

U.S. NEWS



Tampa, Fla., had some of the country's fastest-growing rents during the pandemic but is now among the markets experiencing the most cooling.

Factory Activity Slows as Demand Weakens

By HARRIET TORRY

Growth at U.S. manufacturing companies was its weakest in two years in July, but inflationary pressures showed signs of cooling as commodity prices eased, according to surveys of purchasing managers released Monday.

The Institute for Supply Management's index of U.S. manufacturing activity was 52.8 in July as a drop in new orders signaled declining demand for factory products. That was its lowest reading since June 2020 and down from 53 the prior month.

A reading above 50 indicates that factory activity is expanding while a reading below 50 signals contraction.

The ISM index, based on a poll of manufacturers across the U.S., said businesses are "now expressing concern about a softening in the economy, as new order rates contracted for the second month amid developing anxiety about excess inventory in the supply chain."

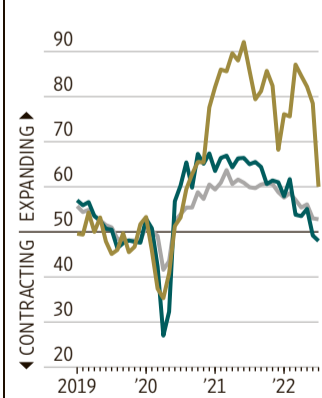
A separate measure of U.S. manufacturing produced by S&P Global also pointed to slower growth due to weaker demand. Its purchasing managers index was 52.2 in July, down from 52.7 in June. S&P Global said a growth spurt in the spring has quickly gone into reverse, and a gloomier outlook means companies are taking an increasingly cautious approach to purchasing and inventories.

Both surveys reported easing supply constraints and a slower pace of cost inflation, a fresh sign that inflation may have peaked. A slowdown in the pace of price increases also is positive news for companies struggling with high input costs from transportation, fuel and commodities. The ISM's prices index dropped 18.5 percentage points, its steepest decline since June 2010, as prices of raw materials rose much more slowly in July. Backlogs eased in a sign that supply-chain disruptions are lessening.

PMI figures for global economies pointed to weak manufacturing sectors elsewhere. Chinese manufacturing activity contracted in July, as Beijing's stringent Covid-19 restrictions and weak demand undercut hopes for a more robust economic revival.

Purchasing Managers Index, a measure of U.S. manufacturing activity

■ Manufacturing Prices Index
■ Manufacturing Purchasing Managers Index
■ Manufacturing New Orders Index



Source: Institute for Supply Management

◆ Heard on the Street: Factories are far from recession..... B12

Apartment Rent Increases Taper Off

By WILL PARKER

After more than a year of record run-ups in apartment rents, growth is starting to cool off, a trend that could help housing affordability and ease the rise in overall inflation, according to several market measures.

Nationally, average apartment rents rose 9.4% in the second quarter compared with the same quarter in 2021, according to data firm CoStar Group. While that is high by historical standards, it is down from the more than 11% annual increases seen the previous two quarters, CoStar said.

The growth decline also comes at the time of year when the rental market is typically at its strongest. The slowing of the growth rate in the second quarter is "a really ominous sign," said Jay Lybik, national director of multifamily analytics at CoStar. "It's retreating quickly."

CoStar projects that rent growth will continue to slow in the coming months, finishing the year 6.2% higher than last year. The firm is projecting a 4.9% increase for 2023.

The rental markets that are

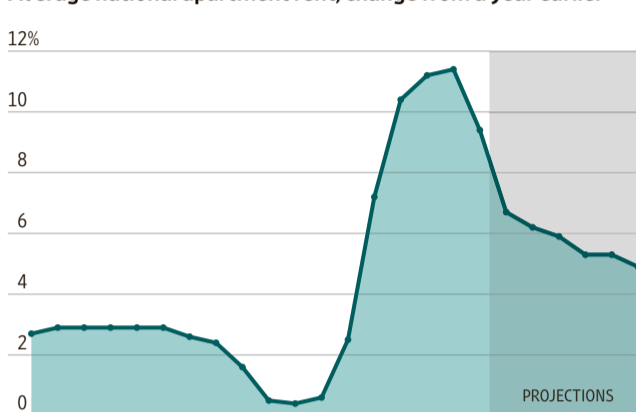
slowing fastest include many of the country's fastest-growing rents during the pandemic, such as Phoenix, Las Vegas and Tampa, Fla. In Phoenix, asking rent grew 10.1% in the second quarter compared with a year earlier, according to CoStar, down from the 18.4% annual increase in the first quarter of this year and the 21.3% rise in the fourth quarter of 2021. In Palm Beach, Fla., top-tier rents have actually fallen below their 2021 high point of \$2,704 a month.

Other measures of rental demand show apartment hunters may be starting to pull back from the market. The U.S. apartment vacancy rate increased for the first time in 14 months this June, according to real-estate software firm RealPage, rising to 3.7% compared with 3.5% one year earlier.

Apartment absorption, a metric that measures demand, is also slowing, according to CoStar. The total number of leased apartments increased by 72,000 in the second quarter compared with 266,000 in the second quarter of 2021, CoStar said.

Rental markets often begin moderating when prices be-

Average national apartment rent, change from a year earlier



Source: CoStar

come so high that they discourage people from forming new households by, say, moving away from their parents or roommates, analysts say. In many markets, rent growth has exceeded the rise in incomes, said Piper Sandler analysts in a note last month.

"We believe there will be increasing resistance to absolute rent levels, especially in the coastal urban markets where rents are setting new records," the note said.

Other analysts point to a re-

cord volume of apartment construction, which could help keep a lid on rents by saturating markets with more supply over the next year.

The shortage of affordable rental housing intensified for at least two decades before the pandemic, according to a June report from Harvard University's Joint Center for Housing Studies. Between 2001 and 2019, rents rose 16% while renter incomes rose only 5%, both figures adjusted for inflation, the report said.

M&A Activity Dwindles

Continued from Page One than in the first half, due in part to the war and that "private-equity, which has been a significant driver of the overall market, seems to be a little bit more on the sidelines."

Last year, nearly \$6 trillion of transactions were struck globally, almost half of that in the U.S., as cheap debt, free-flowing government stimulus

and looming tax changes spurred a shopping spree for acquirers.

Some of that momentum continued in 2022, with mega-deals such as Microsoft Corp.'s agreement to acquire videogame publisher Activision Blizzard Inc. for about \$75 billion; Broadcom Inc.'s proposed \$61 billion acquisition of cloud-computing company VMware Inc. and Elon Musk's \$44 billion proposed purchase of Twitter Inc., which he is now seeking to terminate.

Last week, JetBlue agreed to buy Spirit for \$3.8 billion, wresting it from a prior suitor. Also in July, Amazon.com Inc. agreed to purchase 1Life Healthcare Inc., which oper-

ates primary-care practices.

A deal valued at roughly \$40 billion or more by Merck & Co. to acquire biotech Seagen Inc. is brewing.

The Journal on Monday also reported that a group led by private-equity giant Apollo Global Management Inc. is in advanced talks to buy air-freight company Atlas Air Worldwide Holdings Inc., while Toronto-Dominion Bank is close to a more-than-\$1 billion deal to buy investment bank Cowen Inc.

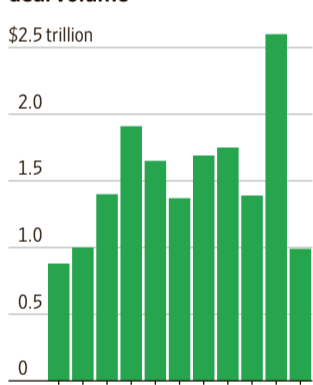
Mark Sorrell, a co-head of global M&A at Goldman Sachs Group Inc., said that without a functioning financing market for large-scale deals, volume is likely to remain muted. "The No. 1 thing we're focused on is the financing markets getting back into their rhythm," he said.

This summer, Kohl's Corp. and Walgreens Boots Alliance Inc. ended strategic reviews without striking deals, with both citing challenges in the financing market.

Many leveraged buyouts considered by private-equity firms have been temporarily shelved due to difficulties in the financing market, as banks have largely paused lending and direct lenders have become more cautious, say the firms and their advisers.

Private-equity deal activity has dropped dramatically. As of late July, companies had announced \$421.3 billion of deals in the U.S., including purchases and sales, compared

U.S. mergers and acquisitions deal volume



Notes: 2022 through July 28; Excludes spinoffs
Source: Dealogic

with \$744.8 billion in the same period last year, according to Dealogic.

Another factor tripping up deal making is fear of a tougher antitrust regime in Washington, stoked by moves to block combinations like Meta Platforms Inc.'s acquisition of virtual-reality firm Within Unlimited Inc.

"Boards and CEOs think long and hard before committing to a significant acquisition that might be tied up in the regulatory approval process for 18 months," said Frank Aquila, senior M&A partner at Sullivan & Cromwell LLP. "We continue to see clients looking to do significant, transformative transactions and expect to see many such deals move forward between now and the end of the year."



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CORRECTIONS & AMPLIFICATIONS

Ford Motor Co., Stellantis NV and General Motors Co. reported earnings last week. In some editions Monday, a Journal Report article about the company incorrectly attributed the reduction to the employee proposal.

The length, width and height of the 2022 Taiga Orca Carbon personal watercraft are 9.5 feet, 3.8 feet and 3.4 feet, respectively. The vehicle's dimensions were given incorrectly as 3.5, 3 and 3.8 feet in the Rumble Seat column about electric personal watercraft in Saturday's Off Duty section.

Little or none of Ferrari NV's 3% reduction in energy used to produce cars in the past year came from an employee's proposal. In some editions Monday, a Journal Report article about the company incorrectly attributed the reduction to the employee proposal.

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U.S. NEWS

Heavy Rain Hits Kentucky As Toll Rises

BY ALLISON PRANG
AND CAMERON MCWHIRTER

Kentucky Gov. Andy Beshear raised the death toll from the state's historic flooding to 35 people, as rescue workers continued searching for missing people.

At least seven of the deaths were in Breathitt County, two in Clay, 16 in Knott, two in Letcher and three in Perry, Mr. Beshear said Monday.

More than 12,000 people were without power, according to the governor, down from earlier estimates of nearly 30,000.

Mr. Beshear said the area affected by the flood was getting rain Monday morning and said there was potential for severe storms in the affected areas. The National Weather Service forecast more thunderstorms to hit eastern Kentucky Monday night into Tuesday morning. High winds and flash flooding in some areas were possible, according to the service.

Mr. Beshear warned residents in an online video released Monday afternoon to stay clear of flood-prone areas and seek shelter on higher ground before more storms arrived Monday night. "Our goal...is that everybody get to a safe place," he said.

Hundreds of people, at a minimum, were still missing, the governor said earlier Monday.

"We just don't have a firm grasp on that," he said. "I wish

we did." Those who can't find a loved one are asked to alert the Kentucky State Police, he said.

The flooding is among the worst in state history, Mr. Beshear has said. President Biden approved a disaster declaration for the state last week, offering federal funds to help with the recovery efforts.

