter said." Ah, there's our old friend, a person briefed on the matter. Nice to hear from you again, whoever you are.

This follows the Aug. 11 Washington Post report that the Federal Bureau of Investigation agents who searched Mr. Trump's Mar-a-Lago home were looking for "classified documents relating to nuclear weapons." Which nuclear secrets the Post didn't say, and the search warrant released later included no mention of documents related to nuclear weapons.

As the leakers know, these reports are an attempt to justify to the public the extraordinary search of a former President's home. They have the effect of suggesting that Mr. Trump may have committed a crime in mishandling the documents. They also keep the former President at the center of the 2022 midterm election campaign, which is exactly where Democrats in Congress want him.

Meanwhile, Mr. Garland's lawyers are telling federal Judge Bruce Reinhardt that the legal affidavit with more details about the search shouldn't be released to the public. Or that, if the judge releases it, the affidavit should be so heavily redacted as to tell the public and Mr. Trump's lawyers very little.

In other words, "a person briefed on the matter" can leak details about the investigation to the press that the public is supposed to credit as true. But the actual "court filings and its work," in Mr. Garland's phrase, must remain se-

cret. And these people wonder why tens of millions of Americans don't trust the Justice Department and FBI?

Justice wants the search affidavit secret while details spill to the press.

If this all sounds familiar, you may be thinking of the Russia collusion probe. That story was also fed by leaks to the press with episodes that were portrayed as ominous—"the walls are closing in"—

but often turned out to have innocent provenance or far less consequence. We later found out the entire collusion probe was a political concoction promoted by a lawyer for Hillary Clinton with an assist from Justice and James Comey's FBI.

Meanwhile, a report Tuesday in Just The News says that officials at the White House gave the green light to Justice and the National Archives to pursue the documents case by nixing Mr. Trump's claim of executive privilege. The reporter, John Solomon, is Mr. Trump's representative to the Archives, but the documents he cites appear to be genuine. Don't expect this to get page one play in most of the press, but for those who want to do more than take Justice dictation this news isn't reassuring that the probe is apolitical.

Two weeks since the Mar-a-Lago search, the legal case also doesn't look any stronger. Lawyers David Rivkin and Lee Casey made a compelling case Tuesday on these pages that Mr. Trump has every right to hold the documents for a time at his home under the 1978 Presidential Records Act. If there is a dispute over them, that is a matter for negotiation and at most a minor sanction. Their argument is stronger than anything we've read so far about possible violations by Mr. Trump of the Espionage Act or some obstruction of justice charge.

Perhaps Mr. Garland's prosecutors are sitting on bombshell evidence that Mr. Trump did something nefarious with the documents. But then putting that doubt in the public mind is one purpose of the leaks—make it all look bad without having to prove it.

* * *

All of which goes back to the question of prosecutorial discretion. Mr. Garland may think he is being scrupulous about the law in pursuing Mr. Trump, but he has opened a political trauma room. If he doesn't have a solid case that Mr. Trump committed serious crimes, with evidence that a majority of the public will find persuasive, he should settle the whole matter quickly. Prosecution by leak is hurting Justice as much as it is Mr. Trump.

An Inflation Expansion Act

Wasn't it only last week that Democrats were touting something called the Inflation Reduction Act? So much for that. The press is reporting everywhere that as early as Wednesday President Biden will announce he is canceling student debt and extending the moratorium on student-loan payments for several more months.

This is an inflation expansion act. The reports say Mr. Biden will cancel \$10,000 in debt for borrowers making \$125,000 or less a year. That would cost about \$300 billion this year, and \$330 billion over 10 years, says the Penn Wharton Budget Model.

That's far more than the \$102 billion the Inflation Reduction Act purportedly reduces the deficit over 10 years starting in 2027. About 70% of the loan relief would go to borrowers in the top 60% of income distribution.

As for the loan-payment moratorium, what

began in March 2020 as pandemic emergency relief now rolls on and on. The moratorium so far is estimated to have cost some \$115 billion. Another four-month extension could cost \$15 billion to \$20 billion more.

There's more to say about loan forgiveness if Mr. Biden announces it—such as he lacks the legal authority without an act of Congress; it would benefit the affluent at the expense of those who don't attend college; and it would benefit the spendthrift over the responsible who repaid their loans or decided to go to a school that costs less. It's vote-buying at its most raw.

We hope Mr. Biden thinks better of this at the last moment. But if he does forgive student debt, it will expose the hollowness of the Democrats' anti-inflation posturing. The party these days is about spending ever more money without restraint (except for defense).

Inflation? Party on, mates.

Europe Heads for Stagflation

The bad news keeps coming for Europe's economy, and if you're in America resist the temptation to gloat. Data released Tuesday suggest that the eurozone is in a recession or soon will be, and the timing couldn't be worse for the bloc of American allies and trading partners.

The composite purchasing managers' index (PMI) released by S&P Global came in at 49.2, down from 49.9 the month before. Anything below 50 signifies a decline, so business activity has been falling for two months, and now is at an 18-month low. Service firms registered a barely expansionary 50.2, the lowest in 17 months, and manufacturing output at 46.5 is in recession territory despite some recent improvement.

The trend is worse in Germany, the eurozone's largest economy and traditional motor. The overall PMI notched a 26-month low of 47.6, with manufacturing and services registering contractions. France is also struggling.

It's hard to see how things could improve for the eurozone before they get worse. Inflation is a big culprit in both declining business activity and consumer confidence, and some of the supply-chain problems that have exacerbated the price rises may be abating.

But whatever relief that offers is likely to prove small and transitory. Despite a surprisingly large 0.5-percentage-point interest-rate increase in July, the European Central Bank's monetary policy remains extremely accommodating, and energy prices will rise as cooler weather pushes up demand.

Europe often relies on the U.S. and Asia to provide an export bailout, but those cavalries aren't coming. Call it a recession or don't, but the U.S. is barely growing as interest rates rise.

China is slipping more deeply into its own slow-growth trap amid property-market chaos and a political crackdown on productive private companies—on top of chronic Covid lockdowns and now an energy shortage. A global recession looms.

These weaknesses put a new spin on the other threat to the eurozone—the euro.

The bloc's common currency fell to a new 20-year low, a little below 99 U.S. cents on Tuesday's bad economic news. This might once have boosted European (especially German) exports or at least the profits of exporting companies. But that works less well if Europe's major export markets are stagnating. The main effect instead may be more import-price inflation, especially for energy.

All of this puts a premium on pro-growth economic policy, but there aren't many glimmers of light. German Finance Minister Christian Lindner has proposed an income-tax reform that would reverse the tax-bracket creep created by inflation, returning some €10 billion to the private economy. Liz Truss is promising a raft of supply-side tax reforms that could start unsticking the frozen gears of the United Kingdom if she becomes Prime Minister, but the hole dug by Boris Johnson on energy, taxes and regulation is very deep.

All of this will make the coming cold winter of energy shortages even bleaker, and Vladimir Putin will keep the pressure on. The U.S. could help with supply-side policies, but that will require a GOP victory in the midterms and negotiation with a reluctant President Biden. The only good news for Europe will be if these difficult months persuade voters that they can no longer take prosperity for granted. This time Europe needs to revive its own growth engines.

LETTERS TO THE EDITOR

A Rare Reversal on Gender Transition Policy

We are thrilled that the American Academy of Pediatrics (AAP) agrees that the "vast majority of children" who get "gender-affirming care" shouldn't be treated with hormones and surgery, and in fact, need "the opposite" (Letters, Aug. 22). Today, however, when pediatricians refer gender dysphoric minors to gender clinics for assessment, they are effectively sending them to be medically transitioned.

A recent study from Seattle Children's Hospital shows that within 12 months of the initial consult, 66% of adolescents had already been put on "gender-affirming" hormonal interventions. This likely understates the problem: Several states, including California, have passed laws that effectively ban psychotherapy designed to help youth feel comfortable in their bodies, calling it "conversion therapy."

This is partly the consequence of the AAP's own 2018 recommendations, which state that "watchful waiting," an approach that emphasizes psychotherapy, is harmful and akin to conversion therapy. It defines "affirming" as social transition for children (new names and pronouns) prior to medicalization, which becomes more likely to follow. The only therapy besides "hormone therapy" that the guidelines recommend is counseling for family members to accept that their child is transgender.

AAP's past pronouncements have pressured schools across the country to facilitate students' "social transition," often without parental knowledge. These statements may also in-

fluence the coming Title IX rules.

In its letter, the AAP suggests that the U.K. is moving to emulate the U.S. in this arena. Yet Dr. Hilary Cass, who is leading the U.K. effort to restructure, writes that British clinicians have felt under pressure to adopt the American "affirmative approach," which the clinicians find "unquestioning" and "at odds with the standard process of clinical assessment and diagnosis."

The AAP must update its guidelines to specify what "the opposite" of hormones and surgery means. If it means developmentally informed psychotherapy—increasingly recommended by European countries—the AAP must work to destigmatize the treatment. It should also stop calling critics of the medicalized affirmation model "anti-trans," and welcome scientific debate. JULIA MASON, M.D., AND LEOR SAPIR, PH.D. Portland, Ore., and Boston

Dr. Mason, a pediatrician, is director of the Society for Evidence-based Gender Medicine. Mr. Sapir is a fellow at the Manhattan Institute.

The president of the AAP, Dr. Moira Szilagyi, gives away the game with her choice of language. It is not "anti-trans" for state legislatures to protect minors from irrevocable surgeries and treatments. It is not "anti-trans" to learn from Europe's 15-year head start on treatment and revise accordingly. Dr. Szilagyi writes about "activists" in a derogatory manner, but she's the only activist I see here. Physician, heal thyself.

JON BANKS
Pacific Palisades, Calif.

China Will Not Dictate Our Foreign Relations

Regarding "Chinese Ambassador Accuses Washington of Exacerbating Tensions" (World News, Aug. 17): Qin Gang, the People's Republic of China's ambassador to the U.S., says that America "took the first step" in provoking the current crisis, even though China has been increasing its military incursions into Taiwan's air-defense identification zone and across the Taiwan Strait median line. This month's delegations led by Speaker Nancy Pelosi and Sen. Ed Markey were used only as a pretext by China for further military aggression and undermining the peaceful status quo.

Under no circumstances will Taiwan allow China to dictate our foreign relations or intimidate us into submission. Taiwan has every right to engage with the U.S. and the interna-

tional community. Taiwan and the U.S. maintain close exchanges at all levels, and congressional delegations to Taiwan are a longtime norm. Mrs. Pelosi's visit is not without precedent.

China's unreasonable behavior has backfired in Taiwan and beyond. A new poll conducted by Taiwan's Mainland Affairs Council found that nearly 90% of Taiwanese stand against China's recent military drills. Delegations from democratic countries around the world are planning future visits to Taiwan. Taiwan stands with the U.S. and like-minded countries in defense of freedom, democracy and the rules-based international order.

SABINA CHANG
Taipei Economic and Cultural Representative Office in the U.S. Washington

How to Know If a Crypto Token Is a Security

Gary Gensler, chairman of the Securities and Exchange Commission, writes, "There's no reason to treat the crypto market differently from the rest of the capital markets just because it uses a different technology" ("The SEC Treats Crypto Like the Rest of the Capital Markets," op-ed, Aug. 20). Mr. Gensler should apply this same logic when determining what is or isn't a security.

The SEC differentiates securities from commodities according to the convoluted legal precedent of the Howey test, but the traditional ratio-

nale is much simpler: securities make payments, while commodities don't.

Like a stock or bond, any crypto tokens that make payments should be treated as securities. Most tokens, however, are not—and never will be—capable of making payments because the tokens' code doesn't allow it. Once the token is issued, the code can't be changed. These tokens should be treated as commodities under the law, like foreign currencies.

If Mr. Gensler believes in treating crypto and traditional assets equally, then most crypto tokens should be classified as commodities. If he refuses, Congress should intervene to ensure these assets are equal under the law.

THOMAS HOGAN
American Institute for Economic Research
Great Barrington, Mass.

There Is No Fairness in New York's Favorite Tax Break

Regarding Rep. Tom Suozzi's letter "Fighting the SALT Cap on Behalf of New York" (Aug. 22): Why should someone in Pennsylvania earning \$100,000 pay more federal income tax than someone in New York earning the same \$100,000, simply because New Yorkers pay significantly higher state and local taxes? The services financed by New York's higher taxes benefit New Yorkers. We in Pennsylvania don't realize any of the benefit.

New Yorkers want their benefits and a discount on their federal income tax. Thus Pennsylvanians and residents of other low-tax states have to make up the difference to fund the federal government. No reasonable person would say that's fair.

STEVEN CAPOLARELLO
West Chester, Pa.

The Teachers Unions Budge

Your editorial "Minneapolis Discriminates by Race" (Aug. 18) is intellectually consistent but practically wrong. We should be celebrating that, for once, teacher seniority isn't the only factor permitted in layoff decisions. This is a chink in the armor that we can use to push for even more reforms to the benefit of the often-poor, minority students who are ill-served by our union-first educational system.

JONATHAN SLONIM
New York

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Pepper ... And Salt

THE WALL STREET JOURNAL



"He's just been promoted from bot to troll."

OPINION

Why Warren and Sanders Object to Crypto Rules

By Brian P. Brooks
And Charles W. Calomiris

America's \$15 trillion national banking system is supervised by more than 2,000 examiners. Many work full-time on bank premises to ensure that risks to the financial system are caught early. The system isn't perfect. It failed to prevent the 2008 financial crisis and other major problems over the years. During our tenure overseeing the Office of the Comptroller of the Currency, we imposed almost \$1 billion in fines on various banks for risk-management violations. But the U.S. requires banks to undergo the most rigorous oversight of any industry because it makes the system safer.

Sensible regulation would make it harder to establish a financial system under total government control.

That is why we were so surprised to read the recent letter from Sens. Elizabeth Warren, Bernie Sanders, Dick Durbin and Sheldon Whitehouse urging our old agency to keep cryptocurrency activities out of the supervised banking system. Crypto is a large and growing sector that will increasingly compete with the traditional banking industry as a vehicle for payments, savings and lending. The crypto market, at between \$1 trillion and \$3 trillion in market capitalization over the past year, isn't

trivial compared with the banking sector. It presents tremendous opportunities to improve the legacy financial system, but it also presents growing risks that urgently need to be managed.

These risks have become manifest in recent months. A so-called stablecoin project called TerraUSD blew up, causing billions in losses, when the liquidity of its sister token, Luna, went to zero. Compliance with OCC requirements, rules governing collateral ratios between Terra and Luna, and position limits and other risk-management rules would have mitigated the disaster.

A crypto lender called Celsius then failed when the bets it made to generate the income required to pay its customers' interest went sideways. Had these counterparty risks occurred within the regulated banking system, Celsius would have been required to hold capital against them and to conduct rigorous third-party risk management. And crypto exchange Coinbase disclosed in a recent quarterly filing that customer assets could be at risk in the unlikely event of a bankruptcy—a risk that wouldn't exist if those assets were in the custody of a national bank.

In short, crypto risk would be lower if more activity were conducted inside the supervised national banking system. This doesn't mean that crypto would cease to be risky. Then again, traditional banking activity is risky even within the heavily regulated, OCC-supervised system. Who can forget JPMorgan's "London Whale" loss of \$6 billion, or Citibank's hundreds of millions of dollars of fraudulent loan losses in its Banamex unit, or the spectacular



failure of Washington Mutual, a regulated \$300 billion thrift?