Mr. Beshear said Monday morning that search and rescue was continuing and that they were able to get to places by vehicle Sunday. But in some cases, reaching people was still problematic. Officials were also working on how to get to people stuck on other sides of creeks where bridges were lost, he said. "[A] whole lot of what we're doing right now is searching for people," Mr. Beshear said.

The torrential rain that led to the flooding—which lasted for several days in the eastern part of the state—has displaced hundreds of Kentuckians.

Fourteen emergency shelters were active and assisting 483 people, Mr. Beshear said. Officials were trying to move people from congregate shelters to individual rooms to reduce the risk of Covid-19. The state health department was providing tests, masks and vaccines, he added.

Mr. Beshear advised people not to donate old clothing, but rather food, water and cleaning supplies. "Think about the normal household goods that people have lost," he said.



Officials on Monday examined a burned car where two victims were found in a residential driveway near Klamath River, Calif.

SARA NEVINS/SACRAMENTO BEE/GETTY IMAGES

Northern California Wildfire Rages As First Fatalities Found in an Auto

BY GINGER ADAMS OTIS

Two people were found dead inside a burned car in the path of a raging wildfire in Northern California that has grown into the state's largest blaze of the year.

The victims were found around 10 a.m. PT on Sunday by fire personnel battling the McKinney Fire that has consumed more than 55,000 acres around Yreka, Calif., a small community in the northern part of the state.

The Siskiyou County Sheriff's Office said the vehicle was

discovered in a residential driveway off Highway 96, not far from Klamath River, Calif.

The sheriff's office didn't immediately identify the two people found pending notification of family. "We think they were trying to evacuate," said Courtney Kreider, spokeswoman for the Siskiyou County Sheriff's Office.

Specialized teams with dogs were sent out early Monday to search for more potential victims, Ms. Kreider said. The area had to cool down enough for the dogs and searchers to safely enter.

At least a dozen residences burned in the blaze that broke out Friday night in Klamath National Forest, forcing evacuation orders for more than 5,800 residents, according to Mike Lindberry, public information officer for the McKinney Fire. Flames were threatening more than 5,000 residential structures, he said.

As of noon Monday, the McKinney Fire had zero containment, according to the California Department of Forestry and Fire Protection, known as Cal Fire.

Firefighters made advance-

ments thanks to a light rain that fell over parts of the blaze and a slight overall increase in humidity, which helped ease the bone-dry conditions that allowed the fire to spread so fast, said Mr. Lindberry.

The McKinney Fire is just one of several major wildfires California has experienced this summer. Vice President Kamala Harris mentioned the wildfires ripping through her home state on Monday as she announced a new Biden administration initiative of \$1 billion in grants to help localities prepare for climate-related disasters.

Longer Power Outages in Storms More Likely Amid Parts Shortage

BY JENNIFER HILLER
AND KATHERINE BLUNT

Utilities across the country are facing a shortage of transformers heading into peak storm season, when the critical gear for delivering electricity is most at risk of destruction.

Wait times for transformers, used to move electricity from higher to lower voltages, have quadrupled and are averaging well over a year, utilities say, raising the likelihood of prolonged power outages during hurricane season.

Companies are trying to share limited inventories as they face increasingly strong storms, replace aging infrastructure and manage soaring demand for power. Their suppliers, beset by supply-chain challenges and a global scramble for raw materials related to electricity, haven't been able to keep pace.

"The fundamental problem with transformers is they're used in everything that is related to electricity," said Ray Kowalik, chief executive of engineering, architecture and construction company Burns & McDonnell Inc. The move to electric vehicles as well as rising interest in power-hungry cryptocurrencies and the development of solar and wind farms are a few factors pushing up demand for transformers of all sizes. Data center growth, increased residential construction and the replacement of old equipment also are contributing to the higher demand.

Mr. Kowalik said some of



Electric Research & Manufacturing Cooperative's factory in Dyersburg, Tenn., is sold out of transformers as the nation faces a shortage.

coast are going to need in the event of a major hurricane," Mr. Garza said.

Utilities have a long tradition of sharing equipment and workers after disasters, but voltages for transformers vary, complicating matters. "You can't just take a transformer that we use and ship it to Austin," Mr. Garza said.

Electric Research & Manufacturing Cooperative Inc., known as Ermco, supplies an estimated one-quarter of the U.S. transformer market and made about 460,000 transformers last year in its Dyersburg, Tenn., factory, a record for the company. Chief Executive Tim Mills said the company is trying to increase output again but still must limit orders to sometimes half of what a company requests.

"I'm sold out or will be locked in through 2025 by the end of this summer," said Mr. Mills, who is part of an industry group studying supply chains and demand to try to figure out solutions.

The company's plant runs 24 hours a day, five days a week. If Mr. Mills could add 600 workers to the current 1,700, he could operate seven days a week and boost output by a range of 25% to 30%. But finding more workers isn't easy and raw-materials supply chains are also stressed.

Watch a Video

Scan this code for a video on how the U.S. power grid is being strained.

his colleagues have started calling the lack of distribution transformers, recognizable as the can-shaped equipment mounted on neighborhood utility poles or the green boxes on concrete pads, "the current toilet-paper shortage."

Public Service Enterprise Group Inc., which serves 2.3 million electric customers in New Jersey, used to be able to procure distribution transformers within 12 weeks. Now, it says it is taking more than a year. The company has lately started refurbishing some

units, something it hasn't typically done.

Chief Executive Ralph Izzo said the company is taking longer to deliver transformers to the construction industry, to the extent that it can, to ensure that the utility has enough inventory for storm season. He said the company has enough of a buffer this season for a storm akin to Hurricane Isaias, which caused extensive destruction and widespread power outages in New Jersey in 2020 even after the hurricane weakened into a

tropical storm.

Two storms of that magnitude "would be very challenging, given competition between new construction and storm readiness," Mr. Izzo said. Under those circumstances, he added, "you just cannot accommodate new construction, and that would be a very bad day for the economy."

A group of Florida lawmakers in a June letter asked the Federal Emergency Management Agency to help mitigate the problem, saying that the state's municipal utilities and

electric cooperatives can no longer stockpile transformers and face "substantially longer" power restoration after storms. Alabama lawmakers followed with a similar letter in July.

Rudy Garza, interim chief executive at city-owned **CPS Energy** in San Antonio, has likewise written to Texas policy makers advocating for the creation of a strategic reserve of transformers and wires.

"There's going to be some stuff that we don't have that our brothers and sisters on the

Michigan Appeals Court Says 1931 Abortion Ban Can Be Enforced

BY LAURA KUSISTO

A Michigan appeals court opened the door Monday for county prosecutors to enforce the state's dormant 1931 ban on abortion, a decision that could curb the procedure in the state for the first time since the Supreme Court ended the U.S. constitutional right to the procedure.

The ruling, which turned on issues of legal procedure instead of abortion rights, reversed a trial court ruling that temporarily blocked enforcement of the ban by local prosecutors.

The appeals court said the judge who issued a preliminary injunction against enforcement didn't have jurisdiction over local county attorneys and couldn't order them not to use

the 1931 law, which bans abortions at any state of pregnancy unless the life of the mother is at risk.

David Kallman, a lawyer for prosecutors Jerard Jarzynka of Jackson County and Christopher Becker of Kent County, who challenged the injunction, said his clients would begin enforcing the abortion ban immediately. Mr. Kallman, senior legal counsel for the Great Lakes Justice Center, added that their offices don't have any pending cases related to providers breaking the 1931 law.

"If I were a doctor or a hospital or a medical clinic providing abortions today, I would stop immediately unless it's to save the life of a mother. Otherwise they're risking felony charges," he said.



Michigan Gov. Gretchen Whitmer wants the 1931 ban invalidated. Kent County Prosecutor Christopher Becker sued to enforce it.

The ruling comes weeks after the U.S. Supreme Court's June 24 decision that overruled *Roe v. Wade* and eliminated constitutional protec-



tions for abortion.

Planned Parenthood of Michigan said it planned to continue providing abortions in the state for now, arguing Mon-

day's ruling doesn't take effect for at least 21 days, during the group's window to appeal to the state's Supreme Court.

Paula Thornton Greear, president and chief executive of Planned Parenthood of Michigan, said the organization was still reviewing the court's order and its legal options. "We're committed to protecting abortion access in Michigan," she said.

Michigan is one of eight states that had laws banning abortion that predated *Roe*. Those laws have been subject to legal challenges in a number of those states, including Arizona and Wisconsin.

Michigan Democratic Gov. Gretchen Whitmer has filed separate challenges to the state's 1931 law, seeking to get

the Michigan Supreme Court to recognize a right to abortion in the state's constitution. Ms. Whitmer filed a new motion Monday that seeks to temporarily block enforcement of the law, saying Michigan abortion providers "presently are forced to choose whether to continue offering healthcare services to women in this state or potentially face criminal prosecution, creating irreparable harm for women who need healthcare now."

Michigan voters also will likely vote in November on whether to add explicit protections for abortion rights to the state's constitution, which would likely make the 1931 law invalid.


—Jennifer Calfas
contributed to this article.

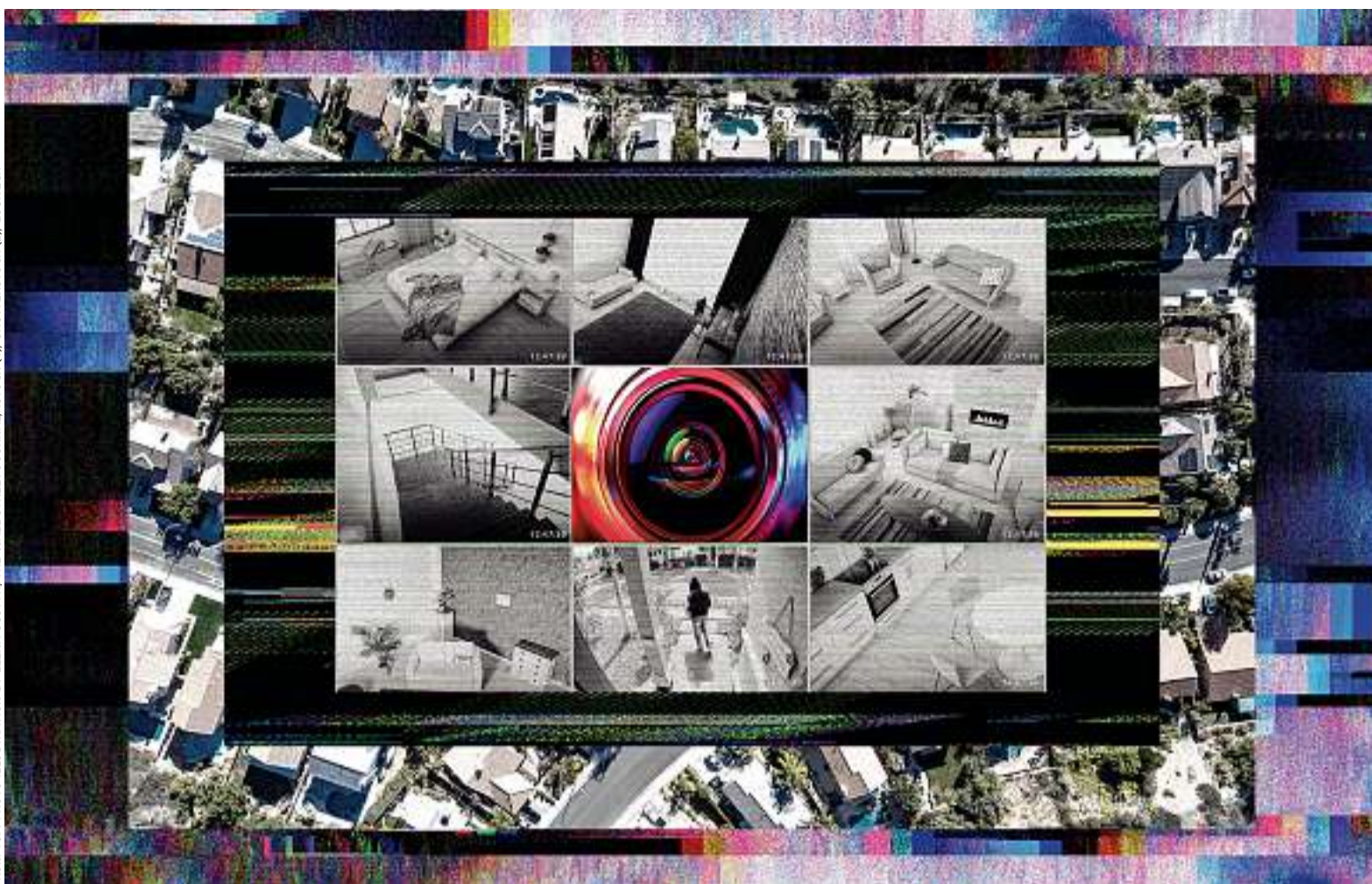
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FROM TOP: PHOTO ILLUSTRATION BY ELENA SCOTTI/THE WALL STREET JOURNAL; ISTOCK (4); SHUTTERSTOCK (2); LOGITECH