But these very real risks didn't prompt calls to push traditional lending outside the banking system. On the contrary, Sens. Warren, Sanders, and others called for tighter controls on nonbank lenders to push more lending activity into the banking system.

Why are these senators comfortable expanding risky lending inside the banking system while fighting to keep crypto risks outside? If they believed that bank supervision reduces the risks presented by financial intermediation, they would presumably treat crypto the same as other risky financial activity. Their push to keep crypto outside the regulated sphere means something else is going on.

Here's our theory: Crypto developers are trying to build a financial

system where users have more control. In that system, credit is allocated by algorithms rather than loan officers, payments are settled instantly on blockchains rather than slowly inside the Federal Reserve, and customer funds are secured by cryptographic keys rather than by hackable debit-card PINs. A user-controlled financial system threatens the vision of a government-controlled system for which Sens. Warren and Sanders continue to advocate.

One version of their government-sponsored financial system would have the U.S. Postal Service offer banking services to the public. An even more extreme version would have Americans hold their deposits directly at the Federal Reserve. This would allow the government to trim bank balances to control the money supply, decide which payments to

approve and disapprove, and otherwise directly intervene in private financial decisions.

Establishing a financial system controlled by the government would require federal legislation, and there is no sign that congressional leaders of either party have the appetite for that. This is why Sens. Warren and Sanders are using their pens and phones to try to influence the OCC to slow the growth of a crypto-powered, user-controlled financial system. The problem is that the OCC under the Biden administration has reaffirmed what we concluded on our watch: Existing law allows banks to serve as custodian for crypto assets, to support dollar-backed stablecoins, and to participate in blockchains for sending and receiving payments.

We agree with the administration's caveat that those crypto powers should be exercised only by banks that can demonstrate adequate risk management. But we also believe that it is backward to say that only riskless activities should be allowed inside the banking system. On the contrary: The purpose of bank supervision is to take risky financial activities for which there is high customer demand, and make them less risky.

Mr. Brooks is CEO of Bitfury Group. He served as acting U.S. comptroller of the currency, 2020-21, and was chief legal officer of Coinbase, 2018-20. Mr. Calomiris is a professor of financial institutions at Columbia Business School. He served as chief economist of the Office of the Comptroller of the Currency, 2020-21.

The Chautauqua Institution Isn't What It Used to Be



UPWARD MOBILITY
By Jason L. Riley

Chautauqua, N.Y. Condemnation of the Aug. 12 knife attack on author Salman Rushdie has been accompanied by shock at where it occurred. The Chautauqua Institution, a summer resort in upstate New York, has hosted lectures since the late 1800s and has a well-earned reputation as a place of open inquiry and civil debate.

Following the stabbing, Gov. Kathy Hochul said of the institution: "This place doesn't just value dialogue and freedom of speech, freedom of thought—this place exists because of those values." That may have been true at one time, but times change. Four days before Mr. Rushdie was attacked on stage, I spoke at the Chautauqua Institution. I wasn't invited by the institution's leadership, however. Instead, I was hosted by a splinter group called Advocates for Balance at Chautauqua, or ABC, which seeks to "achieve a balance of speakers in a mutually civil and respectful envi-

ronment consistent with the mission of Chautauqua," according to the invitation.

At a reception prior to my talk, I spoke with dozens of Chautauquans who take issue with Ms. Hochul's description of the institution today. ABC was created four years ago out of frustration at the overwhelmingly liberal bias of invited speakers. What started as a group of some 40 dissidents has ballooned to several hundred. Paul Anthony, ABC's president, told me by phone this week that when the nascent organization first approached the institution's leadership about the lack of ideological diversity in lecturers, it was told that conservatives weren't interested in coming to speak.

"We said if that's the problem, we'll find you some speakers," Mr. Anthony said. "We put together a package of 12 speakers that we vetted. They used one of them. The next year we gave them 30 more—so a total of 42 in two years—and we got no response." One longtime resident complained that on the rare occasions when the institution invites a prominent conservative, the person's remarks tend to be apolitical and

steer clear of hot-button social issues. That, or it's someone who is expected to be sufficiently disapproving of fellow travelers on the political right.

Officially, the institution doesn't sanction ABC. Its speakers aren't mentioned on the website. The local newspaper, which offers visitors a daily guide to lectures and activities, refuses to acknowledge—let alone cover—ABC events in its reporting.

Once a haven for open inquiry and civil debate, the New York resort has become predictably woke.

Nor does Chautauqua give ABC access to its speaking venues, such as the one reserved for Mr. Rushdie. Instead, the group must pay for event space at one of the hotels on the grounds of the resort. Other recently formed affinity groups, it's worth noting, haven't met the same resistance—or any resistance. An organized group of black Chautauquans

has no problem accessing official venues. Nor does an LGBTQ group, which was free to host a recent drag-queen event.

Still, ABC is less interested in official recognition than it is in fostering intellectual diversity, which it believes the community desires. "We're bumping up now on 600 members," said Susan O'Connor Baird, the group's treasurer. "We've done that primarily through word of mouth, and we've accomplished that because we're bringing in people Chautauquans want to hear, people who present another side of these issues." This year in particular, she added, they've been inundated with woke speakers. "You can't go to anything without hearing about racism and white privilege and how awful America is—regardless of what the talk is supposed to be about."

Mr. Anthony, who has been summing at Chautauqua for more than 40 years, recalled a time when the intellectual atmosphere was much different. During the gasoline crisis of the 1970s, the institution did a week of lectures on what was going on, he said. "On Monday, they had somebody from Greenpeace, so you

knew what their message was going to be and that's fine. Tuesday, they have a vice president from Exxon, who gave the industry appraisal. On the third day, they would have someone from the energy committee in Congress come address the political response. And so on. That was not atypical."

In many ways the people who run the Chautauqua Institution today aren't unlike the people who run other elite enterprises—the Aspen Ideas Festival, the World Economic Forum, almost any university—that have long leaned left but of late have become increasingly intolerant. They spout words and phrases like "fairness" and "free thought" and "critical dialogue," but in practice those amount to little more than words.

The conservative talk radio host Hugh Hewitt, who has spoken at Chautauqua twice—once through official channels but more recently at the behest of ABC—said these organizations seem increasingly out of touch. "The splinter group is not Advocates for a Balanced Chautauqua," he told me. "The leadership of Chautauqua is the splinter group—from tradition."

The Inflation Reduction Act Does Little to Reduce Climate Change

By Bjorn Lomborg

Top administration officials are fanning out across the U.S. in a victory lap for the new Inflation Reduction Act, which President Biden calls "the most significant legislation in history to tackle the climate crisis." America, we are told, is a global climate leader again. This narrative has serious problems.

The foremost issue is that the act will have a trivial impact on climate change. The Biden administration claims the law will enable the U.S. to reduce carbon emissions in 2030 by around 40% below 2005 levels. This is less than the 50% reduction Mr. Biden promised only last year, but it still sounds impressive. One major wrinkle: Most of that cut has nothing to do with the Inflation Reduction Act.

Unlike most other nations on the planet, the U.S. has substantially reduced its carbon emissions over the past 15 years. This is largely owing to the fracking revolution that replaced a lot of America's coal

with natural gas, which is cheaper and cleaner. Even without the new law, the U.S. was on track to cut emissions substantially by 2030, according to research by the Rhodium Group. Averaging their high and low emission predictions, the U.S. would drop emissions by almost 30% absent the new law. With the new law, emissions will decline instead by a little over 37%. The "most significant legislation in history" will actually cut emissions by less than eight percentage points.

While the administration talks up its emission reductions, it never seems to tout the law's impact on temperature and sea level—for good reason. If you plug the predicted emissions decline into the climate model used for all major United Nations climate reports, it turns out the global temperature will be cut by only 0.0009 degree Fahrenheit by the end of the century. This is assuming the law's emission reductions end when its funding does after 2030. But even if you charitably assume they'll somehow be sustained through 2100

without any interruption, the impact on global temperature will still be almost unnoticeable, at 0.028 degree Fahrenheit.

The law will similarly have little effect on the sea level. A model that calculates changes in ocean levels predicts waters will be somewhere between 0.006 and 0.08 inch lower in 2100 than they would have been without the Inflation Reduction Act.

To reach even this minuscule climate impact, the law would have to be kept intact over the rest of the decade, across four more Congresses and two presidential terms. Given the \$369 billion price tag on the act's climate policies, it's hard to imagine the Inflation Reduction Act surviving a Republican majority. It might not even survive sustained Democratic rule.

It's been proven around the globe that politicians can be quick to backtrack on expensive climate policies when faced with economic trouble and an angry electorate. Consider French President Emmanuel Macron's flip-flop on his signa-

ture fuel-tax hikes or the German Green Party's U-turn on fossil fuels amid sky-high energy prices.

With the Inflation Reduction Act's massive costs, it could be more of a warning to the world than the leading example the Biden administration hopes it will be. Three-fourths of all emissions in

Democrats are cheering, but by 2100 it'll likely cut the temperature by only 0.0009 degree Fahrenheit.

the rest of this century will come from what are today developing countries, especially China, India and nations in Africa. These countries couldn't afford to follow the U.S. lead and drop hundreds of billions of dollars on climate subsidies even if they wanted to. And they have far more important challenges—such as poverty, illiteracy and starvation—that they can tackle

far more cost-effectively and with a far greater impact. Even if the U.S. is now proclaimed a global climate leader, it'll have few followers.

The cost of the act also belies the oft-repeated claim that green technologies are already cheaper than fossil-fuel alternatives. If they were, they wouldn't need enormous subsidies. If green energy is going to work, it needs to be as reliable and cheap as fossil fuels. Otherwise developing nations in particular aren't going to switch to cleaner energy, preferring instead to focus on development and prosperity.

Climate change can be meaningfully addressed only by investing in the research and development of all sorts of green energy—from solar, wind and batteries to fourth-generation nuclear and carbon capture. Many of these technologies will ultimately fail, but we only need a few to become so cheap that everyone—including China, India and Africa—can access plentiful and reliable green energy while reducing emissions.

Unfortunately, the new climate law delivers next to nothing to direct innovation. Instead, it retreads tired policies, dishing out subsidies to roll out more inefficient technology. And it does so at a much greater cost than the tens of billions of dollars it would take to improve R&D.

The U.S. could have set an example for the world through innovation. Instead the government chooses to spend hundreds of billions of dollars to achieve no noticeable climate benefit.

Mr. Lomborg is president of the Copenhagen Consensus, a visiting fellow at Stanford University's Hoover Institution and author of "False Alarm: How Climate Change Panic Costs Us Trillions, Hurts the Poor, and Fails to Fix the Planet."

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Notable & Quotable: 'Threats'

Byron York writing for the Washington Examiner, Aug. 23:

A new survey from NBC News has some sobering results for Democrats who have been growing more optimistic in recent weeks. . . . But the part of the survey that seemed really striking was what appeared to be an extraordinary shift in voter priorities. The question was simple: What is the most important issue facing the country? This is how NBC's Chuck Todd reported the answer: "For the first time ever," Todd said, "when asked what is the most important issue facing this country, the top

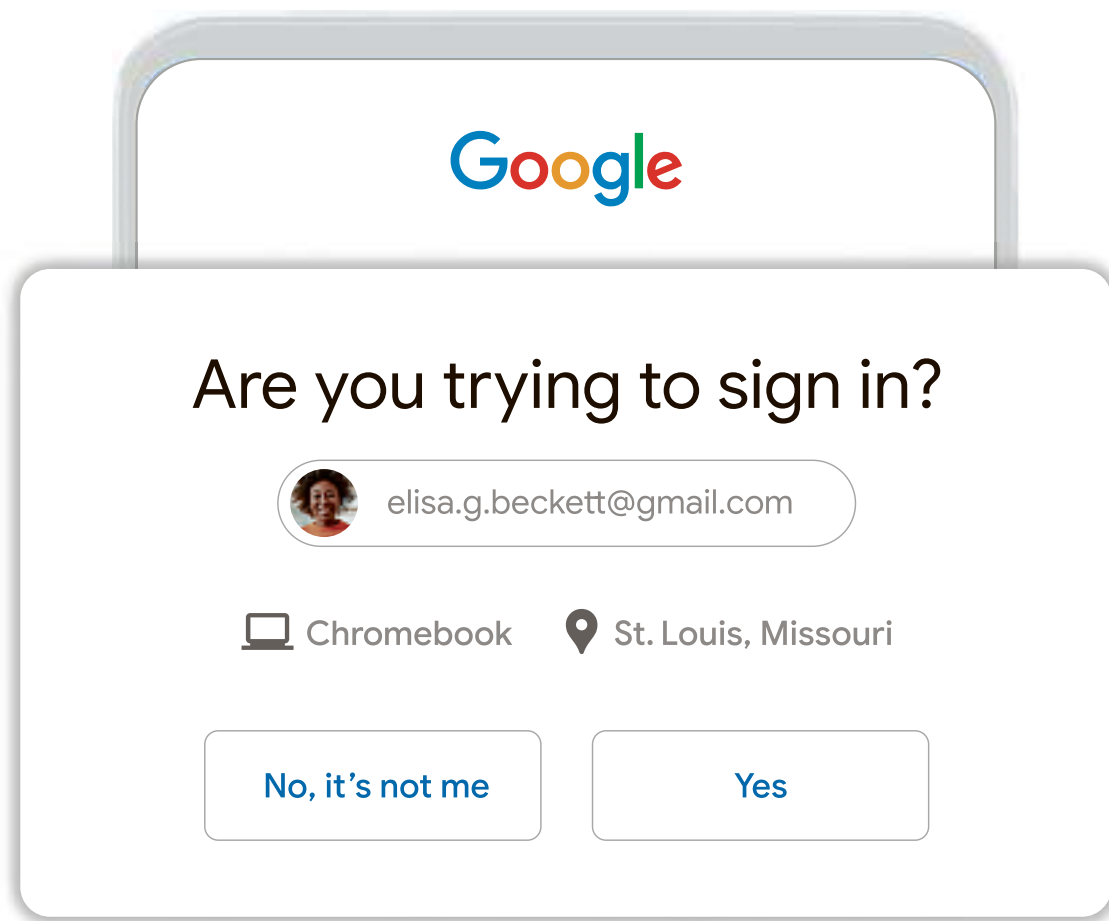
answer was not an economic issue. It was threats to democracy—higher than cost of living or jobs or guns or even abortion."

But the "threats to democracy" result is not as clear as it might seem. To start, when Todd announced, "For the first time ever . . ."—well, it was indeed a first for the NBC poll because its pollsters had not asked respondents about "threats to democracy" before. Just look at the results from the same poll in May. No one named "threats to democracy" as the most important issue because it was not on the list of issues presented to respondents.



Cyberattacks can happen with just a click

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BUSINESS & FINANCE

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Investors Return to Stock Funds

By KAREN LANGLEY

The summer's market rally has begun to lure investors back into stock funds.

Investors funneled a net \$11.7 billion into equity mutual funds and exchange-traded funds over the two-week period ended last Wednesday, according to Refinitiv Lipper data.

That is a shift from earlier in the summer, when many investors assessed their losses from a brutal start to the year and headed for the exits. All told, they yanked \$44.1 billion from equity funds across June and July, the first consecutive months of outflows since December 2020 and January 2021.

More recently, appetite for stock funds has returned as the market advanced from its low more than two months ago. The S&P 500 has climbed 13% since June 16.

The ascent has been uneven. The S&P 500 dropped 3.6% over the past three sessions, as investors are still grappling with several issues. Inflation remains red-hot, and the Federal Reserve says it will keep raising interest rates. Plus, as the economy shows signs of cooling, there is widespread doubt that companies can post the robust earnings growth on which Wall Street is counting.

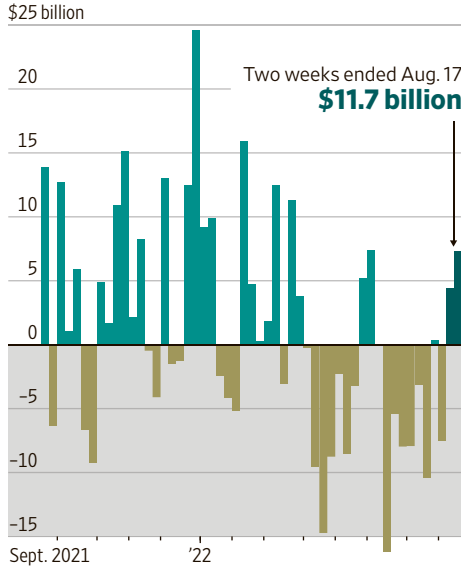
Still, with the S&P 500 having recouped a large portion of its losses for the year, some investors say it has become hard in recent weeks to sit this rally out.

"We've had a nice recovery from the June low, and investors are starting to feel better about it," said David Templeton, principal and portfolio manager at Horan Capital Advisors.

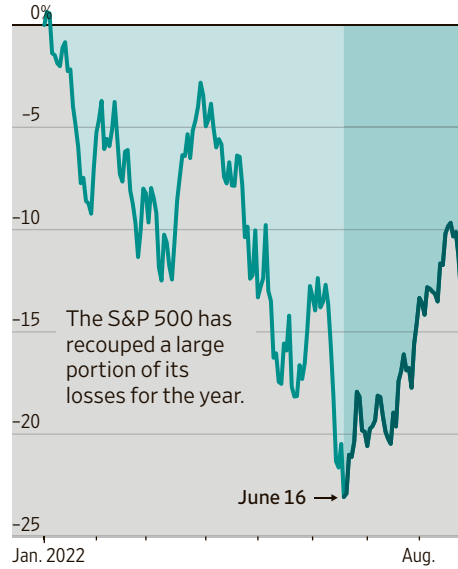
Mr. Templeton is in the camp that thinks the market had fallen far enough that there were bargains to be had. He said his firm has been buying U.S. stocks, betting the market's recent bottom may have been its low point for the year.

"We just think some of the bearishness around the economy, the fundamentals about companies, was overdone," he said.

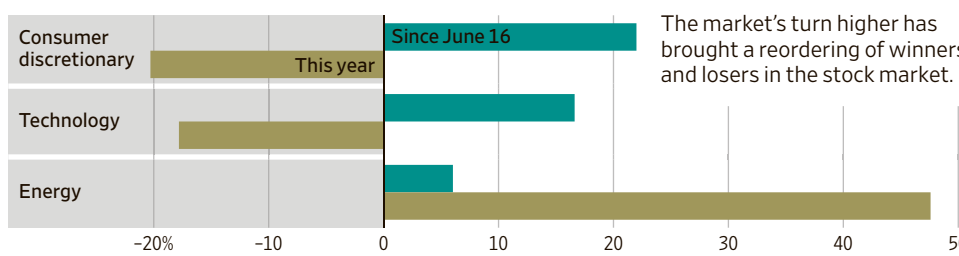
Net flows into equity funds, weekly*



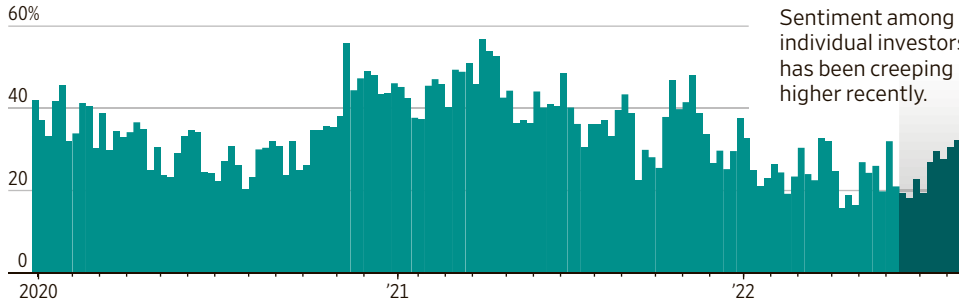
S&P 500 performance this year



S&P 500 sector performance



Share of individual investors who are bullish, weekly



*Includes mutual funds and ETFs
Sources: Refinitiv Lipper (flows); FactSet (index and sector performance); American Association of Individual Investors (sentiment)

Investors this week will parse the latest jobless-claims numbers and consumer-sentiment data as they try to assess how the economy is holding up. They also will keep an eye on the Fed's annual economic symposium in Jackson Hole, Wyo., and examine earnings reports due from companies, including **Salesforce Inc.**, **Nvidia Corp.** and **Dollar General Corp.**

Fund flows aren't the only

sign that investors are setting aside some of their distrust of the market's rally: Sentiment among individual investors has been creeping higher. The most recent survey by the American Association of Individual Investors found that 33% expected stock prices to rise over the next six months, up from 18% at the lowest reading in June. Still, bullishness has remained below its long-term average of 38%.

There are indications that professional investors also are feeling a little less glum. BofA Global Research's August fund-manager survey found their allocation to equities was below the long-term average. But it had increased from July, when fund managers were the most down on stocks since October 2008.

The early months of 2022 were a rude awakening for in-

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Retailers Cut Forecasts For Earnings

Macy's, Nordstrom say risk of economic downturn threaten consumer spending

By CHARITY L. SCOTT

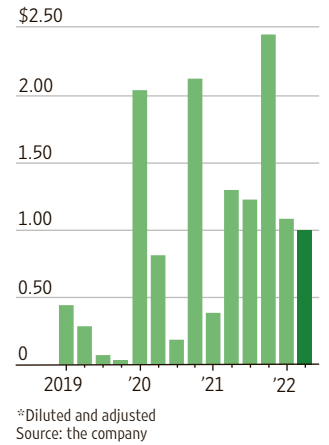
Macy's Inc. and Nordstrom Inc. became the latest retailers to lower their financial guidance for the year, citing risks of a steeper economic downturn and slowdown in consumer spending.

Macy's, the biggest U.S. department-store chain, on Tuesday said it was also adjusting its forecast to reflect mark-downs and promotions the company thinks will be needed to get rid of old inventory.

Nordstrom cited weakness among shoppers at its Nordstrom Rack discount chain, which targets lower-end consumers than its flagship stores. "The uncertainty moving forward is significant," Chief Executive Officer Erik Nordstrom said on a call with analysts Tuesday.

Macy's customers across income tiers slowed their spending, CEO Jeff Gennette told an-

Macy's earnings per share*, quarterly



analysts on a call. Executives said customers aren't trading down to less expensive brands but are being more selective about what categories they shop and taking advantage of widespread promotions being offered by both Macy's and competitors.

The revision comes despite Macy's posting better-than-expected results for its second quarter. Same-store sales, or sales from stores that have been open at least a year, fell

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KPMG to Pare NYC Office Space by 40%

By KONRAD PUTZIER

The global audit and consulting firm **KPMG LLP** is shrinking its New York office space by more than 40%, becoming the latest big company to cut back on real estate as it embraces hybrid work.

KPMG said Tuesday that it signed a lease for 456,000 square feet and 12 floors at an office tower rising on Manhattan's West Side in the new Hudson Yards neighborhood.

The firm plans to vacate the roughly 800,000 square feet it currently occupies at three Midtown Manhattan office buildings that were built between the 1960s and '80s. It expects to move in 2025 to Two Manhattan West, an under-construction skyscraper developed by Brookfield Properties. It will serve as KPMG's new U.S. headquarters and represents one of the largest office lease signings in New

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'Tiger' of Hedge Funds Pioneered '80s Trading

By GREGORY ZUCKERMAN AND JULIET CHUNG

Julian H. Robertson Jr., a pioneering hedge-fund investor, died at the age of 90. For two decades, Mr. Robertson led one of Wall Street's largest

and highest-profile funds, Tiger Management LLC, scoring average annual gains of about 25%. Mr. Robertson trained and backed a number of successful managers who became known as "Tiger Cubs."

Mr. Robertson suffered cardiac complications and died Tuesday in his home in Manhattan, according to his spokesman.

A native of North Carolina,

Mr. Robertson served as an officer in the U.S. Navy before joining Kidder Peabody in 1957, becoming a director of the brokerage firm and running its investment subsidiary. He left in 1978 and started Tiger in 1980, launching the firm with \$8 million. The firm's name derived from the term Mr. Robertson used for those whose name he couldn't recall, according to Daniel Strachman, who wrote a biography of Mr. Robertson. In turn, staffers called Mr. Robertson "Big Tiger."

Employing an approach that would become traditional for hedge-fund traders—buying inexpensive stocks with good earnings prospects while betting against expensive shares—Mr. Robertson met

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China's Yuan Slides to Two-Year Low

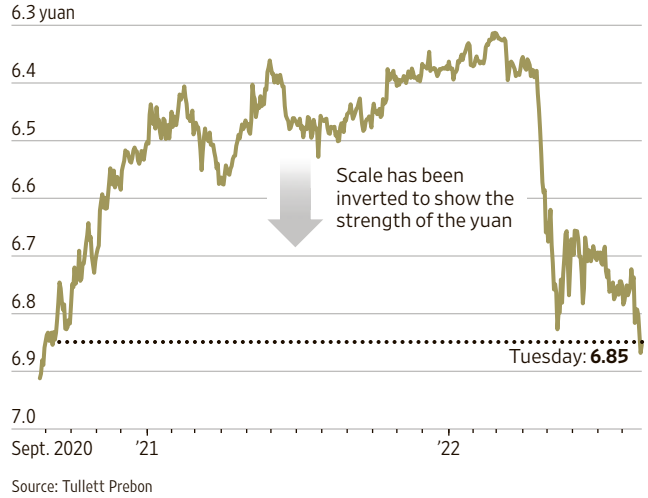
By MATTHEW THOMAS

HONG KONG—China's currency has dropped to its weakest level against the dollar in two years. It is likely to depreciate further as the country's central bank moves to combat a slowing economy and a deep housing downturn.

On Tuesday, the yuan traded at more than 6.86 to the dollar in China's tightly controlled onshore market, hitting levels last seen in August 2020, according to FactSet. The currency weakened past 6.88 in the more freely traded offshore market, taking its year-to-date decline against the dollar to more than 8%.

The latest selloff in the yuan, also known as the renminbi, was partly a result of the dollar's continued march higher. It was also fueled by a series of recent data releases that appeared to show China's economy in poor health. Factory output, investment, consumer spending and youth employment numbers in July

How many offshore yuan one dollar buys, past two years



Source: Tullett Prebon

all pointed to broad economic weakness.

Last week, the People's Bank of China surprised the markets with 0.1 percentage point cuts to two key interest rates, actions aimed at stimulating more lending activity. On Monday, large commercial banks in the country followed suit with cuts to their lending

rates, including a widely referenced mortgage benchmark.

On Aug. 19, the central bank also signaled its preference for a weaker yuan by setting its daily midpoint for onshore trading, known as the fix, at more than 6.80 against the dollar—the first time it had crossed that level in 23 months. The PBOC al-

lows the currency to trade within a daily range of 2% up or down against the dollar from its target level.

"There was a psychological impact there because 6.80 has held for quite a long time," said Yuting Shao, a macro strategist at State Street Global Markets. "Where is the upper band now? People are still trying to figure that out."

On Tuesday morning, the central bank set the midpoint at more than 6.85 yuan to the dollar. A weaker currency helps China's exporters by making their goods cheaper. But it creates another headwind for foreign investors in stocks and bonds in mainland China by eroding their value.

So far this year, international institutions have pulled more than \$82 billion from yuan-denominated bonds, a record outflow for the asset class.

The Chinese central bank's rate cuts have been more detrimental to the yuan's value against the dollar because the

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TRAVEL

Flight disruptions spilled into Tuesday after bad weather scrambled flights. **B3**



HEARD ON THE STREET

Tensions with Kremlin could add to Europe's bottle crunch. **B12**

Bed Bath & Beyond Reaches Financing Pact

By JODI XU KLEIN AND ANDREW SCURRIA

Bed Bath & Beyond Inc. has found a financing source to shore up its liquidity as it tries to weather recent missteps, according to people familiar with the matter.

The company on Tuesday told prospective lenders that it has selected a lender to provide a loan following a market-

ing process conducted by **JPMorgan Chase & Co.**, people familiar with the matter said.

A loan deal would provide liquidity and give vendors confidence they can continue to ship goods to Bed Bath & Beyond, which is fighting to correct missteps from an ill-fated push into private-label brands. The retailer had been seeking about \$375 million to pad its cash levels and help pay down

existing debt, The Wall Street Journal previously reported.

The size and structure of the final deal wasn't clear on Tuesday. Bed Bath & Beyond didn't respond to a request for comment. JPMorgan declined to comment.

The company's shares skyrocketed last week on a burst of interest from individual investors but have been sliding since billionaire activist Ryan

Cohen announced his exit from the stock and sold off his 10% stake.

The company has signaled it has to raise cash. While it has said it should be fine for a year, its business remains in decline. Bed Bath & Beyond has said it would provide an update on efforts to strengthen its balance sheet at the end of the month.

—Laura Cooper contributed to this article.

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Retailers Resort to Stashing Excess Inventory in Trailers

By Liz Young

Companies flush with inventories and straining for warehouse space are increasingly turning to ad hoc arrangements that include storing goods in parking lots and on truck trailers as they cope with an ongoing disconnect between supply and demand. The tactic is aimed at keeping supply chains nimble, experts say, and allowing companies to put off potentially costly commitments to new storage capacity amid uncertainty in the U.S. economy and sharp changes in consumer buying patterns.

"It's scalable, and it's mobile, and it's accessible," said Chuck Cannata, executive vice president and general manager of St. Charles, Mo., transportation equipment lessor Milestone Equipment Holdings LLC, which has seen more demand from companies to use trailers for storage over the past two years.

"You can move that to a retail distribution center or a store without having to touch the inventory two or three times," Mr. Cannata said.

The overflow strategy is the latest sign of how retailers and manufacturers are continuing to reset their distribution operations on the fly to keep supply chains running amid disruption in transportation networks and difficulties in forecasting demand. Companies are looking for space in a highly squeezed warehouse market, with vacancy rates in some major distribution markets dropping into the low single digits and leasing costs rising. Real-estate services firm JLL said in a report this month that average rental rates across the U.S. for industrial properties in the second quarter surpassed \$8 a square foot, 21% ahead of the same quarter last year.

But shipping experts say the practice of keeping goods on transport equipment adds to broader strains in supply chains because it ties up shipping containers, truck trailers and the truck frames needed to keep goods moving, making it tougher for trucking companies and ocean carriers to get the equipment they need at the right place and the right time. "When a trailer is being

used for storage, it can't be used for transporting other goods," said Lisa Ellram, a professor of supply-chain management at the Miami University Farmer School of Business in Oxford, Ohio.