Be Careful With Security Video

Easy-to-install smart cameras can help protect your home but don't sacrifice anyone's privacy



PERSONAL TECHNOLOGY
NICOLE NGUYEN

When a thief emptied my mailbox a few years ago, I scoured the neighborhood social network Nextdoor to see if it was part of a trend. My feed was full of video-doorbell footage, mostly of package pirates and wild parrots (yes, wild parrots...in San Francisco). I realized then just how many devices were likely recording my daily walk up and down the street. Home surveillance cameras—from Ring, Nest, Arlo and others—are the eyes and ears of many neighborhoods. Around 14% of U.S. households with broadband have installed an internet-connected camera, according to research firm Parks Associates. Their popularity has drawn the attention of law enforcement (not to mention hackers), which raises new issues for people looking to set one up.

They are in demand in part because professional systems can cost hundreds of dollars to install, along with steep monthly fees. You can buy a smart camera for as low as \$50, pay around \$4 a month for cloud storage and get activity-based notifications on your phone.

Cameras are convenient for knowing when packages are deliv-

ered or when the dog walker drops off the pooch while you're not around. But they capture sensitive data that's sent from your home to company servers—and you should know how to protect your footage from being seen or shared without your permission.

Amazon.com Inc.-owned Ring gave surveillance footage to law enforcement 11 times this year without a warrant or customers' consent. The company said the requests met its exception for emergencies.

In the past, hackers with stolen credentials broke into Ring camera web portals and scared the living heck out of unsuspecting families with the devices' two-way talk capabilities.

"Ring holds a high bar for itself and deeply scrutinizes each emergency request," a spokeswoman said. The company may provide information to law enforcement when there is danger of death or serious physical injury, such as a kidnapping or attempted murder, she said. "These emergency requests are reviewed by trained professionals who disclose information only when that legal standard is met," she added.

If you're uncomfortable with a company making that determination, there are settings you can enable to prevent sharing, as well as platforms that make privacy the default. Here's what you should think about when installing a smart surveillance camera.

End-to-end encryption

When Ring, Google's Nest or Arlo send footage from the camera to the company's servers, that data is automatically encrypted. Translation: It's protected if a hacker gains access to those servers.

However, the companies themselves can decrypt that data and—if legally or morally compelled—share it. A spokeswoman for Alphabet Inc.'s Google said that to date, the company has never given camera data to authorities without

tute at Northeastern University.

End-to-end encryption, while recommended by Prof. Choffnes and others, isn't always an option. Neither Google Nest nor Arlo offers the ability to fully encrypt camera videos. Ring has an opt-in setting for many products, but not its battery-powered models. A spokeswoman confirmed that Ring wouldn't be able to decrypt such videos for law enforcement.

There are, however, trade-offs for turning on Ring's end-to-end



Logitech's Circle View camera, with end-to-end encryption, works with Apple's HomeKit.

customer consent, but it reserves the right to do so if it considers a situation an emergency.

There is a method of protection, called end-to-end encryption, that would hide videos from both hackers and the companies. "It means that only your device, for example, your phone, can see the video that is recorded," said David Choffnes, executive director of the Cybersecurity and Privacy Insti-

view video only on authorized mobile devices, not through your web browser. Some features are disabled, such as image previews within notifications and the ability to watch streams on other Amazon devices.

On Apple Inc.'s HomeKit Secure Video platform, end-to-end encryption is the default. The service requires an iCloud+ plan of 50GB or higher, though the videos won't

eat into your allotted storage. You need a home "hub" in the form of a HomePod, iPad or Apple TV. And, of course, everyone who wants access to the camera streams must use an Apple device.

There is a limited selection of HomeKit devices. I like Eve's indoor cam for its slim profile, as well as Logitech International SA's Circle View doorbell and camera for face recognition and outdoor use. Because all the footage flows through the Home app, it's fine to mix and match brands.

Just remember that end-to-end encryption is only as secure as your devices. "If someone else can access your device or your passphrase—for example, a family member, or even law enforcement—they can see the videos," said Prof. Choffnes.

Outdoor vs. indoor

When you set up a camera outdoors, often mounted at the doorbell, see if it's pointed at any area that would be considered a private space such as, for example, a neighbor's bedroom. Generally, public roads and your own front porch are OK. Set up zones that trigger recordings only when someone enters that space. (Ring, Google Nest, Arlo and HomeKit devices have this functionality.) Ring users can also set up privacy zones, which blackout areas from your camera's field of view, so they aren't recorded in videos.

Indoor cameras need slightly different considerations. Many people avoid putting them in bedrooms, for instance. These devices will be watching your personal spaces, so choose a brand with strong security and end-to-end encryption. Use activity zones and automation—such as recording only when you're not at home or on a schedule—to limit the amount of footage collected.

Make sure you have a long, unique password and two-factor authentication protecting the camera account, as well as a strong passcode on your phone. With your login, hackers could watch and listen in on live video feeds of your home.

Let everyone in your household, including guests, babysitters and housekeepers, know there's a camera around. (And, seriously, don't be creepy about where you put it.)

To post or not to post

Many brands let you clip recordings, which can then be posted to social media. Ring even has its own network, called Neighbors.

Even if you feel tempted to shame a person you suspect of wrongdoing, take a breath before sharing. It's legal to record someone in public, where there is no expectation of privacy, according to law nonprofit New Media Rights. But the video could include landmarks that reveal where you live. And you should avoid situations that could risk leading to wrongful accusations or mistaken identity.

Ring has specific guidelines on what's allowed on its Neighbors app. Sharing a video of a hit-and-run is OK. Posting footage of someone walking through an unfenced front yard isn't.

Heads Spin Over Inherited IRAs

By ASHLEA EBELING

Figuring out the most efficient way to navigate the tax impact of inheriting individual retirement accounts has gotten more complicated since the Internal Revenue Service issued proposed new rules in February.

The rules on inherited IRAs were most recently changed in the 2019 Secure Act, which introduced a new 10-year payout rule for inherited accounts. The previous rule said those who inherited an IRA, Roth IRA or 401(k) could spread out withdrawals over their lifetime.

Many tax professionals interpreted the new 10-year rule to mean that these heirs could wait until the 10th year before taking any payouts, and that is what the IRS said in a May 2021 revision to Publication 590-B, a 69-page guide to IRA distributions. But then, in February, the IRS issued new guidance that would require heirs to take annual withdrawals in cases where the original owner died on or after his required beginning date for taking distributions.

The annual distributions are based on a formula that takes into account the IRA balance and the age of the recipient. The new guidance also applies to 401(k)s, but with those plans, employers often already set even more restrictive payout rules.

Payouts from a traditional inherited IRA are taxed like wage income. The new guidance means that many



Margaret Rolo is worried about the potential penalties on an inherited IRA.

Americans inheriting an account will inherit it during their working life, and will therefore pay a much larger tax bill, say accountants.

"It's just horribly complex," says Michael Jones, a certified public accountant in Plymouth, Minn., who wrote a book in 2014 about the tax benefits of stretching out inherited IRA payouts.

Taxpayers can either deal with the new law and guidance by calculating the necessary amount each year. Or, they can cash out in the first year and pay one tax bill. Taxpayers who fail to take a required

distribution are hit with a tax penalty that is equal to half the amount that should have been taken out.

"Maybe just go ahead and take that vacation in France," says Mr. Jones.

Notably, spouses and certain categories of heirs including disabled individuals can still spread out the withdrawals over their lifetime. And inherited Roth IRA owners don't have to take payouts until the end of the 10-year period because Roth IRAs don't have annual payout requirements.

Sy Goldberg, an attorney in Mel-

ville, N.Y., has a client whose mother died in her 90s in 2021. The client left two traditional IRAs, one \$105,000 and the other \$35,000, to her four grandchildren.

This meant there were then eight separate IRAs, with each grandchild needing to calculate their own life expectancy, and take different distributions in years one to nine. The balance would be taken in the 10th year, under the proposed rules.

"Grandma meant well, but the plan backfired," says Mr. Goldberg.



The grandchildren decided it wasn't worth the hassle, so they took lump sum distributions, he says.

In public online comments on the rules, some taxpayers and industry groups including the Investment Company Institute and the American Institute of Certified Public Accountants, are urging the IRS to kill the additional annual distribution requirement or temporarily waive penalties for people who inherited money since 2019 but haven't taken distributions.

One anonymous taxpayer put it

succinctly: "Just leave it the way it was plainly written as this is causing too much confusion."

The IRS says that it is reviewing comments and will respond to them in final rules. The proposed regulations represent the IRS's view of the law.

"I read about the change and started panicking about the penalties," says Margaret Rolo, of Rancho Mirage, Calif., who hadn't touched her \$400,000 inherited IRA from her mother, who died in 2020.

Ms. Rolo says her financial adviser has told her to hold out to see how the final IRS rules play out. Taking a distribution in 2021, tacked onto a high-income year, would have meant a large tax bill, says Ms. Rolo.

Kathy Houser of Ann Arbor, Mich., handles tax filing for her family. She said that after her husband, a supply-chain analyst, inherited a \$50,000 IRA from his father in 2021, they made a financial plan to start distributions in year seven when he expects to retire, to minimize the tax bite. The new guidance will stymie their plan.