Some retailers, including Target Corp. and Macy's Inc., are cutting prices to get rid of their excess inventories as quickly as possible. Others are holding on to late-arriving

first half of this year compared with the same period in 2020. He said one retailer that received Christmas goods too late for last year's holiday season has stored the merchandise this year in more than 50 trailers at secured yards across the country.

Shippers leasing short-term warehouse space are also asking about storing trailers in those properties' parking lots, said Karl Siebrecht, chief executive of Seattle-based Flexe Inc., which connects businesses to warehouses with extra storage space.

"It's kind of one of the tricks in the bag, if you will, for temporary short-term. Hey, can I just park some of my trailers somewhere until I can get some of this pile of inventory moving down the supply chain?" Mr. Siebrecht said. "We get asked that a lot."

For some big retailers with their own trucking fleets, the storage strategy is a normal seasonal process. "They know that stock is going to go away pretty quickly and it's not worth building out a whole lot of capacity with a distribution center," said Dr. Ellram.

849%

Increase in one freight broker's revenue from 'drop trailers'

goods for future sales or are diverting shipments to off-price retailers like Ross Stores Inc. and Burlington Stores Inc.

Joe Trusner, executive sales director at Total Quality Logistics LLC, said the Cincinnati-based freight broker's revenue from providing drop trailers, which are truck trailers that are unhooked and left with shippers, was up 849% in the

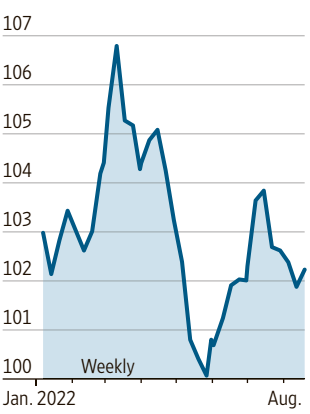
Yuan Sinks To Lowest Since 2020

Continued from page B1
Federal Reserve has gone in the opposite direction.

The Fed raised its benchmark rate by three quarters of a percentage point in both June and July, marking its most aggressive campaign of rate increases since the 1980s. Traders are divided about whether the Fed will do the same at its next meeting in September or whether it will settle for a half-percentage point increase. The market is awaiting a speech by Fed Chairman Jerome Powell at a gathering of economists in Jackson Hole, Wyo., Friday, for clues about which way the

China's yuan has held up relatively well against a basket of 24 currencies.

CFETS yuan index



Source: China Foreign Exchange Trading System

central bank is leaning. The Fed's tightening cycle has triggered a widespread selloff in Asian currencies this year, including more than 10% declines for the Japanese yen and South Korean won. The yuan has also been hard hit, but it has found more support than other currencies as traders have bet on the long-term health of China's economy, said Chaoping Zhu, global market strategist at J.P. Morgan Asset Management.

That economic argument has now become less compelling. China's economy contracted by 2.6% in the April-to-June quarter from the first quarter of the year, official data released last month showed. The struggles of the country's property developers, weakening consumer confidence and the impact of a strict zero-Covid policy are all hampering recovery prospects.

That means that the two biggest drivers of currencies—interest-rate differences and economic-growth projections—both paint a pessimistic picture for the performance of the yuan against the dollar.

China's central bank is unlikely to cut interest rates again "for the time being," but it will attempt to increase the money supply, said Gary Ng, a senior economist at Natixis. There are various methods it can use to do that, including cutting the reserve-requirement ratio charged to banks, he said. On Monday, the central bank sold 25 billion yuan, equivalent to \$3.65 billion, of bills in Hong Kong, slightly reducing the amount of offshore yuan liquidity.

Many analysts are expecting the yuan to weaken further. Mr. Ng said he thinks the yuan will reach 6.95 against the dollar this year, largely because of the difference in interest rates between China and the U.S. HSBC's Joey Chew expects the yuan to hit 6.90. Analysts at Bank of America and RBC are predicting 7 yuan to the dollar by 2023.

China's central bank last let the yuan depreciate past 7 to the dollar in August 2019, during a period of high trade tensions between Beijing and Washington. That move didn't result—as some had feared—in big capital outflows, but yuan weakness has previously been a bad omen for markets.

In 2015, a huge stock-market selloff in China contributed to a rapid weakening of the yuan, particularly after the PBOC devalued the currency and said it would let the market have a greater say in its future value. Global stock markets reeled and Asian currencies—which often follow the broad trend of the yuan—tumbled along with it.

The yuan has held up better against other currencies this year. China Foreign Exchange Trading System, an arm of the central bank, measures the performance of the currency against a basket of 24 currencies, including the dollar, yen and euro and lesser-traded currencies such as the Polish zloty and Russian ruble. That yuan index was roughly at the same level it was at the start of 2022, according to the most recent data published on Aug. 19.

—Rebecca Feng contributed to this article.

Watch a Video



Scan this code for a video on why a strong dollar is a double-edged sword.

Macy's Lowers Outlook

Continued from page B1
1.5% from the previous year. Analysts polled by FactSet expected a 2% drop.

Macy's shares closed 3.8% higher for the day. Through Tuesday, shares were down nearly 29% for the year. Nordstrom reported after markets closed and its shares fell 14% in late trading.

Overall inventory levels remained elevated, Macy's said, but were down 7% from the first quarter. Macy's said sales have been lower since Father's Day as it and other retailers grappled with excess inventory and a pullback in consumers' discretionary spending.

"Where we still have customer-wanted categories and there's more scarcity of product with us and with the market, we are getting the higher [average selling prices]," Mr. Gennette said.

The retail chain said it is implementing markdowns across several categories, including seasonal goods, its private brands and activewear and sleepwear, as it looks to clear aging stock from its shelves.

Walmart Inc., Best Buy Co. and other retailers have revised their financial targets in recent weeks, saying high inflation and dampening consumer spending were hurting financial results.

Nordstrom said it is working to aggressively lower its inventory levels, which will also weigh on revenue growth this year. "Managing our inventory levels conservatively will allow us to be more agile in responding to a rapidly changing business environment," Mr. Nordstrom said. Merchandise inventories were lower from the previous quarter, although

they remain elevated when compared with the same period last year.

Nordstrom said it now expects adjusted earnings per share of between \$2.30 to \$2.60 for the year, down from a range of \$3.20 to \$3.50. The department-store chain reported profit of \$126 million for the second quarter, as sales rose 12% from the previous year. The company reported adjusted earnings per share of 81 cents, narrowly beating analyst predictions of 80 cents a share, according to FactSet.

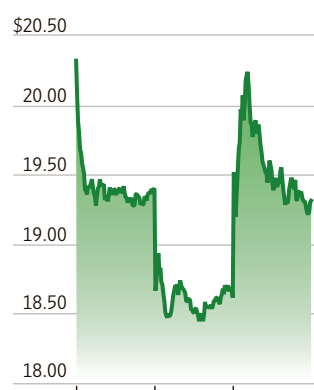
Macy's trimmed its net sales forecast to between \$24.34 billion and \$24.58 billion, from a range of \$24.46 billion to \$24.7 billion. It now expects per-share earnings excluding one-time items between \$4 and \$4.20, compared with its prior forecast of between \$4.53 and \$4.95.

Macy's reported that revenue was slightly lower in the second quarter compared with the same period last year, \$5.6 billion from \$5.65 billion.

Earnings for the period ended July 30 came in at \$275 million from \$345 million a year earlier. Stripping out one-time items, adjusted earnings were \$1 a share. Analysts had been expecting 86 cents a share.

Earlier this year, Macy's said it wouldn't separate its e-commerce business from its bricks-

Macy's stock-price performance



Source: FactSet (performance)



Same-store sales, or sales from stores that have been open at least a year, fell 1.5% from the previous year. Analysts expected a 2% drop.

and-mortar stores amid calls from an activist investor to increase returns.

Macy's had raised its earnings guidance in May when it reported its first-quarter results, in part to reflect its improved expectations in its credit-card revenue. Executives said card balances are rising as customers grapple with high inflation.

"We're just taking a mea-

sured view on bad debts for the remainder of the year—we're monitoring credit delinquencies, we're monitoring payment rates," Macy's finance chief, Adrian Mitchell, told analysts. "When we look at the industry more broadly, we see that inflation is outpacing wage growth, that's just not sustainable for the consumer."

—Dean Seal contributed to this article.

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BUSINESS NEWS

‘Russia’s Google’ Sells Media Assets To Kremlin Affiliate

By EVAN GERSHKOVICH

Yandex NV, which runs Russia’s largest search engine and ride-hailing service, sold its media interests to a state-backed company, deepening the Kremlin’s control over the Russian internet.

Often referred to as “Russia’s Google,” Yandex said it was selling its news aggregator, its Zen social-media platform and its homepage to VK, Russia’s largest social-media company, in exchange for VK’s food delivery app Delivery Club.

The move rids Yandex of assets that had drawn criticism for promoting the Kremlin’s messaging about its war in Ukraine, and deepens the internet portfolio of VK, which is controlled by Sogaz, the insurance arm of state-run energy giant **Gazprom PJSC**.

college campuses in the U.S.

The sale beefs up the presence of VK in Russia’s internet, where it already owns the most popular social-media network, Vkontakte, a Facebook-like platform. VK’s chief executive, Vladimir Kirienko, is the son of President Vladimir Putin’s first deputy chief of staff, Sergei Kirienko. Yuri Kovalchuk, who the U.S. Treasury describes as Mr. Putin’s “personal banker,” has a significant stake in Sogaz.

After Mr. Putin sent troops into Ukraine on Feb. 24, Moscow passed legislation banning dissemination of false information about the activities of Russia’s armed forces. It has since shuttered dozens of independent media outlets and blocked Facebook, Instagram and Twitter for publishing content that it says doesn’t comply with that law.

Abiding by local regulations, Yandex’s news aggregator surfaced news from state-run outlets that followed the Kremlin’s line, for instance describing the Ukraine invasion as a “special military operation” aimed at protecting Ukrainians from fascism.

The European Union added Yandex’s founder, Arkady Volozh, to its sanctions list in June, saying that the company was “responsible for promoting state media and narratives in its search results, and deranking and removing content critical of the Kremlin.”

Mr. Volozh described the EU sanctions as “misguided” but stepped down as CEO and left its board. Yandex’s former executive director and deputy chief executive, Tigran Khudaverdyan, was also sanctioned by the EU. He also resigned from his Yandex roles. Before his sanctioning, Mr. Khudaverdyan wrote a Facebook post arguing that Yandex needed to carry on offering tech solutions to the Russian people.



Airlines on Monday scrubbed close to 1,500 U.S. flights—about 5.7% of what was scheduled—with close to 8,000 more delayed.

Bad Weather Disrupts Air Travel

By ALISON SIDER

Flight disruptions spilled into Tuesday after bad weather scrambled flights earlier this week, leading to canceled trips, diversions, and in some cases hourslong waits on planes.

Airlines on Monday scrubbed close to 1,500 U.S. flights—about 5.7% of what was scheduled—with close to 8,000 more delayed, according to FlightAware, a flight tracking site. Disruptions eased but remained elevated Tuesday, with more than 500 canceled flights.

Thunderstorms are a regular hazard of summer travel, and Monday’s problems were a stark example. Storms lingered over New York-area airports, cutting off approach paths. Some flights from the West Coast bound for Newark Liberty International Airport turned back midflight or diverted to other airports to avoid the gridlock there.

Airlines have been under growing pressure from regula-

tors to improve their operations after a sometimes chaotic spring and summer. Transportation Secretary Pete Buttigieg has described this summer’s disruptions as “unacceptable” and has said he is contemplating further regulations.

Texas and New York airports were the hardest hit this week. Heavy rains began to fall on the Dallas area on Sunday, drenching the city with over 9 inches, snarling travel. Bad weather continued Monday in Texas, hampering operations at airports in Dallas, Austin and Houston. Storms also prompted ground stops and delays at New York area airports; takeoffs and landings were limited throughout much of the afternoon and evening.

In advisories Monday, the Federal Aviation Administration cited staffing constraints within air-traffic control in the New York area—something airlines have complained about for most of the summer. A spokeswoman said Tuesday that bad weather was the pri-

mary culprit.

This week’s disruptions are the latest in what has already been a difficult summer for travelers. Airlines made ambitious plans hoping to take advantage of the surging appetite for travel this summer, but some found that they had stretched themselves too far. Carriers have struggled to rebuild their own ranks amid the Covid-19 pandemic and have cited staffing shortfalls at airports and within air-traffic control as hindrances.

Airlines have been cutting flights, reining in capacity plans for the rest of the year in an effort to avoid operational stumbles and ensure that they are offering schedules they can more reliably fly. United Airlines Holdings Inc. has throttled back at Newark, citing congestion there because of runway construction and terminal projects that have limited gate access.

Monday’s problems illustrated the logjams that can form at the oft-delayed air-

port. With some planes still arriving even as flights were unable to depart, space at gates eventually became scarce. Some flights idled on taxiways for hours as passengers grew restless.

Eugene Kontorovich, a law professor, waited hours aboard a United Airlines flight waiting to take off from Newark to Tel Aviv before the flight was eventually canceled.

“They kept saying ‘just a little bit longer, just a little bit, just a little bit,’” he said.

A United spokesman said the severe weather in the New York and New Jersey area caused operational challenges, and said the airline continues to assist customers trying to get to their destinations.

Roughly a quarter of flights to and from Newark were canceled Monday and 40% of departures were delayed, according to FlightAware. High levels of cancellations continued there Tuesday. At LaGuardia Airport, about 20% of flights were canceled Monday.

60%

Yandex’s share of Russia’s internet searches

“The interests of the company’s stakeholders ... are best served by pursuing the strategic exit from its media businesses,” Yandex said.

Yandex, which accounts for more than 60% of Russia’s internet search market, had enjoyed a Nasdaq listing and a market value of some \$31 billion at its peak late last year. That tumbled to below \$7 billion before Russia halted trading early in the war.

In recent years, Yandex made successful expansions into areas such as food delivery, video streaming and taxi services. The company also has an Alexa-style virtual assistant called Alice. Its robots have been tapped to deliver food to

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TECHNOLOGY

WSJ.com/Tech

Wireless Eats Into Broadband, and Vice Versa

By THOMAS GRUTA
AND RACHEL WOLFE

A budding battle between U.S. cable and phone companies has brought fresh competition for services typically dominated by a few large companies.

Wireless carriers are using the excess capacity on next-generation networks to win over customers who have been using traditional broadband-internet providers, while those same cable companies are promoting new and cheaper cellphone plans.

The competition, in some instances, has created a refuge for consumers as inflation is driving up prices on just about everything else.

The cost of internet service rose 1.7% in July from a year earlier, according to the Labor Department.

New fifth-generation cellular networks have helped carriers **T-Mobile US Inc.** and **Verizon Communications Inc.** sign up 2.2 million wireless-internet customers through June, often at traditional broadband providers' expense. The mobile-phone companies' fixed wireless signals beam broadband connections from cell towers to routers placed in homes and businesses instead of by wire, which can be costly and time-consuming to install.

The wireless threat contributed to the cable industry's worst quarter in years. **Comcast Corp.** lost residential customers in the most recent quarter for the first time ever, a shift after many quarters of growth earlier in the pandemic. So did **Charter Communications Inc.**, its first decline in nearly a decade.