"I was an IT professional before I retired and I can run a spreadsheet, but even this is making my head spin," she says.

For 2020 heirs who skipped a 2021 distribution, Mr. Jones says they should play it safe and make a remedial distribution, file a Form 5329 to report the shortfall, and attach a penalty waiver request.

For 2021 heirs who have to take their first distribution this year, they could hold off until closer to year-end to see if the IRS or Congress makes changes.

PERSONAL JOURNAL.

MY RIDE | A.J. BAIME

Her Small Citroën Conquered the Alps

Patty Schwarze, 65, a retired restaurant owner who lives north of Orlando, Fla., on her 1962 Citroën 2CV, as told to A.J. Baime.

I FIRST FELL IN LOVE with Citroën 2CVs when I was a college student in Norway in the 1970s. I would get tired of the never-ending darkness in winter, and I would go down to Holland to take a break. Tucked away on side streets, I would see 2CVs.

The 2CV was first built in France after World War II. It became an icon of French culture, but it was also one of many tiny cars built in other countries in Europe during the post-war years. At that time, resources in Europe were scarce, and people were destitute. But they needed transportation. So companies built these small, affordable cars.

Today, I have about 15 of them. I have a BMW Isetta, a Messerschmitt, and a Heinkel, for example—German microcars that get a huge reaction when people see them. I have small Fiats. I am enchanted by all these cars, but the 2CV has always spoken to me the most. For years, I kept a 2CV in a barn overlooking Lake Lucerne in Switzerland. With my husband I would go for two or three weeks every year. We had a futon-like bed in the back of the car with curtains around the windows, and we would tour the continent, sleeping in our car. We would meet people all over who had their own 2CV stories.

When I retired four years ago, I wanted a grand adventure. I had never been on a rally before, and I set my sights on the Liège-Bres-

cia-Liège. This rally was first held in 1958, from Liège in Belgium to Brescia in Italy and back, and it was organized to prove that tiny cars could travel long distances reliably. My goal was to do this rally in 2018 on a special 60th anniversary of the original rally. I bought a 1962 2CV from a dealership in the Netherlands (the car pictured here), and had it shipped to the U.S. to have it prepped.

The original cost—which I now cannot recall—was a fraction of the ultimate cost. We had to scavenge for parts, and the guy rebuilding the motor did some things to give the car a boost of torque for climbing mountain passes. When it was ready, we shipped it back to Europe, and I convinced a girlfriend to go with me.

We spent about 10 days driving, and it was a comedy of errors. I am a Florida girl, so, to me, a hill is a major phenomenon. The Stelvio Pass [one of the high-

est mountain passes in Europe, near the border of Switzerland and Italy] required us to climb for hours in second gear, winding through hairpin after hairpin. My

girlfriend got motion sickness on the switchbacks. We dodged bicycle riders and Ducati motorcycles going by at high speed.

The whole thing was one of

the most hair-raising experiences of my life. But we finished that rally, and I had the 2CV shipped home to Florida. It remains with me to this day.



Patty Schwarze in her Citroën 2CV, which took her from Belgium to Italy and back.



The mountain pass 'required us to climb for hours in second gear.'



Introduced in Paris in 1948, the Citroën 2CV, aka the Deux Chevaux ('two horses'), is an icon of French motoring. Ms. Schwarze nicknamed hers 'Grey Area.'

MICHAEL BROWN FOR THE WALL STREET JOURNAL ©


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HBO's 'Industry' Plays To Generational Divide

BY ELLEN GAMERMAN

Many frightening forces converge in the finance drama "Industry": the screaming bosses, the bad market bets, the unrelenting pressures. But perhaps scariest of all, at least to their superiors, are the 20-something strivers ready to unseat their elders.

Generational tensions run high between the old guard and the young hungries in the second season of the HBO show. The series about junior bankers at the fictional London company Pierpoint & Co. funnels this unease into the character of Eric Tao, played by Ken Leung. In the waters of the trading floor, the 50-year-old managing director of cross product sales is both shark and shark bait. "Youth terrifies him," one up-and-comer says, "unless he can control it."

What makes the show even more sobering is knowing that its characters and storylines are pulled from real life, with creators Mickey Down and Konrad Kay incorporating the headlines, their own short finance careers and interviews with finance executives into the scripts. The initial inspiration for Eric came from a person once in their banking orbit—a finance executive they said is still unaware of the connection.

The world is emerging from Covid in the show. At Pierpoint, bosses don't have patience for underlings who want to stay remote. The drama revolves around meme stocks, the real-world trades that gained a huge following on social media. Eric's white-tablecloth business breakfasts and clubby investor weekends don't fit in a disruptive landscape shaped by brash newcomers, including a billionaire who profits off the pandemic.

The new season raises a question: If experience isn't always useful and the value of seniority is no longer a

given, then what is the point of an Eric?

"It's a very young person's game," said Mr. Down, 33, formerly of Rothschild & Co., repeating what industry insiders told him about their experiences in finance. "It's a place where youth and drive and that first flash of ambition is really rewarded."

The show finds Eric fighting for his job against three rivals, all of whom he hired. That includes his protégé at the next desk, Harper Stern, played by Myha'la Herrold.



The character Eric Tao confronts protégé Harper Stern.

The writers looked for generational tensions and found them around subjects like wealth.

"The really big hedge fund managers we spoke to said that millennial recruits were skittish about saying, 'I want to make money,' it was considered sort of gaudy, a bit nasty to have that mentality," said Mr. Down, referring to conversations he and the team had with executives while researching the show. "The Gen Z recruits now have absolutely no qualms about saying they want to be successful. They say, 'I want

to get money.'"

At one point, Eric is "promoted" to a corner office that he compares to a coffin.

"It tells you something about how youth-obsessed the culture is that we're talking about a 50-year-old man like he is a dinosaur," said Jami O'Brien, 48, a writer and executive producer of the series.

Eric is both the voice of the establishment and, as an Asian man in a historically white world, an outsider. He swaggers with a baseball bat at his desk but fights for his team's raises. A creature of the trading floor, he cuts his toenails into a wastepaper basket like he's in his own bathroom.

"A lot of my friends who are in finance say he gives them PTSD," said Mr. Leung. "And then there are other people who are like, 'I would have died to have a boss like you.'"

One key resource for the actor: his son's elementary school carpool. A parent who works in finance held morning meetings with his team by phone while driving the car. With permission, Mr. Leung listened from the passenger seat. "It just organically gave me a sense of the texture of this world," he said.

SIMON RIDGWAY

ARTS IN REVIEW

MUSIC REVIEW | MARK RICHARDSON

Comfortable In Her Skin

Beyoncé returns with a record that celebrates the liberating spirit of dance music

From her 2003 solo debut album, “Dangerously in Love,” through 2008’s “I Am... Sasha Fierce,” the singer born Beyoncé Giselle Knowles was a critically acclaimed commercial powerhouse with a run of culturally ubiquitous chart hits, several of which topped the Hot 100. But after her 2011 album, “4,” failed to produce a top 10 single, she rebooted her career in spectacular fashion. Her self-titled 2013 LP dropped without advance notice and reinvented the idea of the “visual album,” with lush and expensive videos for each of its tracks issued concurrently with the music. From that point on, she seemed to focus less on hit-making and more on building her brand as a multimedia artist. Her 2016 follow-up, “Lemonade,” was inspired by such an array of sources—country music, underground film, writers including Toni Morrison and Octavia Butler—that it became an object of study in academia. She transcended the music business and became a culture industry unto herself.

Beyoncé’s music since that 2013 breakthrough has touched on pop, rock, R&B, country, rap, Afrobeats and more. Her seventh solo album, “Renaissance” (Parkwood/Columbia), out now, is a different kind of record, a focused concept album about the liberating power of dance music. It zeros in on a handful of themes—personal liberation, self-acceptance, the life-affirming nature of sensuality and lust—and works them over repeatedly. Like Madonna’s 1998 album “Ray of Light”—also the earlier singer’s seventh LP, released when she was 40 years old, Beyoncé’s age now—“Renaissance” is a highly referential exploration of

club-music history that sounds contemporary. The album is in some ways a survey of dance sounds from the past 45 years, as it veers from disco to house to techno to hyperpop and beyond. “Renaissance” is all about flow; there are modest peaks and valleys, but it stretches horizontally rather than vertically, and the tracks mix seamlessly without interruption like a DJ set. The only extended passage without heavy percussion comes in the opening minutes of “I’m That Girl,” a warm-up tune that introduces the

The new album veers from disco to house to techno to hyperpop and beyond.

idea of the album as an ecstatic space for personal expression. “Bring that beat in / I can breathe again,” she sings partway through the track. The drums kick in shortly after and rarely let up over the record’s hour. “Cozy” features contributions from producer Honey Dijon, and it’s steeped in her style of propulsive, syncopated, Chicago house. The coyness of the title refers not to a physical place but the feeling of being comfortable in one’s own skin, an idea that crops up throughout the record. “Alien Superstar,” another early highlight, ratchets up the tempo and reflects the brighter sound of ‘90s club music, while “Cuff It” is pure disco, with a guitar line from Nile Rodgers that evokes the late-’70s hits from his band Chic.

The middle section of the record slows the tempo slightly and ups the melodic quotient. “Plastic off the Sofa” is a seductive highlight, while “Virgo’s Groove” is luxuriant, expansive post-disco. The latter brings to mind Janet Jackson’s vibe-heavy 1997 masterpiece, “The Velvet Rope.” It’s the longest track on “Renaissance”—almost as if Beyoncé so enjoys the effortlessly percolating beat she doesn’t want it to end. The experiments in dance-music styles



MASON POCOLE/PARKWOOD ENTERTAINMENT

Beyoncé’s seventh solo LP, ‘Renaissance,’ out now, is a focused concept album.



continue in the record’s final third. “Heated” rides the kind of stutter-step Caribbean rhythm that shows up in global pop genres from Spanish-language reggaeton to Nigerian Afrobeats, and Beyoncé alternates singing with a forceful rap informed by the growling phrases of Jamaican dancehall. The production on “Pure/Honey” is steeped in the shadowy and futuristic pulse of techno and it’s more of a groove than a song, as Beyoncé speaks the lyrics and allows the 4/4 beat

to take center stage. The closing track, “Summer/Renaissance,” has a pulsing synth line and melody borrowed from Donna Summer’s “I Feel Love,” which is perhaps a slightly obvious reference to anyone who remembers that era but is effective nonetheless. The album’s only discernible weakness is traceable to its overriding concept—by portraying the thrill of forgetting your troubles and losing yourself in music and dance, it is by definition one-note, filled with self-affirmation and re-

lentless positivity. Still, some of the advance notice of the album referred to it as “Vol. 1,” suggesting we might hear more music from Beyoncé soon, music that could possibly take a different stylistic tack. Front to back, “Renaissance” is an album of stunning consistency, a record that lays out its parameters early on and follows them to the letter.

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

Weather

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U.S. Forecasts

s_sunny; pc...partly cloudy; c_cloudy; sh_showers; t_tstorms; r_rain; sf_snow flurries; sn_snow; L_Lice

City	Today				Tomorrow			
	Hi	Lo	W	P	Hi	Lo	W	P
Anchorage	60	54	c	64	56	s		
Atlanta	89	72	t	90	72	t		
Austin	102	75	pc	102	75	pc		
Baltimore	92	70	pc	92	74	s		
Boise	90	70	t	96	70	s		
Boston	90	73	pc	83	72	pc		
Burlington	82	61	t	87	71	c		
Charlotte	93	72	pc	95	73	pc		
Chicago	86	78	s	93	72	t		
Cleveland	76	65	pc	91	75	pc		
Dallas	102	83	pc	103	81	s		
Denver	95	65	pc	90	68	pc		
Detroit	83	68	s	94	73	t		
Honolulu	86	74	pc	86	73	sh		
Houston	97	78	t	98	78	s		
Indianapolis	89	75	s	91	73	s		
Kansas City	98	81	s	96	72	t		
Las Vegas	98	83	pc	103	85	s		
Little Rock	94	75	c	93	74	pc		
Los Angeles	85	66	s	84	65	s		
Miami	90	79	t	92	79	t		
Milwaukee	79	74	pc	91	70	t		
Minneapolis	93	78	t	90	64	c		
Nashville	93	74	t	93	76	pc		
New Orleans	88	77	t	87	77	t		
New York City	90	74	pc	88	76	s		
Oklahoma City	100	79	pc	101	76	s		

International

City	Today				Tomorrow			
	Hi	Lo	W	P	Hi	Lo	W	P
Amsterdam	77	65	pc	80	65	s		
Athens	93	78	s	92	75	t		
Baghdad	121	85	pc	121	89	pc		
Bangkok	90	80	t	90	80	t		
Beijing	95	79	s	97	79	pc		
Berlin	82	65	pc	92	70	pc		
Brussels	82	63	pc	88	65	s		
Buenos Aires	59	51	pc	60	49	c		
Dubai	106	94	s	106	93	pc		
Dublin	75	57	sh	67	49	pc		
Edinburgh	74	58	c	68	51	pc		

City	Today				Tomorrow			
	Hi	Lo	W	P	Hi	Lo	W	P
Frankfurt	88	65	pc	94	69	pc		
Geneva	89	64	s	94	67	s		
Havana	92	73	t	90	72	t		
Hong Kong	95	82	pc	91	80	t		
Islamabad	86	71	s	86	73	pc		
Jakarta	91	77	c	90	77	t		
Jerusalem	89	67	s	90	68	s		
Johannesburg	60	43	pc	60	47	sh		
London	83	65	pc	82	59	pc		
Madrid	103	74	t	101	71	s		
Manila	90	79	t	91	79	t		
Melbourne	61	54	pc	67	55	s		
Mexico City	74	57	sh	77	55	sh		
Milan	90	73	s	92	74	s		
Moscow	78	61	c	80	63	c		
Mumbai	88	80	t	88	80	t		
Paris	88	67	pc	95	69	s		
Rio de Janeiro	77	70	pc	77	69	s		
Riyadh	104	89	t	105	91	t		
Rome	90	69	s	91	70	s		
San Juan	88	78	c	89	79	sh		
Seoul	86	79	r	88	78	t		
Shanghai	96	84	t	97	84	t		
Singapore	86	78	sh	85	77	t		
Sydney	66	53	s	74	61	s		
Taipei City	86	79	t	93	80	t		
Tokyo	94	83	pc	94	79	t		
Toronto	79	60	pc	85	73	c		
Vancouver	73	60	s	72	60	c		
Warsaw	77	61	pc	80	60	pc		
Zurich	85	59	pc	90	63	pc		

The WSJ Daily Crossword | Edited by Mike Shenk

- Down
- 1 Let off steam
 - 2 Way off
 - 3 Medieval Venice, for one
 - 4 Pitching stat
 - 5 Neighbor of Md., N.J. and Penna.
 - 6 Belief in a higher power
 - 7 Poetic foot
 - 8 Run away
 - 9 In support of
 - 10 Essentially
 - 11 Sales presentation aid
 - 12 Crazy
 - 13 Key symbolized by a bent arrow
 - 14 Lab assistant of film
 - 15 Give in
 - 16 Unit of resistance
 - 17 Salacious sin
 - 18 Soprano-tenor go-between
 - 19 Former Yankees superstar, familiarly
 - 20 Bum
 - 21 Up to scratch?
 - 22 Londoner's lav
 - 23 Mischievous imp

- 24 "That can't be good..."
- 25 Do a laundry chore
- 26 Plans for some srs.
- 27 "Spy vs. Spy" magazine
- 28 Title role for Welles
- 29 Sets ablaze
- 30 Component of a certain cage
- 31 Unaccompanied
- 32 Headphones output
- 33 "Teenage Dream" singer Perry
- 34 Penguins' projectiles
- 35 Utterly laughable
- 36 Potential REM interrupter
- 37 Skilled
- 38 Dressmaking measurement
- 39 Monthly expense
- 40 Seeks info
- 41 Crank (up)
- 42 One of six in a fl. oz.
- 43 Copying

STORYBOOK ENDING | By Dan Caprera

- Across
- 1 Was dashing, say
 - 6 Trivial quarrel
 - 10 Fictional seller of anvils
 - 14 Blazing
 - 15 2009 Beyoncé hit
 - 16 Word often following a comparative
 - 17 *Alt-rocker with the 1995 Top 10 hit "Carnival"
 - 20 Have a go at
 - 21 Insulting remark
 - 22 Eagle's nest
 - 23 Recital highlights
 - 26 2009 James Cameron film with a sequel due in December
 - 27 "All My Sons" playwright
 - 31 Paper packages
 - 32 Little squirt
 - 33 As a result
 - 37 Granola grain
 - 38 *CEO who introduced the Apple Watch
 - 42 "Now what's all this then?"
 - 43 Three, in Thüringen
 - 45 "Goooooo, team!"
 - 46 Shady shelter
 - 48 *Grammy winner nicknamed "Empress of Soul"
 - 52 Steinway products
 - 55 1990s exercise fad
 - 56 Remove, as from a taskbar
 - 57 Help with a job?
 - 59 Support provider
 - 62 Story collection (with "The") in which the surnames in the starred answers are characters
 - 66 Site for a tap of a reflex hammer
 - 67 Otherwise
 - 68 Move like a femme fatale
 - 69 Black and Red, for two
 - 70 Nix
 - 71 Porky Pig's lack

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

Previous Puzzle's Solution

SPORTS



The Browns traded for Deshaun Watson and signed him to a fully guaranteed \$230 million contract.

Texas grand jury opted not to indict Watson. That long-anticipated decision was seen as paving the way for a trade, and within days he was on the move in exchange for a tremendous haul. Cleveland sent a package to Houston headlined by three first-round picks, making Watson the Browns' quarterback of the future. Shortly afterward, a second Texas grand jury decided not to bring charges against Watson.

The optics of the deal for a quarterback who still faced two dozen civil lawsuits were especially queasy because of the new contract the Browns gave Watson. The groundbreaking five-year deal was worth a fully guaranteed \$230 million. It also had a reduced base salary in the first season, which has the effect of reducing the financial penalty for him if he's suspended for part of the year.

As a result of that new deal's structure, Watson stands to lose just \$345,000 for six missed games on a deal that averages \$46 million a year.

Meanwhile, he received that contract when it was still unclear at what point Watson would actually be available to play for the Browns as the NFL's investigation approached its conclusion.

Watson's arbitration case was the first under the NFL's new collective bargaining agreement, which placed a high-profile decision in uncharted territory. Under the deal, the case headed to the mutually appointed arbitrator, Robinson. If she decided there was no violation of the personal conduct policy, the case would have been over. By suspending him for six games, now either side can appeal that decision to Goodell or someone he picks.

The NFL's case against Watson zeroed in on a handful of allegations that the league believed were provable and backed up by contemporaneous evidence. Given the breadth of accusations against him, the league sought an indefinite suspension that would last a minimum of one season, people familiar with the matter said.

But Watson's camp and the NFLPA mounted a vigorous defense of the quarterback. In addition to challenging the credibility of the cases, his side argued that such a punishment would be far beyond the precedent of past suspensions for allegations of misconduct in which someone was never charged with a crime. Union lawyers even brought up the discipline, or lack thereof, the NFL has imposed against team owners who have been accused of wrongdoing.

A footnote from Robinson's ruling also referred to how the policy should apply to owners as well.

"I note in this regard that the Policy is equally applicable to players and team owners and management," she wrote. "The NFLPA questions whether it is 'fair and consistent' to severely punish Mr. Watson for his nonviolent sexual conduct and not even charge various team owners who have been accused of similar or worse conduct."

Watson Suspended for Six Games

An arbitrator levied the penalty against the quarterback after the NFL sought an indefinite ban

By ANDREW BEATON

Cleveland Browns quarterback Deshaun Watson received a six-game suspension from a neutral arbitrator, the NFL said, after allegations of sexual misconduct during massage therapy sessions first emerged over a year ago.

The decision, made by former U.S. District Court Judge Sue Robinson, comes after a hearing in July in which the NFL recommended that Watson receive an indefinite suspension that would last no shorter than one year for violating the league's personal conduct policy. In her ruling, Robinson described Watson's behavior as "egregious" while also admonishing the NFL for seeking a stiffer punishment in response to public outcries.

The ruling from the judge, who was mutually appointed by the league and NFL Players Association, also isn't necessarily final. The NFL still has the option to appeal her ruling, at which point the decision would be made by commissioner Roger Goodell or someone he designates. That leaves an avenue for the NFL to impose the harsher discipline it originally sought if Goodell deems the judge was too lenient—a decision the league is mulling.

"In light of her findings, the

league is reviewing Judge Robinson's imposition of a six-game suspension and will make a determination on next steps," an NFL spokesman said.

In anticipation of the decision, the NFLPA had called on the NFL to not do that, even though it is within the league's right based on the collective bargaining agreement between the two parties.

The league has three business days to decide on the appeal.

"Every player, owner, business partner and stakeholder deserves to know that our process is legitimate and will not be tarnished based on the whims of the League office," the union said in a Sunday statement. "This is why, regardless of her decision, Deshaun and the NFLPA will stand by her ruling and we call on the NFL to do the same."

Robinson's 16-page ruling said that the NFL produced sufficient circumstantial evidence that Watson knew the sexual contact with the massage therapists was unwarranted.

She found, "by a preponderance of the evidence," that Watson engaged in sexual assault, as defined by the NFL against four therapists.

Her decision to issue a six-game suspension, rather than the year-long one the NFL sought, was in part based on his conduct being "nonviolent," she wrote, adding that the suspension is the most significant punishment ever for a

player for accusations of nonviolent sexual conduct.

"Mr. Watson's pattern of conduct is more egregious than any before reviewed by the NFL," she wrote.

Among the aggravating factors that led to the discipline, she noted, was Watson's "lack of expressed remorse."

For mitigating factors, she brought up that he is a first-time offender and cooperated with the investigation.