Cable-internet providers blamed a slowdown in household moves for the drop but said new competition from mobile carriers played a role—albeit a small one.

Comcast Chief Executive Brian Roberts expects the flow

The wireless threat contributed to cable's worst quarter in years.

of people moving to wireless-internet service to slow down, because mobile carriers face capacity constraints that limit the number of internet users they can add.

T-Mobile said a little more

than half of the 560,000 broadband customers it added during the second quarter came from cable competitors.

In Nashville, Tenn., Travis Murdock dropped his Xfinity cable service recently for T-Mobile's home-internet offering. The business analyst said he had grown tired of Comcast's marketing calls and of negotiating a new price every year when the promotion he had been using expired. The move took his bill down to \$50 a month from \$85. T-Mobile locked in the rate for as long as he keeps the service, he said.

It isn't all bad for cable. The biggest cable companies have spent the past five years winning over customers for cellphone service who might have otherwise signed up for lines under traditional wireless brands. Comcast and Charter have

amassed nearly nine million mobile-phone subscribers since Comcast launched its wireless service in 2017.

The ultimate winner may be wireless customers. AT&T Inc. and Verizon have implemented some price increases this year, but Mr. Moffett said the companies have also introduced lower-cost plans to compete with offers from the cable providers.

On Monday, Comcast announced lower pricing for customers seeking two or three lines under its wireless plan offering unlimited data.

Jody Ewing said she switched her wireless plan to Charter's Spectrum from Verizon last August, saving about \$30 a month and upgrading to unlimited data for her and her husband's phones in the process. The retiree from Santa

Ana, Calif., was already paying for Spectrum internet and cable and said she has never been happier with a carrier.

Cable companies aren't using their own cellphone networks to connect their customers on the go—they are paying the wireless providers for access under reseller agreements—but their services are nevertheless boosting their bottom lines.

Analysts caution that there are limits to both industries' encroachment on the others' turf. Cable companies lack the cell towers and other infrastructure they would need to make a big dent in the business of the largest wireless companies. The top three U.S. wireless carriers together serve roughly 300 million cellphone users.

—Drew FitzGerald
contributed to this article.

Apple Plans to Ramp Up iPhone Production in India

By RAJESH ROY
AND NEWLEY PURNELL

NEW DELHI—Apple Inc. is preparing to manufacture its new iPhone in India months earlier than it did previous models, a sign the company is boosting production outside its traditional base of China, where Covid-related shutdowns and geopolitical tensions have raised risks for foreign businesses.

Apple has been working with contract manufacturers in India to speed up the production process, shortening the typical delay between when the devices are made in China and when they are produced in the South Asian nation, according to people familiar with the matter.

The coming iPhone 14 model could be made in India as early as November, one of the people said, two months after the traditional September launch date

for Apple's new smartphones. Apple said in April it had started producing in India the latest generation of iPhones, the iPhone 13 series, seven months after its release.

An Apple spokesman didn't respond to a request to comment. Bloomberg News earlier reported Apple's plans to start manufacturing the iPhone 14 in India earlier than previous years' models.

The shift comes after Apple told some of its contract manufacturers that it wanted to boost production outside China, citing Beijing's strict anti-Covid policy among other reasons, The Wall Street Journal reported in May. Still, more than 90% of Apple products such as iPhones, iPads and MacBook laptops are made in China by contractors, a dependence on China that presents a risk due to continuing tensions between Washington and Beijing, analysts say.

Lockdowns in Shanghai and other cities as part of China's efforts to keep the virus out of the country have caused supply-chain bottlenecks for many Western companies and weakened consumer demand.

India's government has in recent years made a push to get companies such as Apple to switch high-end manufacturing from China to India as global trade tensions have flared. Prime Minister Narendra Modi's government has worked to create a more predictable regulatory regime and a simpler corporate tax structure. It has targeted smartphone makers with financial incentives for reaching production and revenue goals.

For Apple, one challenge has been finding in India the amount of skilled and unskilled labor that is available in China, analysts say. India's ports, roads and infrastructure also lag behind those in China.



Apple's market share in India is expected to rise to 4% by the end of this year.

Taiwan-based assemblers Foxconn Technology Group and Wistron Corp. have in recent years set up factories in India to produce iPhones mainly for the country's domestic market. Both companies are preparing to produce the iPhone 14, according to people familiar with the matter.

After struggling for years to

boost its sales in India due in part to competition from less expensive rivals, Apple's India market share in 2018 stood at about 1%. That should rise to 4%, its highest ever, by the end of this year, according to Tarun Pathak, research director at Counterpoint Research in India.

India is home to more than 1.3 billion people and has the

world's second-largest smartphone market. India accounted for about 3.1% of Apple's global manufacturing base last year, up from 1.3% in 2020, according to Counterpoint estimates. It is expected to rise to 5%-7% this year. China accounts for 95.3%.

—Yang Jie
contributed to this article.

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BUSINESS NEWS

Union Finds Racial Issues in Appraisals At New York Times

By ALEXANDRA BRUELL

An analysis by unionized New York Times journalists found that employees of color at the news outlet for years have received lower ratings in performance reviews, on average, than white employees.

Black staffers were 39% less likely than white employees to get one of the top two ratings on the Times' six-level scale, and 60% more likely to get one of the bottom two ratings, the union found. Hispanic workers were 44% less likely to get a top rating and 74% more likely to get a low one. Asian workers were 26% less likely to get a top rating and 37% more likely to get one of the bottom ones.

The report comes as the union, which represents more than 1,300 Times staffers, negotiates with Times management to renew a five-year contract that expired in March 2021. The union intends to discuss the report and continue its push for higher wages in a coming bargaining session, said Stacy Cowley, a New York Times reporter and officer for the Times union. The report is an updated version of a 2020 analysis by the Times union that found racial disparities in performance reviews. Ms. Cowley said union members found the 2020 findings disturbing, and were motivated to dig deeper.

"We spent literally hundreds of hours working on it this year," she said, adding that the union "wanted to make absolutely certain our statistical approach was sound and this is really a problem, and we're convinced it is."

A New York Times spokeswoman said, "Having an equitable performance evaluation system is one of the most important levers we have to ensure we are developing and supporting the growth of our people in a fair manner." She added, "We're committed to a performance evaluation system that is fair and equitable, and we have been working to

continuously improve it." The spokeswoman said the Times was reviewing the union's findings. After the union's 2020 report, the Times hired a consultant to conduct a separate analysis and told the union that it found minimal and inconsistent disparities in performance ratings, but no evidence of a systemic problem, according to the report.

The union sent Times management the updated findings on Aug. 17. The company responded two days later, saying it was committed to "a performance evaluation system that is fair and equitable," while criticizing the Guild for not giving it more time to review the findings, according to the report.

The union said performance reviews affect compensation because they are used to determine bonuses. Most staffers who received the top rating got a 1.9% bonus, and those with a rating of "meets all expectations"—equivalent to a three on a six-tier scale—got a 1.5% bonus, according to the report. Employees who got the two lowest ratings received no bonus at all, the report said.

Black employees, who made up 10% of the union's total membership in 2021, accounted for nearly 18% of the second-lowest ratings that year, according to the report, while they received 6% of the top ratings. By comparison, white staffers who made up 68% of the union accounted for 71% of the second-lowest ratings, while they received 81% of the top ratings.

The Times union, which is part of the NewsGuild, said it is pushing for changes to the performance-review process. The Times agreed to create a committee with three Guild members and three management representatives to discuss ways to improve the system, according to the union report. The union also wants the Times to analyze its performance system using multiple methods, instead of what it views as the company's flawed approach.

Zuckerberg Dropped From Lawsuit

By MEGHAN BOBROWSKY

The Federal Trade Commission said it would drop Mark Zuckerberg from a lawsuit filed last month seeking to block Meta Platforms Inc. from buying a small virtual-reality company.

In return, the Meta chief executive agreed not to purchase the startup, Within Unlimited Inc., and its fitness app called Supernatural, in his personal capacity or through any other entities he controls, according to a court document filed Tuesday.

Last month, the federal agency said Meta, the parent company to social-media apps including Facebook and Instagram, is already a key player at every level of the virtual-reality sector as it seeks to build out the metaverse.

The FTC alleges that Meta and Mr. Zuckerberg are nonetheless trying to expand the company's virtual-reality empire by buying the fitness app, a move they say violates antitrust laws and lessens competition.

Meta had asked the agency to remove Mr. Zuckerberg from the lawsuit. Last fall, then-Facebook renamed itself Meta as part of a rebranding effort to focus on the metaverse, an online realm where people can hang out as avatars, often through the use of virtual-reality headsets.

Meta declined to comment. The FTC didn't respond to a request for comment.

Meta previously said the FTC was "sending a chilling message" to those that want to innovate in the virtual-reality space.

"Instead of competing on the merits, Meta is trying to buy its way to the top," John Newman, deputy director of the FTC's bureau of competition, said when the lawsuit was filed in July.

He added that Meta already owns a bestselling virtual-reality fitness app. It also owns the top-selling VR device and a leading app store and has seven of the most successful developers.

Meta and Within announced the acquisition in October 2021. The terms weren't released.

Warner Bros. Axes Animation Projects For HBO Max in Latest Cost Cutting

By ALYSSA LUKPAT

Warner Bros. Discovery scrapped six animated projects, including the series "Batman: Caped Crusader," from its coming lineup on HBO Max, a spokesman for the company's animation studio said Tuesday, continuing its streaming overhaul.

The move was the latest in a series of cost-cutting moves following Discovery's merger with WarnerMedia, AT&T Inc.'s media business, this year. The company also purged "Batgirl," a superhero movie with a star-studded cast, from its HBO Max lineup in August.

The spokesman at Warner Bros. Animation Inc. said the projects won't be available on HBO Max and would instead be shopped elsewhere.

The spokesman didn't say why Warner Bros. Discovery chose to ax those titles.

The projects include "The Amazing World of Gumball: The Movie," produced by Hanna-Barbera Studios Europe, the spokesman said. Warner Bros. Animation is producing the other five titles, the spokesman said. Those projects are "Batman: Caped Crusader," "Merry Little Batman," "The Day the Earth Blew Up: A Looney Toons Movie," "Bye



Fan interest had been high in 'Batman: Caped Crusader,' one of the scrapped shows.

Eye Bunny: A Looney Toons Musical" and "Did I Do That to the Holidays: A Steve Urkel Story."

"Batman: Caped Crusader," the latest installment in the Batman universe, had sparked excitement among fans after HBO Max and Cartoon Network gave the show a straight-to-series order last year. WarnerMedia billed the show, which is being produced by J.J. Abrams and others, as a reimagining of the Batman mythology.

Representatives for the show's producers didn't return requests for comment Tuesday.

The company's earlier decision to scrap "Batgirl" came as executives concluded the film was unlikely to make back the money the studio had invested in it after a poor test screening, people familiar with details of the production said at the time.

Warner Bros. Discovery, which formed with about \$55 billion in debt, has scrapped a

number of titles from HBO Max as part of a strategy overhaul to win streaming market share without overspending.

The company pulled a number of titles in recent weeks from HBO Max, including almost 200 "Sesame Street" episodes and about a half-dozen movies. In May, Warner Bros. Discovery axed "The Wonder Twins," another superhero movie that cost around \$75 million to make.

Pioneer of Hedge Funds Dies

Continued from page B1
early success. Tiger gained 54.9% in its first year and outperformed the overall market in most subsequent years.

Mr. Robertson had an incredible talent for synthesizing data, according to Tiger co-founder Thorpe McKenzie, who retired from Tiger in the 1980s but remained close with Mr. Robertson. In Tiger's earliest days, when its portfolio consisted of perhaps 100 positions, Mr. Robertson would calculate in his head Tiger's performance the prior day on his train ride into New York City from Long Island by looking at the stock quotes published in The Wall Street Journal.

"We did a lot of trades in options and derivatives and sometimes esoteric securities," Mr. McKenzie said. "We would come in and the broker would say we lost 1% and Julian would say, nope, we made one quarter of a percent."

Over time, Mr. Robertson invested in bonds and other markets, in addition to stocks. By the late 1990s, Mr. Robertson managed about \$22 billion, emerging with George Soros and Michael Steinhardt as Wall Street's most renowned hedge-fund traders.

Then Mr. Robertson stumbled. In 1999, as investors became enamored with expensive tech stocks and markets soared, Mr. Robertson turned cautious and Tiger lost 19%.

Tiger lost an additional 13.5% in early 2000. On vacation in New Zealand, a dispirited Mr. Robertson decided to get out of the hedge-fund game and hand money back to clients.

"This approach isn't working and I don't understand why," Mr. Robertson recalled thinking. "I'm 67 years old, who needs this?"

On the day he announced the move, the stocks he had eschewed began tumbling and his favorites soared, the beginning of a crushing bear market



Julian Robertson's fund scored average annual gains of about 25%.

for tech stocks Mr. Robertson had anticipated.

Mr. Robertson never groomed a successor, but he trained and mentored a crop of analysts and portfolio managers who left to start their own hedge funds, sometimes hiking with them in Idaho and

The successful managers he trained became known as 'Tiger Cubs.'

Wyoming to build camaraderie when they were still at Tiger. These investors, in turn, trained others, resulting in a complex of funds that became known as Tiger Cubs and Tiger Grandcubs. They continue to manage tens of billions of dollars for clients.

Mr. Robertson was also influential in the development of Wall Street's then-nascent prime-brokerage business, which provides financing for trading clients like hedge funds.

Prominent Tiger Cubs include Andreas Halvorsen of Viking Global Investors; Philippe Laffont of Coatue Management; Stephen Mandel of Lone

Pine Capital; Lee Ainslie of Maverick Capital; and Charles "Chase" Coleman of Tiger Global Management. Some of these investors became influential, embracing big investments in private companies well before others. Mr. Robertson also provided the financial backing for hundreds of other funds over the last two decades through Tiger Management, which continued to manage his own money.

"Julian was a legendary investor and a generous mentor," said Mr. Laffont in a statement Tuesday. "We all feel lonelier without him here."

Some Tiger Cubs fared poorly. Bill Hwang's Arcegos Capital Management imploded in 2021, saddling Wall Street banks with billions in losses. Mr. Hwang was indicted in April on securities fraud and racketeering charges.

Mr. Robertson contributed about \$2 billion to charity during his lifetime, according to his spokesman, including more than \$250 million to fight poverty in New York City. He pledged to donate the bulk of his estate to charity.

Mr. Robertson is survived by his sons, Spencer, Julian III and Alexander, as well as nine grandchildren. His wife, Josephine, died in 2010.

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THE PROPERTY REPORT

Office Glut Started Decades Ago

Tax breaks dating to Reagan years, low interest rates, spurred building of towers

By KONRAD PUTZIER

A surplus of empty office space threatens to hollow out U.S. business districts. Don't blame the pandemic.

America's office glut was decades in the making, real-estate investors, brokers and analysts say. U.S. developers built too many office towers, lured by federal tax breaks, low interest rates and inflated demand from unprofitable startups. At the same time, landlords largely failed to tear down or convert old, mostly vacant buildings to other uses.

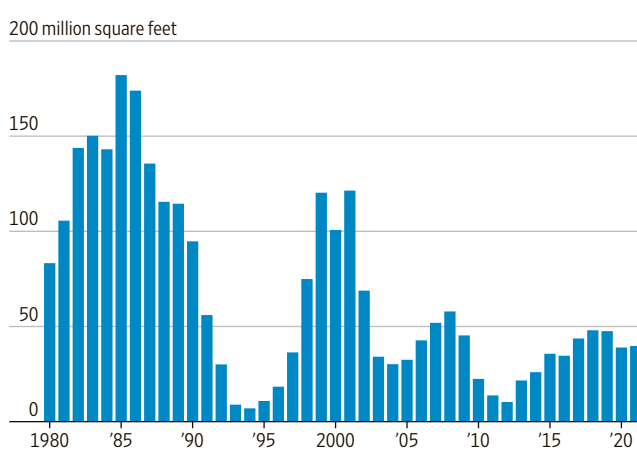
As a result, the country has too many offices and too few companies willing to pay for space in them. The rise of remote work during the pandemic aggravated a problem that was already emerging, analysts say.

High office vacancies threaten the finances of building owners and their lenders. They harm the economies of cities such as New York and San Francisco, which rely on cubicle farms to pay taxes and sustain nearby shops and restaurants.

In the decade after the 2008 subprime meltdown, office demand started to wane. More companies reduced their office space to cut costs. Firms realized they could save money by ditching private offices and cramming more employees into open floors. Some started allowing remote work.

And yet the supply of office space kept growing. Substantial tax breaks and other sub-

Annual completions of new U.S. office space*



*Data covers the top 50 U.S. metropolitan areas
Sources: Moody's Analytics (completions); JLL (vacancy rate)

Surplus Dates Back To Tax-Code Change

The U.S. office glut traces its roots to a 1981 change in the tax code, brokers and analysts say. In a bid to boost the economy, the Reagan administration allowed investors to depreciate commercial real estate much more quickly than before, among other changes, lowering their tax bills.

Savings-and-loan associations showered developers with easy loans, brokers say. That helped ignite an office-development boom in the 1980s that drove up vacancies to re-

cord levels and contributed to the savings-and-loan crisis, when many such institutions failed.

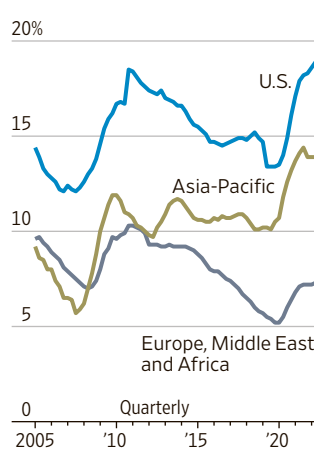
Vacancy rates slowly fell in the 1990s, but surged again after the bursting of the dot-com bubble and the subprime mortgage crisis.

The office surplus is primarily an American issue. About 19% of U.S. office space was vacant in the second quarter, compared with 14% in the Asia-Pacific region and 7% in Europe, the Middle East and Africa, according to brokerage JLL. Analysts expect that share to grow as more leases expire and more companies cut down on their real estate.

sidies over the past two decades went into projects such as New York's Hudson Yards and the World Trade Center. Conversions of old, empty office buildings into warehouses or apartments remained rare.

Landlords became more adept at inflating rents in return for giving tenants cash gifts and other incentives, creating a mirage of a strong market. Low interest rates and a flood of global capital into the U.S. real-estate

Global office vacancy rates



market propped up the values of buildings even as demand for offices fell, giving their owners a false sense of security. These factors masked chronically high vacancies and prevented landlords from pursuing more conversions, said David Lipson, president of real-estate brokerage Savills North America.

Sam Zell, chairman of Equity Group Investments, said co-working companies such as WeWork Inc. contributed to an oversupply of office space. Looking to grow quickly, such companies leased far more space than they could fill with customers in the years before the pandemic, covering their losses with billions of dollars from venture investors.

"By obfuscating those numbers we encouraged developers to come in and add office space in markets where there was no demand," Mr. Zell said during New York University's annual REIT Symposium earlier this year. Chicago's LaSalle Street, crowded with office towers, is

now "a nowhere land with a whole bunch of obsolete buildings," he added.

Vacancy rates are highest in older buildings, which lack modern amenities and are less environmentally efficient. In Milwaukee, 100 East Wisconsin Avenue was the second-tallest building in the state when it opened in 1989. Two blocks from a freeway exit ramp and with a 750-car garage, the 35-story tower was perfect for office workers commuting from far-flung suburbs.

But in the years before the pandemic, developers built a number of new office towers nearby that lured away 100 East Wisconsin's biggest tenants. Today, more than half of the building sits empty and the two biggest remaining leases are set to expire next year, according to data from CoStar Group and a person familiar with the matter. Unable to pay the mortgage, owner Hertz Investment Group handed over the property to a receiver in early 2021.

A number of investors offered to buy 100 East Wisconsin to turn it into apartments, said Jared Friedman, senior managing director at the building's manager, Friedman Real Estate. The building has relatively small floors, making it a good candidate for a conversion, he said.

But many other aging office buildings lack such attributes, brokers say. High interest rates and rising construction costs make conversions more difficult. "It's not going to be the savior of all that obsolete office space," said Julie Whelan, global head of occupier research at brokerage CBRE.

Instead, many old office buildings likely will end up under the wrecking ball.

Lyft to Sublease Space in Shift to Remote

By PREETIKA RANA

Lyft Inc. said it will sublease a significant part of some of its biggest U.S. offices, becoming the latest company to shrink its real-estate footprint to adjust to more employees working from home.

The ride-hailing company said Tuesday that it would rent out parts of its office space in San Francisco, New York City, Nashville and Seattle. Some 45% of the combined 615,000 square feet across those four locations will be leased to other businesses.

Lyft plans to rent entire floors to others while maintaining separate entries for its own staff and operations.

In March, the company said its more than 4,000 office employees could work remotely indefinitely.

The drivers who use Lyft to match with riders aren't considered employees of the company.

"Many of our team members opted to work remotely after we shifted to a flexible workplace strategy," Rachel Goldstein, the Lyft executive managing the plan, said in a statement. "As a result, we have identified a significant amount of office space that isn't being utilized the way it previously was."

Lyft's plans were earlier reported by Bloomberg.

The move shows how companies are navigating a return to the office as threats from the pandemic recede.

Some companies are subleasing and vacating offices, hoping to cut costs as many employees continue to work from home and concerns about a potential economic downturn rise.

Software company Salesforce Inc. and business listing company Yelp Inc. are among the companies that have said they plan to sell or rent out parts of their office space.

Some companies are adding space even as they offer more flexibility to employees.

In January, Google said it planned to spend \$1 billion buying real estate in central London. Last year, the company said it would spend \$7 billion on more space for its offices and data centers in the U.S.

Occupancy rates remain below prepandemic levels. In late June, the average occupancy rate in 10 major U.S.

About 52% of companies expect to shrink office space over three years.

metro areas was less than 45%, down from over 95% before the pandemic began, according to Kastle Systems, which operates security systems in U.S. office buildings. Kastle tracks how many people are entering buildings based on anonymized data from its swipe-entry systems.

About 52% of companies expect to shrink their office space over the next three years, up from 44% a year earlier, a recent CBRE survey of 185 businesses with U.S. offices found. That is compared with 39% that intend to expand, up from 29% a year earlier, and 9% that foresee no change, down from 27% a year earlier.

Lyft and its rival Uber Technologies Inc. have been looking for ways to trim costs as they try to pivot to profitable growth during a challenging macroeconomic environment.

Lyft didn't disclose the financial implications of its plans to sublease its office space.

Last month, Lyft laid off about 60 employees and folded its car-rental business for riders. In May, Uber paused hiring.

KPMG to Cut Back Footprint

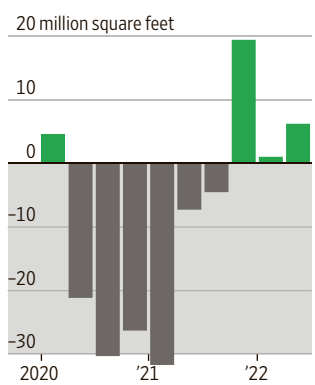
Continued from page B1

York City this year. KPMG's move is the latest sign that even as more workers gradually return to the office, hybrid and remote work appear here to stay. Apple Inc. and Alphabet Inc.'s Google also said in recent months they were calling employees back to the workplace but would continue to allow some form of hybrid work.

The KPMG deal also highlights the harsh new reality for the office sector. Companies are still willing to spend big on modern office space with more amenities, outdoor space and energy efficiency. But they often want far less of it. That leaves landlords with increasingly large holes to fill, especially in older buildings.

KPMG wasn't planning to significantly reduce its space when it began looking for a new Manhattan office in 2018, said U.S. chief executive Paul Knopp. The pandemic changed that.

U.S. net office absorption, quarterly



Note: Net absorption measures the space companies move into minus the space companies vacate.
Source: CBRE

After allowing employees to work remotely for the better part of two years, the company is now pursuing a hybrid-work strategy. Employees are expected to gather at company or client offices on some days, but are otherwise free to work from home, Mr. Knopp said. That means KPMG needs far less office space in New York even as it plans to increase its head count while saving money on its New York City real estate costs.

The spread of hybrid work has helped push up U.S. office vacancy rates to the highest level in decades. Around 19% of U.S. office space was vacant in the second quarter, according to brokerage JLL. In Manhattan, new leases haven't kept up with the amount of space being vacated. Since the first quarter of 2020, companies in New York have reduced their office space by a net 30 million square feet, according to data from CoStar Group. That is roughly equivalent to 11 Empire State Buildings.

Brokers say many new, modern skyscrapers have fared better than older buildings because companies are still willing to pay high rents for high-end space near transportation hubs and other desirable locations. In June, Brookfield said law firm Clifford Chance LLP signed a 144,000-square-foot lease at Two Manhattan West.

Before committing to Two Manhattan West, KPMG surveyed its employees' commuting patterns and decided to stay in Midtown Manhattan close to transportation hubs to keep commutes short, said New York office managing partner Yesenia Scheker Izquierdo. The company never seriously considered leaving the New York area, where it employs almost 9,000 people.

"It's our largest market, to say the least," she said. "We have extremely important clients here, terrific talent here, and it's just really a great city to work and to live."



Meliá and Falcon's Beyond will be rolling out a new Katmandu resort-theme park in Punta Cana.

More Hotels Embrace 'Resortainment' Trend

By KATE KING

A major European hotel operator and an Orlando, Fla., entertainment company are starting two new brands that will add theme parks and other entertainment to resort properties, the latest effort to cash in on what the hospitality industry calls "resortainment."

Meliá Hotels International SA, a Spanish lodging chain with 380 hotels across nearly four dozen countries, and its joint-venture partner, Falcon's Beyond Global LLC, will build attractions such as interactive theaters, virtual-reality games and minigolf at existing Meliá properties.

"We believe destinations after a number of years need to transform themselves," said Meliá's chief operating officer, André Gerondeau. "You need to create new offerings."

Leisure travel swelled last year after Covid-19 vaccines were introduced and people rushed to embark on delayed vacations. Meliá and Falcon's Beyond are betting that new entertainment offerings will persuade guests to stay longer and spend more.

Hotel operators have offered other ways to keep leisure guests engaged when business travel remains slow. Wyndham Hotels & Resorts Inc. and Hyatt Hotels Corp. recently added all-inclusive resorts to cater to Covid-conscious travelers.

This year, hotel operators are finding that guests are willing to pay premium room rates, even as properties struggle

with a labor shortage and have stopped offering some amenities such as daily housekeeping and room service.

The average daily rate in the first seven months of the year topped \$147, according to hospitality data company STR. That is nearly 12% higher than the same period in 2019, even as occupancy remains a bit below prepandemic levels.

"What was learned during Covid was that most of these leisure travelers are not as price-sensitive as assumed," said Bjorn Hanson, an adjunct professor for the New York University Jonathan M. Tisch Center of Hospitality.

Efforts to enhance experiential offerings started before the pandemic, but they are gaining more traction as hotel owners aim to boost leisure travel's momentum, Mr. Hanson said. Hotels constrained by space or zoning from building big attractions are opening rooftop bars or joining forces with local businesses such as breweries or farms, he said.

In Mallorca, Spain, Meliá Hotels' room occupancy and rates increased after it merged its resort there in 2012 with the Katmandu theme park, Mr. Gerondeau said, offering attractions such as waterslides and interactive 4D theaters with moving seats.

Meliá and Falcon's Beyond hope to re-create that success through their new brands, Falcon's Beyond Destinations and Falcon's Resorts by Meliá, which they will roll out later this year for the first time at a Meliá property in Punta Cana,

Dominican Republic.

The partners are renovating the three-year-old resort's rooms and will offer a meta-verse experience for guests. Next door, a new Katmandu theme park is scheduled to open in December.

Resort guests will have free admission to the theme park, said Cecil Magpuri, chief executive of Falcon's Beyond. Katmandu merged with Falcon's Creative Group last year to form Falcon's Beyond.

In the coming years, the \$350 million Falcon's Beyond Destination Punta Cana plans to include a Falcon's Central entertainment complex featuring retail, dining and attractions targeted to different age groups, Mr. Magpuri said.

Mr. Hanson said one of the biggest risks for hotel owners investing in the new amenities is that demand for leisure travel falls back to prepandemic levels or that they misjudge the demand for things like roller coasters and turn off guests who had just wanted a quiet getaway.

Some hoteliers are finding that adding entertainment offerings can also help boost corporate business. Raymond Martz, chief financial officer of Pebblebrook Hotel Trust, said companies that gave up their office space during the pandemic are booking periodic stays in its resorts to get team members together. They might use conference rooms for morning meetings and then spend the afternoon playing cornhole, croquet or ax throwing, Mr. Martz said.



KPMG has signed a lease for 12 floors at Two Manhattan West.

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Table with columns: Interest Rate Futures, Ultra Treasury Bonds, Treasury Bonds, Treasury Notes, 5 Yr. Treasury Notes, 2 Yr. Treasury Notes, 30 Day Federal Funds, 10 Yr. Del. Int. Rate Swaps, Three-Month SOFR, Eurodollar, Currency Futures, Japanese Yen, Canadian Dollar. Includes various financial and currency futures.