Robinson also criticized the NFL

\$345K

Amount of money Deshaun Watson stands to lose for six missed games.

for seemingly attempting to seek a more punitive discipline in response to public opinion. "The NFL is attempting to impose a more dramatic shift in its culture without the benefit of fair notice—and consistency of consequence for those in the NFL subject to the Policy," she wrote.

Over the past year-plus, more than two dozen women have accused Watson of sexual assault or misconduct during massages.

Watson has denied any wrongdoing. In recent weeks, Watson has

settled most of the 24 civil lawsuits against him, according to the plaintiffs' attorney, Tony Buzbee.

Ever since the accusations against him surfaced, the situation has ushered in an uncomfortable intersection of troubling off-the-field behavior and on-the-field drama.

Watson, 26 years old, broke through as one of the NFL's best young quarterbacks with the Houston Texans after rising to superstardom at Clemson, where he won a collegiate national championship.

Then last offseason, just as reports emerged that Watson wanted to be traded away from Houston, the first lawsuit against him landed. Quickly thereafter, additional lawsuits were filed.

For the Texans, this presented an awkward predicament. Their most valuable player wanted no part of playing for them. Yet Watson's trade value was scuttled by the uncertainty over his professional future because of his murky legal situation.

That produced an unusual impasse last season. Watson had not been suspended or been put on paid leave by the NFL. He didn't want to play for the Texans. Houston seemed content for Watson to be sidelined as his off-the-field situation progressed. He was simply paid to sit out every game.

The stalemate finally broke shortly after the season when a

JASON GAY

Bill Russell, the Man



He was a man. This is what Bill Russell sought as his epitaph; He said it himself in the closing sentence of his crushingly pointed

1966 autobiography, "Go Up for Glory." That book remains one of the greatest sports books ever written—but rarely candid about his profession, teammates, coaches, and the Black experience in America, and published when he was still an active basketball star, if you want to know how worried Bill Russell was about telling the truth.

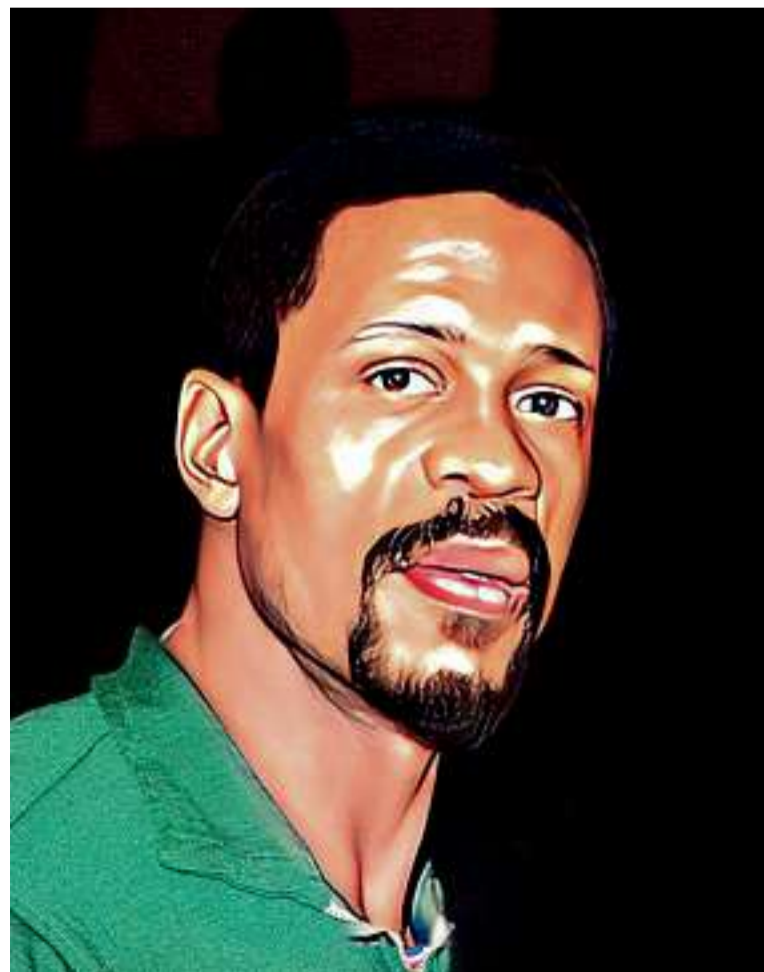
He was a man. It was not a declaration of modesty, but a demand of basic respect. Russell, who died Sunday at age 88, is inarguably one of the greatest athletes in the history of team sports, collecting 11 titles in 13 seasons with the Boston Celtics. But Russell's essential legacy is his lifelong insistence on being rendered as a complete human being, with all rights, privileges, fears and frailties—"a man, nothing more," as he put it more than five decades ago.

He was ruthlessly honest. He came of age in Louisiana, then Oakland, at a time when blunt racism, segregation and vestiges of slavery were norms, and moved from college (where the sport tried to curb his defensive dominance by widening the foul lane) to the NBA in an era when a rival club owner could discuss quotas and whether or not Black players

should be allowed to guard white stars. Some stories are well known—Russell and teammates boycotting a game in Kentucky after being refused service at a restaurant; Russell returning to his home in the Boston suburbs to find it trashed, a racial epithet scrawled in excrement on his wall. There were other humiliations—the way white coaches asked Russell to pal around with Black players, assuming they would be fast friends; a restaurant guest flipping Russell her keys, thinking he was the parking lot valet; a Boston neighborhood petitioning to try to stop Russell and his family from moving there.

He moved there, nevertheless. More importantly, he told us about it, in real time, because it mattered. The world was changing and Russell wanted to be a part of it. He found kinship in Dr. Martin Luther King Jr. and also Malcolm X; he stood on the steps at the March on Washington, but also worried that the movement—he preferred calling it "human rights," instead of civil rights—had become too wide and complacent. He bought a rubber farm in Liberia and when a reporter asked him if he intended to reject the U.S. and move to Africa, responded: "Yeah. Maybe I will. I'll get away from you, anyway." The reporter published only the first part of the quote, not the second.

Amid all of it, his Celtics teams



Bill Russell won 11 NBA titles in 13 seasons with the Boston Celtics.

won, and won, and won some more—the most stirring run of dominance in league history. Russell may have been singular as a person, but as a player, he bought fully into the brilliance of teamwork. Red Auerbach's Celtics were

fluid and unselfish, and Russell regularly sacrificed individual glory for group accomplishment. With those fistfuls of championship rings came a lifetime of friendships with players like K.C. Jones, Sam Jones, Tommy Hein-

sohn, John Havlicek, Frank Ramsey and Thomas "Satch" Sanders. He stayed loyal to Auerbach, who maneuvered to draft him and hired him as the NBA's first Black coach, and Celtics owner Walter Brown, who delighted in tweaking the bigotries of his ownership brethren.

Along the way, he was labeled "difficult" and "prickly," sometimes because he could be, but more often because he refused to varnish reality and play the role of the grateful athlete. Russell didn't seek to make his audience comfortable, and here, it is possible to see a link to current efforts to sanitize American history and sand the edges off of inconvenient truths. There remains a spurious notion that to teach—or even raise—uncomfortable facts of racism, slavery and other sins is somehow to condition people to despise themselves or their country. We continue to mock athletes who do not express proper gratitude and step into social issues beyond their sport. Here we are, a half-century later, still regulating the lane.

Russell wouldn't want to see the edges sanded off his complicated life, either. In death, Russell has been hailed as a "giant," but he hated the term, because, taken literally, it recalled "a whole world of years when people made fun of you or looked askance at you because you are different." He would grow to be 6 foot 10, made a case as the greatest teammate ever, and became one of the most courageous examples of the athlete as a public citizen. But Bill Russell wanted something more profound. He was a man.

OPINION

REVIEW & OUTLOOK

Nancy Pelosi's Taiwan Straits

Nancy Pelosi seems determined to visit Taiwan on her Asian trip this week, and Beijing is promising an unspecified military response if she does. We hope the White House is ready for all contingencies, but the best response to China's growing threats would be at long last to take the defense of Taiwan seriously.

A Chinese military response will signal a dangerous new era.

A largely symbolic visit by the Speaker of the House isn't a good reason to trigger a U.S.-China showdown. But China has raised its threats even beyond its usual bluster, and President Biden didn't help by saying in public recently that the Pentagon thinks it is the wrong time for her visit. This encouraged Beijing's leaders to think they could stop Mrs. Pelosi if they were even more obstreperous, which is what they have become.

At this point Mrs. Pelosi almost has to visit lest the U.S. appear to be backing down amid China's threats. That sign of weakness would encourage more Beijing brinkmanship, and it would echo throughout the region, especially with our allies in Japan and Taiwan.

How China will respond if Mrs. Pelosi does visit is impossible to predict. President Xi Jinping might want calm ahead of his Communist Party coronation for a third term this fall. Or he may feel he needs to stir up nationalist fervor against the U.S. to compensate for slowing economic growth, a deflating real-estate bubble, and public impatience with harsh Covid lockdowns. Mr. Xi may also think now is the time to teach the U.S. and Taiwan "a lesson," as Mao Zedong once said about his 1979 border war with Vietnam.

A serious Chinese military intervention would be a strategic watershed. That could include an attempt to intercept and perhaps harass Mrs. Pelosi's plane, which we hope will have a U.S. military escort as a deterrent. The chances for miscalculation in that scenario are high. In the worst case, China could demand that her plane not land under threat of being shot down. It isn't clear how the U.S. pi-

lots of her plane would respond.

This could be the first step in a Beijing quarantine strategy to declare that China has the right to block or inspect any aircraft or ship seeking to land in Taiwan. China could also let Mrs. Pelosi's plane land and later move to seize Quemoy and Matsu, the offshore islands controlled by Taiwan that triggered a geopolitical crisis in the 1950s.

The fact that any of these scenarios have to be taken seriously in Washington shows how Taiwan has already become a dangerous U.S.-China flashpoint. For 50 years the mutual understanding has been that China will wait for peaceful reunification while the U.S. recognizes one China and is ambiguous about defending Taiwan. That is no longer holding. Mr. Xi wants to unify China on his presidential watch, and Beijing's rhetoric and its military posture are increasingly belligerent.

Mr. Biden was widely criticized this year and last when he said in response to questions that the U.S. would defend Taiwan. The White House walked back those comments each time by saying U.S. policy hasn't changed. But intentionally or not, the President was getting at the truth of China's changing intentions.

If China abandons its pledge of peaceful reunification—which it has made in diplomatic communiques over the decades—that would be cause for the Biden Administration to change official U.S. policy to make clear that the U.S. will defend Taiwan. This would require a far more urgent and forceful policy of bolstering and arming Taiwan to defend itself with a goal of deterring a Chinese takeover.

Even if the Pelosi trip ends in anticlimax, China's military threats show that the status of Taiwan and its protection are fast becoming emergencies. U.S. officials say Mr. Xi has advanced his timetable for reunification from later this decade to perhaps as little as 18 months. Taiwan, the U.S., and our allies can't wait if they want to deter a war.