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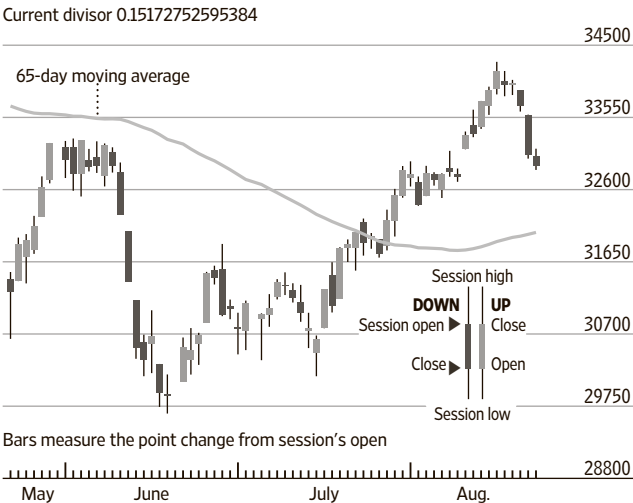
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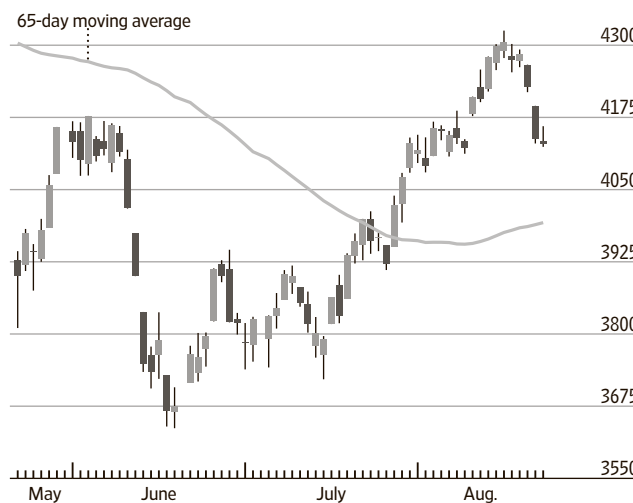


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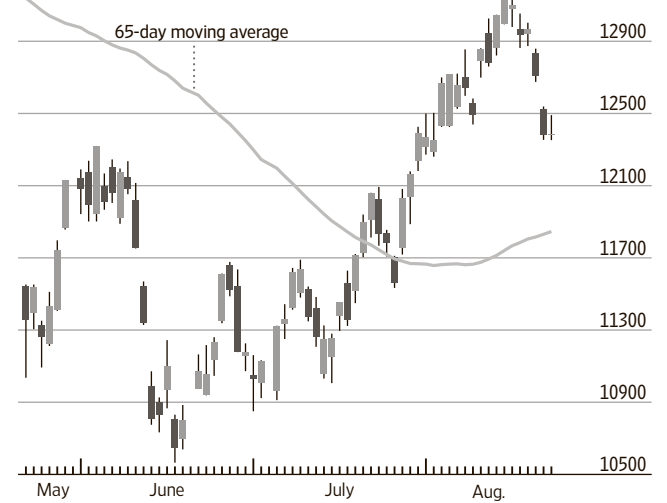
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Nasdaq Composite Index

12381.30 ▼0.27, or 0.00%
 High, low, open and close for each trading day of the past three months.

Last Year ago
 Trailing P/E ratio * 27.21 34.91
 P/E estimate * 24.36 28.65
 Dividend yield * 0.82 0.68
 All-time high: 16057.44, 11/19/21



Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD	% chg 3-yr. ann.
Dow Jones										
Industrial Average	33138.26	32858.89	32909.59	-154.02	-0.47	36799.65	29888.78	-6.9	-9.4	8.7
Transportation Avg	14690.77	14539.43	14634.21	95.20	0.65	17039.38	12868.60	-0.6	-11.2	14.5
Utility Average	1040.88	1030.33	1034.17	-6.78	-0.65	1071.75	869.74	10.8	5.4	7.5
Total Stock Market	41903.37	41525.48	41564.58	-71.64	-0.17	48929.18	36759.60	-10.6	-14.5	12.5
Barron's 400	974.76	961.88	965.92	4.04	0.42	1127.20	852.16	-6.7	-12.7	14.7
Nasdaq Stock Market										
Nasdaq Composite	12490.85	12352.03	12381.30	-0.27	0.00	16057.44	10646.10	-17.6	-20.9	16.9
Nasdaq-100	13000.71	12852.70	12881.79	-8.75	-0.07	16573.34	11127.57	-16.1	-21.1	19.9
S&P										
500 Index	4159.77	4124.03	4128.73	-9.26	-0.22	4796.56	3666.77	-8.0	-13.4	13.2
MidCap 400	2548.81	2518.51	2521.77	-0.36	-0.01	2910.70	2200.75	-7.5	-11.3	11.1
SmallCap 600	1251.30	1237.95	1238.33	-1.31	-0.11	1466.02	1087.48	-8.0	-11.7	11.4
Other Indexes										
Russell 2000	1937.97	1917.32	1919.14	3.40	0.18	2442.74	1649.84	-14.0	-14.5	9.6
NYSE Composite	15439.93	15322.05	15338.15	-3.70	-0.02	17353.76	14097.05	-8.4	-10.6	7.3
Value Line	576.60	570.79	571.17	0.38	0.07	696.40	510.18	-13.9	-15.0	5.2
NYSE Arca Biotech	4823.48	4756.91	4799.07	-21.51	-0.45	6019.57	4208.43	-18.5	-13.0	3.0
NYSE Arca Pharma	798.13	786.19	787.98	-10.15	-1.27	887.27	732.23	-1.1	-4.7	11.3
KBW Bank	110.47	109.24	109.32	-0.27	-0.25	147.56	98.36	-14.7	-17.3	6.9
PHLX ^S Gold/Silver	108.20	104.55	106.22	2.30	2.21	167.76	100.65	-19.6	-19.8	2.8
PHLX ^S Oil Service	72.27	69.88	71.30	3.06	4.49	88.37	49.14	35.6	35.3	5.7
PHLX ^S Semiconductor	2901.89	2849.92	2864.31	20.94	0.74	4039.51	2458.46	-14.4	-27.4	25.6
Cboe Volatility	24.21	23.07	24.11	0.31	1.30	36.45	15.01	40.0	40.0	6.7

†Nasdaq PHLX Sources: FactSet; Dow Jones Market Data

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
GI X U.S. Preferred	PFFD	14,866.0	21.93	0.50	2.31	21.93	21.10
Nordstrom	JWN	4,334.1	20.05	-3.15	-13.58	23.56	19.80
SPDR S&P 500	SPY	3,508.3	412.04	-0.32	-0.08	417.13	411.98
E2open Parent	ETWO	3,226.1	7.07	...	unch.	7.07	6.99
8XB	EGHT	2,834.2	4.73	0.05	1.07	4.75	4.64
Apple	AAPL	2,636.1	166.96	-0.28	-0.16	169.77	166.85
Annaly Capital Mgmt	NLY	2,608.9	6.57	0.02	0.31	6.58	6.53
Invesco QQQ Trust I	QQQ	2,020.4	313.84	-0.26	-0.08	324.97	301.70

Percentage gainers...

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
Minerva Neurosciences	NERV	1,682.8	5.71	1.20	26.61	6.71	4.42
Bioceres Crop Solutions	BIOX	92.3	14.72	1.85	14.37	17.40	12.87
Getty Images	GETY	65.3	29.97	2.44	8.86	33.00	27.80
La-Z-Boy	LZB	69.0	30.49	2.16	7.62	31.90	27.07
Intuit	INTU	289.0	473.48	23.92	5.32	477.50	440.00

...And losers

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
Nordstrom	JWN	4,334.1	20.05	-3.15	-13.58	23.56	19.80
Advantage Auto Parts	AAP	73.5	186.99	-12.06	-6.06	203.24	185.00
PagSeguro Digital	PAGS	529.5	13.24	-0.77	-5.50	14.43	13.24
Zymeworks	ZYME	185.7	6.19	-0.33	-5.06	6.84	6.19
Option Care Health	OPCH	255.8	31.06	-1.14	-3.54	32.20	31.06

Trading Diary

Volume, Advancers, Decliners

	NYSE	NYSE Amer.
Total volume*	748,056,744	12,546,381
Adv. volume*	393,143,711	9,864,977
Decl. volume*	337,139,369	2,553,460
Issues traded	3,328	288
Advancers	1,523	166
Declines	1,657	110
Unchanged	148	12
New highs	29	4
New lows	62	12
Closing Arms [†]	0.68	0.30
Block trades [†]	3,911	110
	Nasdaq	NYSE Arca
Total volume*	3,818,747,115	239,557,642
Adv. volume*	2,044,854,339	156,083,672
Decl. volume*	1,712,587,600	82,420,914
Issues traded	4,793	1,682
Advancers	2,707	923
Declines	2,233	734
Unchanged	253	25
New highs	65	6
New lows	174	11
Closing Arms [†]	0.87	0.75
Block trades [†]	21,350	1,128

*Primary market; NYSE, NYSE Amer., NYSE Arca only. †(TRIN) A comparison of the number of advancing and declining issues with the volume of shares rising and falling. An Arms of less than 1 indicates buying demand; above 1 indicates selling pressure.

International Stock Indexes

Region/Country	Index	Close	Net chg	Latest % chg	YTD % chg
World	MSCI ACWI	634.11	-1.35	-0.21	-16.0
	MSCI ACWI ex-USA	280.79	-0.61	-0.22	-18.5
	MSCI World	2730.35	-5.75	-0.21	-15.5
	MSCI Emerging Markets	989.54	-2.36	-0.24	-19.7
Americas	MSCI AC Americas	1572.59	-1.96	-0.12	-13.9
Canada	S&P/TSX Comp	19985.35	10.43	0.05	-5.8
Latin Amer.	MSCI EM Latin America	2234.49	66.56	3.07	4.9
Brazil	BOVESPA	112857.10	2356.57	2.13	7.7
Chile	S&P IPSA	3312.41	22.56	0.69	18.0
Mexico	S&P/BMV IPC	47974.03	-42.58	-0.09	-9.9
EMEA	STOXX Europe 600	431.35	-1.82	-0.42	-11.6
Eurozone	Euro STOXX	403.02	-0.79	-0.20	-15.8
Belgium	Bel-20	3703.38	-33.22	-0.89	-14.1
Denmark	OMX Copenhagen 20	1717.17	-21.25	-1.22	-7.9
France	CAC 40	6362.02	-16.72	-0.26	-11.1
Germany	DAX	13194.23	-36.34	-0.27	-16.9
Israel	Tel Aviv	2039.86	14.91	0.74	3.1
Italy	FTSE MIB	22380.06	214.40	0.97	-18.2
Netherlands	AEX	710.87	-0.17	-0.02	-10.9
Russia	RTS Index	1190.16	16.37	1.39	-25.4
South Africa	FTSE/JSE All-Share	69772.27	576.67	0.83	-5.3
Spain	IBEX 35	8226.30	-58.50	-0.71	-5.6
Sweden	OMX Stockholm	785.10	-5.17	-0.65	-24.3
Switzerland	Swiss Market	10933.06	-152.78	-1.38	-15.1
Turkey	BIST 100	3121.52	59.03	1.93	68.0
U.K.	FTSE 100	7488.11	-45.68	-0.61	1.4
U.K.	FTSE 250	19306.89	-192.45	-0.99	-17.8
Asia-Pacific	MSCI AC Asia Pacific	158.73	-0.91	-0.57	-17.8
Australia	S&P/ASX 200	6961.80	-85.07	-1.21	-6.5
China	Shanghai Composite	3276.22	-1.57	-0.05	-10.0
Hong Kong	Hang Seng	19503.25	-153.73	-0.78	-16.6
India	S&P BSE Sensex	59031.30	257.43	0.44	1.3
Japan	NIKKEI 225	28452.75	-341.75	-1.19	-1.2
Singapore	Straits Times	3246.21	-16.36	-0.50	3.9
South Korea	KOSPI	2435.34	-27.16	-1.10	-18.2
Taiwan	TAIEX	15095.89	-149.25	-0.98	-17.1
Thailand	SET	1633.57	17.75	1.10	-1.5

Sources: FactSet; Dow Jones Market Data

Percentage Gainers...

Company	Symbol	Latest Session Close	Net chg	% chg	52-Week High	52-Week Low	% chg
Starbox Group Holdings	STBX	15.40	11.40	285.00	46.21	4.00	...
Neptune Wellness	NEPT	3.06	1.06	53.00	25.93	1.00	-87.2
Indonesia Energy	INDO	11.50	3.80	49.35	86.99	2.61	127.7
Aerie Pharmaceuticals	AERI	15.16	4.01	35.96	17.21	4.81	3.6
Nerdy CIA	NRDY	3.37	0.65	23.90	13.49	1.59	-66.2
Yield10 Bioscience	YTEN	3.39	0.57	20.21	8.76	1.91	-46.1
FGI Industries	FGI	3.33	0.55	19.78	6.25	2.00	...
FiscalNote	NOTE	10.32	1.67	19.31	12.30	5.55	6.4
POET Technologies	POET	4.40	0.66	17.65	11.00	3.03	-44.7
Cryo-Cell International	CCEL	6.00	0.80	15.38	14.16	5.00	-42.9
Inter	INTR	4.03	0.50	14.16	4.40	2.10	...
Broadwind	BWEN	3.44	0.42	13.91	3.69	1.46	7.2
Houston Amer Energy	HUSA	5.00	0.61	13.90	16.61	1.07	189.0
Tritium DCFC	DCFC	7.31	0.89	13.86	19.75	5.43	-25.7
Meihua Intl Medical Techs	MHUA	3.99	0.44	12.39	14.80	2.60	...

Most Active Stocks

Company	Symbol	Volume (000)	% chg from 65-day avg	
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NEW HIGHS AND LOWS

The following explanations apply to the New York Stock Exchange, NYSE Arca, NYSE American and Nasdaq Stock Market stocks that hit a new 52-week intraday high or low in the latest session. % CHG-Daily percentage change from the previous trading session.

Table with columns for Stock, 52-Wk % High/Low, and % Change. Includes sections for 'Lows' and 'Highs' with various stock tickers and their performance metrics.

Biggest 1,000 Stocks | WSJ.com/stocks

Table listing the top 1,000 stocks by market cap, categorized by letter ranges (O-P, Q-R, S-T, U-V, W-X, Y-Z). Columns include Stock, Sym, Close, Net Chg, and % Chg.

Bonds | wsj.com/market-data/bonds/benchmarks

Tracking Bond Benchmarks

Return on investment and spreads over Treasuries and/or yields paid to investors compared with 52-week highs and lows for different types of bonds

Table showing bond benchmarks with columns for Total return close, YTD total return (%), Index, and Yield (%). Includes sub-sections for Broad Market, U.S. Corporate, Mortgage-Backed, and Global Government.

Global Government Bonds: Mapping Yields

Yields and spreads over or under U.S. Treasuries on benchmark two-year and 10-year government bonds in selected other countries; arrows indicate whether the yield rose (▲) or fell (▼) in the latest session

Table mapping yields for various countries (U.S., Australia, France, Germany, Italy, Japan, Spain, U.K.) across different maturities (3.00%, 2.75%, 2.75%, 1.25%, 0.00%, 2.00%, 0.40%, 1.70%, 0.00%, 2.50%, 0.005, 0.200, 0.000, 2.550, 0.125, 4.250).

Mutual Funds

Table listing mutual funds with columns for Fund, NAV, YTD % Ret, and Net YTD % Ret. Includes sub-sections for Domestic Equity, International Equity, and Bond Funds.

Corporate Debt

Prices of firms' bonds reflect factors including investors' economic, sectoral and company-specific expectations

Investment-grade spreads that tightened the most...

Table showing investment-grade spreads with columns for Issuer, Symbol, Coupon (%), Yield (%), Maturity, Spread, In basis points, and Last week.

...And spreads that widened the most

Table showing widened spreads for various issuers like HSBC Holdings, Bank of Nova Scotia, Mitsubishi UFJ Financial, etc.

High-yield issues with the biggest price increases...

Table showing high-yield issues with columns for Issuer, Symbol, Coupon (%), Yield (%), Maturity, Current Price, One-day change, and Last week.

...And with the biggest price decreases

Table showing price decreases for various issuers like Toledo Hospital, Occidental Petroleum, Bath & Body Works, etc.

*Estimated spread over 2-year, 3-year, 5-year, 10-year or 30-year hot-run Treasury; 100 basis points=one percentage pt; change in spread shown is for 2-spread. Note: Data are for the most active issue of bonds with maturities of two years or more

Source: MarketAxess

MARKETS

Markets Fall for Third Consecutive Day

Investors weigh prospects for aggressive Fed interest-rate increases

By KAREN LANGLEY AND CHELSEY DULANEY

Stocks edged lower in quiet trading as investors weighed uncertainty over the path of interest-rate increases.

It was a third consecutive day lower for major indexes as the market's summer rally shows signs of stalling.

TUESDAY'S MARKETS
The S&P 500 fell 9.26 points, or 0.2%, to 4128.73, down 3.6% over the past three trading days. The Dow Jones Industrial Average dropped 154.02 points, or 0.5%, to 32909.59. The tech-heavy Nasdaq Composite slipped 0.27 point, or less than 0.1%, to 12381.30.

Stocks advanced from their June low as earnings reports came in better than expected and signs of easing inflation inspired hopes that the Federal Reserve would slow the pace of rate increases.

But major indexes faltered

in recent days as hawkish comments from central-bank officials returned investors' focus to the possibility that aggressive rate increases will continue. The S&P 500 is up 13% since June 16 but down 13% in 2022.

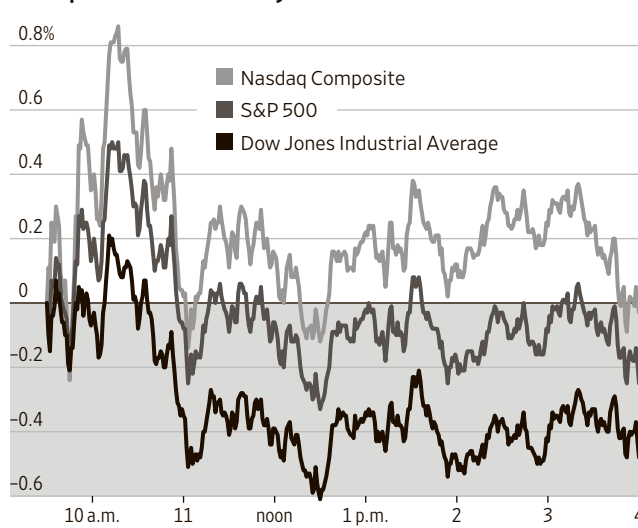
"The euphoria has really fizzled out for equities," said Susannah Streeter, senior investment and markets analyst at Hargreaves Lansdown in London. "The clamor of voices has become louder from central bank policy makers saying, 'Hold on, we aren't out of the woods yet.'"

All eyes will be on a speech Friday by Fed Chairman Jerome Powell in Jackson Hole, Wyo. Mr. Powell is expected to provide clues on the Fed's plans for combating inflation that remains well above the central bank's target.

"The idea is to see what kind of voices are prevailing in terms of Powell's outlook going forward," said Arun Bharath, chief investment officer at Bel Air Investment Advisors. "Is it going to be more hawkish or is it going to lean toward less hawkishness?"

Data this month showed that annual U.S. inflation fell slightly from a four-decade

Index performance Tuesday



Source: FactSet

high. The consumer-price index rose 8.5% in July from a year earlier, down from 9.1% in June.

"Inflation is still a real challenge, and the Fed has to be extremely vigilant and keep monetary policy tight," Ms. Streeter said.

Investors are watching the tail end of a corporate earnings season that has suggested businesses are managing high inflation and rising borrowing

costs. With results in from more than 95% of S&P 500 companies, analysts expect that profits rose 6.2% in the second quarter from a year earlier, according to FactSet.

Macy's and Dick's Sporting Goods both topped Wall Street expectations for the second quarter, sending their shares up 3.8% and 0.7%, respectively.

Palo Alto Networks climbed \$61.46, or 12%, to \$569.51 after the network se-

curity technology company reported better-than-expected revenue and showed a profit.

Money managers also are considering how signs of a slowdown in economic growth should play into their expectations for corporate earnings and for the path of the Fed's interest-rate increases.

The composite purchasing managers index for the U.S. economy, which measures manufacturing and services activity, fell to 45.0 in August, the second consecutive month of decline and the lowest reading since May 2020. Readings below 50 indicate a contraction.

Stephanie Lang, chief investment officer at Homrich Berg, said her firm in recent weeks has trimmed its position in U.S. stocks. "We believe that recession risk is high based on economic data and the belief that the Fed will continue its interest-rate hikes moving forward," she said.

Twitter fell \$3.15, or 7.3%, to \$39.86 after the company's former head of security filed a whistleblower complaint accusing it of failing to protect sensitive user data.

In bond markets, the yield on the benchmark 10-year U.S.

Treasury note rose to 3.053% from 3.035% Monday, gaining for a third consecutive trading day. Yields rise as prices fall.

Brent crude, the international benchmark for oil prices, rose 3.9% to \$100.22 a barrel after the Saudi Arabian energy minister indicated in an interview with Bloomberg that the OPEC+ oil cartel could cut production.

Overseas, the pan-continental Stoxx Europe 600 index fell 0.4% after data showed eurozone business activity contracted in August for the second consecutive month.

Early Wednesday, Japan's Nikkei 225 was down 0.3%, the Shanghai Composite was down 1.3% and Hong Kong's Hang Seng was down 1.2%. S&P 500 futures fell 0.35%.

AUCTION RESULTS

Here are the results of Tuesday's Treasury auction. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

TWO-YEAR NOTES

Applications	\$115,188,805,100
Accepted bids	\$49,728,465,100
* noncompetitively	\$755,211,300
* foreign noncompetitively	\$205,000,000
Auction price (rate)	99.890561 (3.307%)
Interest rate	3.250%
Bids at clearing yield accepted	17.58%
Cusip number	91282CFG1

The notes, dated Aug. 31, 2022, mature on Aug. 31, 2024.

StraightPath Denies SEC Fraud Allegations

By TED BUNKER

StraightPath Venture Partners LLC, which sold pre-IPO shares to investors during the late stages of the bull market and now faces civil fraud charges, has denied that it used commingled investor cash to make Ponzi-like payments to backers of its funds.

The firm and four individuals who started or ran it for most of its existence—StraightPath suspended operations in February—also denied other core elements of the Securities and Exchange Commission's allegations involving the handling of at least \$410 million committed to nine StraightPath funds from around 2,200 investors. The SEC said in May that the funds were then worth more than \$200 million.

StraightPath, which moved to Jupiter, Fla., from New York last year, described itself as a "boutique private-equity firm" and offered investors the opportunity to acquire privately held shares in companies such as Airbnb Inc. and SoFi Technologies Inc. before their initial public offerings. Investor documents reviewed by The Wall Street Journal show the firm stated the number of shares and a specific price at which they would be acquired in "welcome letters" that served to confirm the transactions.

The firm and its principals, including Brian K. Martinsen, acquired the shares held in the funds from business associates who weren't named. But in some cases, the SEC alleges, StraightPath "oversold" the

funds, taking money from investors for shares it didn't then possess.

The firm and Mr. Martinsen and the other three defendants acknowledged that the funds sometimes lacked enough shares to cover investor commitments, in their court response filed Friday. But they said they alerted the SEC to this situation in March and denied that the shortfalls were the result of any wrongdoing.

The judge overseeing the SEC case placed a receiver in charge of StraightPath in June.

The defendants said that Mr. Martinsen transferred \$3.3 million of his personal assets into the affected funds to cover shortfalls. Also, they said he and defendants Francine A. Lanaia and Michael A. Castillero contributed \$15 million be-

tween them to an account to cover what the SEC said in May was a \$14 million deficit across the funds involving shares from seven pre-IPO companies. The SEC said that the three collectively received about \$74 million from StraightPath.

The defendants, who also include former Managing Director Eric D. Lachow, responded to each part of the SEC's complaint, filed in U.S. District Court for the Southern District of New York in Manhattan, but they often said they didn't have enough information to determine the accuracy of the SEC's statements.

In response to an allegation that Ms. Lanaia and Mr. Castillero "were effectively barred from the brokerage industry," the defendants said that they understood previous settle-

ments didn't prevent them from serving as consultants to StraightPath. The SEC describes Mr. Castillero and Ms. Lanaia as StraightPath founders. Ms. Lanaia previously said she doesn't own an interest in the firm.

StraightPath was formed in 2017, when the Renaissance Capital IPO ETF that holds a portfolio of large, newly listed U.S. IPOs traded at under \$30 a share. By early last year, the ETF traded at around \$75.

To many investors, the IPO market looked like a sure bet, if you could get into it. A number of companies arose to offer avenues into IPO shares, such as Forge Global Inc. and Nasdaq's Private Market. But this year, the IPO market slowed dramatically. The Renaissance IPO ETF recently traded at \$33.

Stock Funds Rebound

Continued from page B1

vestors after three years in which the S&P 500 advanced by double-digit percentages. As anxieties about high inflation, hawkish central banks and the potential for a recession shook the markets, the U.S. stock benchmark tumbled to its worst first half of a year since 1970.

"The first half of the year was such a volatile and at times violent repricing of the stock market, I think it really spooked people," said Larry Cordisco, co-lead portfolio manager of the Osterweis Growth & Income Fund.

Since then, corporate earnings have held up better than expected and annual U.S. inflation has eased from a four-decade high, prompting traders to dial back bets on the size of the Fed's next interest-rate increase.

The market's turn higher has brought a reordering of winners and losers in the stock market. Energy stocks, still easily the S&P 500's leading sector for the year, are one of the worst-performing groups since the June market low, with **Halliburton Co.** and **Phillips 66** among those losing ground.

33%

Percent of individual investors who expect stocks to rise.

The technology and consumer discretionary segments, by contrast, have climbed, paring their losses for 2022. **Tesla Inc.**, **Chipotle Mexican Grill Inc.** and **PayPal Holdings Inc.** are each up at least 30% since June 16.

Still, many investors are feeling cautious about the road ahead. The rebound has stocks looking more expensive after a period of lower valuations. The S&P 500 traded Monday at 176 times its projected earnings over the next 12 months, up from 154 times at its June low, according to FactSet.

And with economic growth under threat, money managers have raised a chorus of doubts that corporate profit growth can remain robust—a reason that some of them doubt the durability of the recent advance. Earnings among companies in the S&P 500 are expected to grow by about 8% this year, according to FactSet, a forecast many investors say is too rosy.

"We're just at the cusp of a reset of corporate earnings to the downside, and it's hard to envision a case in which the market just incessantly rallies on that," said Jonathan Waite, fund manager and senior equity analyst at Frost Investment Advisors.

Atlanta Deal Is Record for Crowdfunding Website

By REBECCA PICCIOTTO

A crowdfunding campaign to help finance the acquisition of an Atlanta office complex raised \$62 million from 700 investors, the highest dollar amount ever for a real-estate purchase on the popular website **CrowdStreet** Inc.

This fundraising for the Atlanta Financial Center might have brought in even more. But a number of investors who reviewed the offering since the crowdfunding process began in May said they declined to participate after they noticed that the buyer, **Nightingale Properties** LLC, initially failed to disclose some of its previous loss-making deals in offering documents that include the firm's track record.

Nightingale, a New York-based real-estate firm, lost a Manhattan office building in 2021 to its lender, the firm said, after it could no longer make mortgage payments. It defaulted in 2012 on at least \$25 million in loans related to a portfolio of retail properties in Tennessee, according to public foreclosure notices.

In both these instances and two others, the offering on the CrowdStreet website listed N/A instead of a rate of return. Two of these four deals with missing return rates were the firm's worst-performing transactions, according to Nightingale. For Nightingale's other real-estate purchases, the rate of return was specified in the documents.

Nightingale noted that the loss-making deals represented two out of the 36 properties counting for that track record. The two poor performers had a negligible effect on its portfolio's overall performance, the firm said, and only accredited investors could participate in these real-estate offerings. Accredited investors must meet certain income and net-worth guidelines and many do their own research.

Some prospective investors



Some investors say the Atlanta Financial Center buyer initially didn't disclose two loss-making deals.

said they were put off that Nightingale withheld that information. Evan Nison, who lives in New Jersey and runs a marketing firm, has participated in crowdfunding investments for about five years. In June, he put in an offer to help fund the Atlanta Financial Center. He said he changed his mind about a week later after his own research uncovered one of Nightingale's previous losses that wasn't disclosed in CrowdStreet's online offering forms.

"I started googling and noticed that there was at least one complete loss that wasn't on their track record," Mr. Nison said.

A spokesman from CrowdStreet said that Nightingale's disclosures were "inconsistent." He said that CrowdStreet felt the excluded details weren't essential, which is why the company felt no obligation to ask Nightingale to update the documents. Any missing information was made available to investors upon request and in a private investor memorandum.

"The omissions are benign,"

the spokesman said. "We believe this offering, and all offerings on CrowdStreet, provide a fair representation of the opportunities and risks involved in real-estate investing, including, in this case, a fair picture of [Nightingale's] track record."

Will Hutton, Nightingale's senior director of acquisitions, said the firm addressed the missing details on its track record "directly with the CrowdStreet investors who inquired about them," including in a June webinar held on CrowdStreet to promote the transaction. He attributed one of the losses on the 2008 global financial crisis and the other to the Covid-19 pandemic.

Securities attorneys say it is difficult to identify bright-line rules in terms of what must be reported to crowdfunding investors. The Securities and Exchange Commission says that companies issuing securities must communicate any material information that reasonable investors would factor into their decision-making calculus. As the broker dealer,

CrowdStreet is also obligated to provide material disclosures, attorneys say.

"One thing you're definitely not supposed to do is only highlight the good performance while hiding the poor performance," said Evan Hiller, a securities attorney in Utah and partner at the law firm BlackHill Partners. "If you're going to shine a light on the good performance, you should also show the poor performance."

Companies that exclude details about past performance could be subject to fines for inadequate disclosure, if the SEC determined there was "a substantial likelihood that a reasonable investor would attach importance to the information in making the determination to invest," said Mr. Hiller, whose firm isn't connected to the transaction.

CrowdStreet is one of the biggest commercial real-estate crowdfunding sites in the U.S. with more than 240,000 members, who invest anywhere from the minimum of \$25,000 to multimillion-dollar contributions to collectively fund

property sales and financing, the company said.

Crowdfunding has become a more popular vehicle for real-estate fundraising and investing over the past few years. Rising interest rates and inflation have made traditional real-estate lenders more cautious, leading borrowers to seek alternative capital sources and investments. Meanwhile, widespread market volatility has prompted crowdfunding investors to flock to harder assets such as real estate.

The average size of a CrowdStreet deal has more than tripled since the platform launched, going from \$20 million in 2014 to \$65 million last year, CrowdStreet Chief Executive Tore Steen said. The company said it has transacted more deals this year with buildings valued at \$100 million or higher on its online marketplace than in any other year in its eight-year history.

Mr. Nison said it was fairly common for crowdfunding deals to "obscure" what he considers pertinent information. Individual investors are expected to do their own due diligence, he added. "It's definitely not as safe as buying a stock," Mr. Nison said.

Christophe Henrich, a senior managing security consultant in North Carolina, decided to pass on the Atlanta office transaction for a variety of reasons, including the presentation of the investment. Not only did he uncover the loss-making deals in his research, he said he found mathematical errors in a graph on the Atlanta Financial Center's offering page, which he pointed out to CrowdStreet.

CrowdStreet said the math was correct, but "the language could have been clearer," according to a spokesman. The site updated the language but not the accompanying graph, since CrowdStreet found that the discrepancy was "not material" to the overall investment offering.