Justice for al Qaeda's Zawahiri

It took nearly 21 years, but the U.S. finally removed al Qaeda leader Ayman al-Zawahiri from the terrorist battlefield. President Biden said Monday evening that Osama bin Laden's longtime deputy was killed Sunday in a counterterrorism operation in Afghanistan that others confirmed as a drone strike.

As Mr. Biden noted, the strike brings another measure of justice for the victims of the 9/11 attacks that killed nearly 3,000 Americans on U.S. soil. The 71-year-old Egyptian co-founded al Qaeda and helped bin Laden build an operation that could spread radical Islam and murder innocents without remorse.

Mr. Biden praised the operation as a triumph of U.S. intelligence, but Zawahiri eluded detection for more than two decades. The President said he was located some months ago in Kabul, the Afghan capital, as he sought to reunite with his family. Perhaps he let his guard down after the Taliban captured Kabul and drove the U.S. out of Afghanistan last August.

A Taliban spokesman condemned the strike, but Zawahiri's discovery in Kabul suggests close collaboration between the Taliban and al Qaeda.

A U.S. drone strike kills Osama bin Laden's former deputy in Kabul.

The Taliban provided sanctuary to al Qaeda before Sept. 11, 2001, and it's impossible to believe that Taliban officials didn't know Zawahiri was in their midst. The Taliban are giving safe harbor to

jihaddists even if they aren't joining their plots to strike the U.S. The strike was the first known U.S. anti-terrorist operation in Afghanistan since the chaotic U.S. departure. It's encouraging that the U.S. could pull off the operation after the loss of listening posts on the ground. But it's no guarantee that the U.S. can track the many al Qaeda and Islamic State camps and agents still operating in the country.

The strike should be a warning to the Taliban that abetting al Qaeda is a bad survival strategy. If terrorists based in Afghanistan plot and kill Americans, the Taliban should understand that their leaders will also be targets.

A Permitting Test for Democrats

Permitting headaches for public works are a bipartisan complaint. So we wonder: Will Democratic Senators join their Republican colleagues in voting to reverse a Biden Administration rule that adds costly new roadblocks?

Will they vote to repeal a Biden rule that blocks public works?

Alaska Sen. Dan Sullivan plans to call for a vote as early as this week on a resolution to overturn a Council on Environmental Quality change to permitting rules under the National Environmental Policy Act (NEPA). Under the Congressional Review Act, a simple majority of both chambers can pass a resolution of disapproval to kill a rule.

Any Senator can also make a non-debatable motion for a floor vote. While a President can veto a resolution, it has the salutary effect of compelling Members of Congress to endorse or repudiate a regulation. Many Democratic Senators have been silent as the Administration tries to strangle public works and private energy projects via regulation. Now they will have to take a position.

Finalized in April, the Biden rule rewrote parts of a Trump Administration rule that sought to ease regulatory barriers under NEPA. The new rule gives federal regulators enormous discretion over the scope of environmental reviews under NEPA. The Biden rule summary says it "clarifies that agencies have discretion to consider a variety of factors" and aren't limited by their statutory authorities. In short, it empowers regulators to do as they please.

One exception: The rule limits their discretion to fast-track reviews. For instance, the rule requires federal agencies to consider all of the "cumulative" and "indirect" project effects, including those created by climate change. Regulators have to consider how a project in conjunction with other unrelated activities affects land, air, water and endangered species.

Some liberal federal judges have read such a requirement into the law and used this as a pretext to block projects. Earlier this year, a Fourth

Circuit Court of Appeals panel tossed a permit for the Mountain Valley gas pipeline because the Fish and Wildlife Service did not consider the "cumulative" impact of non-pipeline construction on two endangered species.

The judges said the agency should have evaluated how the pipeline—in conjunction with road improvement, urbanization, water withdrawals, agriculture and climate change—could affect the logperch and candy darter fish years into the future. Under the Biden rule, federal agencies would have to do this sort of evaluation for every large project they review.

That could include chip-making factories receiving federal subsidies because they have large land impact and require loads of water. A report last fall by Georgetown's Center for Security and Emerging Technology noted that permitting obstacles could impede construction of new semiconductor factories.

The Biden White House didn't have to rewrite the Trump rule, and it did so precisely so its regulators and courts find it easier to block projects. There is no other justification for it. The Manchin-Schumer bill gives federal agencies an additional \$375 million to "facilitate timely and efficient environmental reviews." But the real reason regulators need more money is because the Biden rule requires unnecessarily expensive environmental analyses.

All 50 Senate Republicans are co-sponsors of Mr. Sullivan's important resolution. This vote will be telling for West Virginia Sen. Joe Manchin, since his support would cause the resolution to pass with 51 votes.

But the vote will also be a signal of how much Democratic support there is for permitting reforms that Mr. Manchin says Democratic leaders have pledged to vote on by the end of September. That would require 60 votes to pass. We'll see how many Democrats really want new public works and more energy by how many of them vote for Mr. Sullivan's resolution.

LETTERS TO THE EDITOR

Change Is Coming to the Practice of Medicine

Your editorial "Medical Education Goes Woke" (July 27) is unfortunately true. The recent walkout by medical students at the University of Michigan—prior to remarks given at an initiation ceremony by a distinguished faculty member who happened to oppose abortion—indicates a lack of character and respect that bodes ill for the profession.

Also galling has been the response of the medical establishment to the Covid crisis, with its contradictory policies and recriminations against physicians who voiced reasoned opposition to its pronouncements.

STEVEN H. BARON, M.D.
Newhall, Calif.

Your risk of diabetes, heart disease and cancer depends on your ZIP Code, education and income. We can't control a child's asthma if his or her apartment building doesn't have a decent heating, ventilation and air-conditioning system. Even well-insured black women have a higher maternal-mortality rate than white women. The U.S. has a higher infant-mortality rate than almost all other developed countries.

We call these factors the social determinants of health. This is life-or-death medicine. Labeling it "woke" undermines attention to these factors affecting public and individual health.

PROF. KAREN ANTMAN, M.D.
Dean, Boston University Medical School

This woke culture isn't confined to medical schools. Maryland has now instituted a requirement for a diver-

sity and equity course to renew a medical license. I, therefore, will not be renewing my license in September. I wonder how many practitioners nearing retirement will do the same.

REID FITZGERALD, M.D.
Easton, Md.

It must be difficult for the editorial board to track and catalog all the wokeness breaking out these days. As an engineer, I thought my profession would keep this disease on the liberal-arts and soft-sciences side of the university. I was wrong.

A March 31, 2021, letter to the Accreditation Board for Engineering and Technology was sent by the Big 10+ Universities Deans of Engineering regarding diversity, equity and inclusion. These included the dean of my alma mater, the University of Michigan, which has now embarked on an "equity-centered engineering" philosophy. God help us.

It appears the debacle of university bias-response teams was insufficient. The university is dropping the GRE exam, and for now the SAT as well, as an admissions requirement. The flagship "Alumni" magazine is now "Alum." Fundraising emails are signed with preferred pronouns.

It is sad to see a great institution succumb to such a disease. It was even more painful to explain to the dean why my donations were going to zero, and that I would not be recommending the university as a destination for aspiring engineers.

MARK STRAUCH
Red Lion, Pa.

Straight Cash Aid Can Be the Greatest Help

In "The High Cost of Free Money" (op-ed, July 19), Allysia Finley claims that findings from a recent study on cash transfers to the poor mean the U.S. should "never again send out cash with no strings attached." This study found that a group of 2,000 low-income Americans receiving either \$500 or \$2,000 in one-time aid during the pandemic experienced no improvement compared with those who received no aid, and worse outcomes on several measures.

These results should be taken seriously, and also placed in context. The majority of the dozen or so U.S. studies on cash transfers have found positive effects. One decadeslong study tracked children of mothers who received welfare payments and found that they were half as likely to be underweight, earned 14% more as adults

and lived a year longer, on average, than children of mothers who were rejected from the program. A single negative, short-term study run during a pandemic doesn't reverse the weight of existing evidence.

These studies are expensive to conduct in the U.S., but in emerging-market countries there are hundreds of robust evaluations of cash payments, making them the most studied poverty intervention. There, the evidence is even more overwhelming, showing positive effects on earnings, health and well-being. The U.S. cash-aid debate should be focused on what size and cadence has the biggest effect, not abandoning ship based on the implications of a single study.

MICHAEL FAYE
President, GiveDirectly
New York

Memories of People Who Never Made It Home

In his 1993 ESPY award speech, delivered while dying of cancer, Coach Jim Valvano extolled "three things we all should do every day." By his lights, "Number one is laugh. You should laugh every day. Number two is think. You should spend some time in thought. And number three is you should have your emotions moved to tears." Bob Greene's op-ed "A Friend Lost to Lake Central Flight 527" (July

28) reminds me of an old friend lost to a Montana highway, and puts a check mark in the tears box.

JOHN GENTHER
Topeka, Kan.

Mr. Greene makes me think about other men who died in 1967—in Vietnam. These men also missed all those wonderful life experiences that those of us who are left have known. Men like my friend, Bob, the best natural helicopter pilot I ever knew, who would have had a wonderful future but died there at 21, and never had the chance. Yet a man is not dead until he is forgotten. They are not forgotten.

JIM BAKER
Little River, S.C.

Do Us All a Favor and Thank The Next Policeman You See

Regarding your editorial "Who Wants to Be a Seattle Cop?" (July 20): Even in southern Indiana, a squared-away state trooper told me that recruitment has become significantly more difficult in recent years.

Young people who might have been enthused to "serve and protect" now see the rise in violent crime, exceeded only by the alarming trend in disrespect for the law. This comes with disrespect for the valiant men and women, second-guessed constantly, who place themselves in harm's way to see to it that we can continue to enjoy our way of life. I always try to thank any officer I see in uniform when the chance presents itself. They need to know that they are appreciated before the question becomes: Who wants to be a cop anywhere?

STEVEN KROHN
Evansville, Ind.

The 'Prevailing Wage' Trick

Regarding your editorial "Semiconductor Subsidy Strings Attached" (July 27): I have nothing against unions. They have many positives, but mandating that companies pay union prevailing wages to construct new semiconductor facilities is a decree against free-market competition and a clear exploitation of taxpayer dollars to buy union votes. This is also an open invitation for unions and politicians to pad the definition of "prevailing wage." Pork for votes at its finest.

BILL BEGLIN
Cincinnati

Can't Hide All the Bad News

Reading Philip Magness's history of the economic term "recession" in textbooks and legislation ("A Recession by Any Other Name," op-ed, July 28), I come to the conclusion that no one in the Biden administration has ever heard of the Streisand Effect. This is when attempts to conceal or censor information have the unintended consequence of amplifying it. The Biden team's attempt to play down our economic difficulties is amplifying the negative news. How long will it take them to figure it out?

CHRIS CARDIFF
Alexandria, Va.

Pepper ... And Salt

THE WALL STREET JOURNAL



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WORLD NEWS

Tensions Are Rising in Balkans

Kosovo-Serbia border dispute could further test the EU's ability to manage security

By BOJAN PANCEVSKI

NATO and the European Union scrambled to calm tensions between Kosovo and Serbia after a weekend flare-up that some politicians and experts fear could be used by Russia to spark more instability in Europe.

On Sunday, NATO forces tasked with securing Kosovo threatened to intervene to prevent a bureaucratic dispute over cross-border trade from escalating beyond a war of words between Kosovo and Serbia. Kosovar authorities said shots were fired Sunday during a standoff between Kosovar police and ethnic Serbs near the Serbian border but no one was hit.

Kosovo, once part of Serbia, declared independence in 2008 following a brief and bloody conflict that ended after the North Atlantic Treaty Organization bombarded Serbia to compel its forces to retreat from its former province. Friction between the two continues to run deep, especially in northern Kosovo, which is mainly populated by ethnic Serbs and is largely outside the control of Kosovar



Kosovo police patrol a road in Zupce after a disagreement involving cross-border trade with Serbia.

sovo as part of a reciprocal pact with Serbia, for a month, following a deal brokered by EU's chief diplomat Josep Borrell. "Open issues should be addressed through EU-facilitated Dialogue," Mr. Borrell tweeted.

The dispute is part of a simmering conflict between Belgrade and Pristina across a range of issues. The Trump administration was the latest U.S. government to attempt to broker a comprehensive agreement between the two parties, but a tentative deal was abandoned after all three countries elected new leadership.

Serbia's bid to join the EU largely has been derailed by its inability to resolve the dispute, a prerequisite for a closer relationship with the bloc. And while the U.S. and most Western nations recognize Kosovo, others contending with their own separatist movements, such as Spain, have refused to do so. Significantly, Russia and China side with Serbia, blocking Kosovo's admission to the U.N.

The seemingly minor cause of the latest conflict reflects the volatility of the relations between the two countries as even small administrative changes are seen as a question of sovereignty, said Ivan Vejvoda, a permanent fellow of the Institute for Human Sciences, a Vienna-based think tank.

government in Pristina.

A renewed conflict between the two neighbors could test the EU's ability to manage a fresh crisis after the Russian invasion of Ukraine has stretched Europe's capacity to handle security challenges, experts said.

Nearly 4,000 NATO troops are stationed in Kosovo, a U.S. ally, under a United Nations mandate, while Serbia cooperates closely with Russia and shares deep cultural and religious ties with Moscow. The

spokesman for the NATO forces there said Sunday that they were ready to intervene "if security was jeopardized."

Russia will support Serbia but wouldn't get involved in a conflict, a Kremlin spokesman told Russian state media.

The unrest erupted after ethnic Serbs blocked roads in northern Kosovo on Sunday in protest over a requirement to use Kosovar car license plates and documents. Prime Minister Albin Kurti of Kosovo blamed

the tension on what he called "illegal structures" from Serbia that he said were deliberately stirring trouble in his country.

Serbian President Aleksandar Vucic told reporters Sunday that, "We will plead for peace, but I'll tell you right away: there will be no surrender and Serbia will win."

The standoff was defused late Sunday, when Mr. Kurti agreed to postpone the administrative changes at the border, which would be imposed by Ko-

Financial Woes Roil Sri Lanka's Middle Class

By SHAN LI
AND VIBHUTI AGARWAL

For many years, Trichlet Decruz lived a comfortable life in the capital of Sri Lanka. The 42-year-old traveled abroad for vacations, dined out with her family and spent freely at the grocery store.

But all of that ended when the economy nosedived this year, and fuel shortages and sky-high inflation crushed the ship-repair business she runs with her husband.

"We are devastated," said Ms. Decruz, who lives with her husband and three sons. "We can't live the way we used to. Not anymore."

Sri Lanka's financial woes have ravaged the country's growing middle class, whose rising incomes and spending power had helped cement the island nation's reputation as an economic bright spot in South Asia. Even after the pandemic devastated its tourism industry, Sri Lanka's per capita GDP of \$3,815 was still the highest for the region, after the Maldives.

Anger over the crumbling economy spurred many in the middle class to join in mass demonstrations, which political analysts say was a tipping point in the protest movement that toppled the previous president, Gotabaya Rajapaksa. They are a key constituency that Ranil Wickremesinghe, the president elected last week by Parliament, will have to placate as he works to fix an indebted economy with scarce revenue.

"The intensity of the public dissatisfaction became more amplified when the middle class came out," said Anush Wijesinha, a Colombo-based economist. "You had IT professionals, workers in the services sector and in banks, coming out not just for a one-day protest but fairly consistently."

Ms. Decruz and her husband, Goodson Coonghe, say their families did well from their dried-fish business, a Sri Lankan staple. But they struck out with a new venture, spending the past decade building



Goodson Coonghe, right, and Trichlet Decruz have seen their income plummet this year. 'We are devastated,' Ms. Decruz said.

up a company that provides repairs and spare parts to ships. In brisk times, they dispatched four or five trucks carrying gauges, valves and other equipment to the country's four major ports every day.

But when depleted foreign reserves left Sri Lanka unable to pay for imports of essential items, Mr. Coonghe said they had to turn down work because there simply wasn't enough fuel to transport goods. The costs of spare parts have also doubled or tripled. A former chief engineer on cargo ships, Mr. Coonghe, 47, said their profit has plunged to about 30,000 Sri Lankan rupees a month, or about \$84, a tenth of their income during normal times.

The declining fortunes of the middle class will further deepen the country's economic turmoil, said economist Nisha Arunatilake of the Institute of

Policy Studies of Sri Lanka. "The middle class is no longer able to maintain their consumption," she said. Consumer spending makes up about a 70% share of Sri Lanka's GDP.

The family's travails have had a cascading effect. They had 14 full-time workers, but had to let them go. "We are really struggling," Mr. Coonghe said. "We can't manage. We can't pay them."

The biggest disruptions to her daily routine, said Ms. Decruz, involve food shopping and preparing meals.

Gone are the days of serving chicken at least four times a week. Meat is now no longer affordable more than once a week, and she has stopped regularly buying milk and eggs. Their family diet now mostly consists of rice and fish curry, she said.

Ms. Decruz said that has been hard for her sons age 6, 17 and 20. Despite her cutbacks,

her family's monthly food bill has shot up from 50,000 rupees a month to a six-digit expense.

Stores have been running out of imported cooking gas, which many middle-class families like Ms. Decruz's used to prepare food. Many Sri Lankans turned to old-fashioned methods of cooking.

"My mother doesn't know how to cook food on firewood, even my grandmother doesn't remember," she said.

She switched to an induction cooker, but the 13-hour-a-day power cuts mean she typically cooks all three meals at once.

For her older sons, life revolves around lines. Instead of hanging out in cafes, where the price for a cup of coffee has more than doubled, Snows Coonghe, 17, said he invites friends to keep him company in the queues that snake around gas stations.

His older brother, Thomas

Coonghe, said his typical routine now consists of going to work at the foreign-currency trading company he co-founded, and then standing in gas lines all night, with a few hours of sleep snatched at home or inside an auto rickshaw of someone else also in line. Before, refueling was a weekly errand.

About half of his 35 employees can't get to work regularly, he said. On work calls, Thomas said he tries to hide the fact that he regularly dials in from a pump.

Despite all the penny-pinching, Ms. Decruz said they have had to dip heavily into savings. They have sold off two of their vehicles to keep their business afloat. Ms. Decruz also pawned some of her jewelry. They have only enough reserves left to last for another three or four months. After that, "it will depend on God's grace," she said.

Bulgaria Looks Into Blast at Munitions Facility

By GEORGI KANTCHEV
AND JOE PARKINSON

Authorities in Bulgaria are investigating an explosion at an ammunition depot owned by an arms dealer who Bulgarian officials say is a middleman for exports of munitions to Ukraine.

The complex is owned by Emilian Gebrev, who survived a near-fatal 2015 poisoning, for which Bulgarian prosecutors charged three Russian citizens.

The blast took place early Sunday at a munitions facility near the city of Karnobat in the east of the European Union country. Nobody was hurt and it wasn't immediately clear what caused the explosion. Bulgarian authorities didn't return requests for comment. Russia's Foreign Ministry didn't respond to a request for comment. Karnobat's mayor, Georgi Dimitrov, said authorities couldn't enter the premises for 72 hours after the blasts because of safety regulations.

The blast is the latest in a series of mysterious explosions at weapons and armaments facilities in Bulgaria and the Czech Republic over more than 10 years. Authorities in both countries have linked the explosions to Russia and have expelled Russian diplomats over the cases. Moscow has denied involvement.

Mr. Gebrev told Bulgarian state radio that the blasts weren't due to human error. The dealer, whose companies have long distributed arms across Europe and who has previously denied exporting weapons to Ukraine, said the depots were housing old munitions that wouldn't be used on the Ukrainian battlefield.

The blasts come as Bulgaria, a former Soviet satellite state with a sizable arms industry, has become one of the major ammunition and weapons exporters to Ukraine, officials say. Bulgaria is one of the biggest exporters of Soviet-type ammunition and weapons, which Ukrainian officials have requested to counter Moscow's forces.

Although Bulgarian authorities have publicly denied exporting munitions to Ukraine, officials and armaments companies have said Bulgarian arms manufacturers are increasingly sending supplies to companies in Slovakia and Poland, where they are ferried across the Ukrainian border. Russia has repeatedly warned the West not to supply Ukraine with weapons.

Tihomir Bezlov, a security expert at the Sofia-based Center for the Study of Democracy

Bulgarian authorities have publicly denied exporting munitions to Ukraine.

said the weapons exports made Bulgaria a natural target for Russian "wet operations" or violent sabotage. "Those exports of Soviet-type munitions have now become critical for the war," he said.

Mr. Gebrev has denied reports that he supplies weapons to Ukraine. He has said he hasn't exported weapons to Ukraine after Moscow annexed Crimea from Ukraine in 2014 and supported separatists in the country's East. Mr. Gebrev's company that owns the facilities, EMCO, didn't respond to requests for comment.

The export of weaponry has created friction in Bulgaria—where swaths of the population retain strong economic and cultural ties to Moscow—and contributed to the collapse of its governing coalition in June. Shortly before, the government expelled 70 Russian diplomats, accusing them of using their diplomatic role as a cover for covert activities and spying.

Last year, Bulgarian prosecutors linked six Russian citizens who spent time in Bulgaria to four explosions at arms depots between 2011 and 2020. Some of the depots housed munitions by Mr. Gebrev's EMCO, the prosecutors said.

WORLD WATCH

IRAQ

Iran-Backed Groups Stage Counter Rally

Thousands gathered in Baghdad on Monday for a counter-rally called by Iran-backed groups against their rival, an influential cleric whose followers are staging a sit-in inside the Iraqi Parliament—only to withdraw hours later.

It wasn't immediately clear if the pullback by supporters of the Coordination Framework, an alliance lead by Shiite parties close to Iran, was a definite de-escalation in their power struggle with cleric Moqtada al-Sadr's loyalists.

Mr. al-Sadr's followers have been camped out inside the Parliament in Baghdad's heavily fortified Green Zone since thousands stormed the building on

Saturday, demanding reforms and denouncing the Iran-backed alliance. Mr. al-Sadr's representatives have called on supporters in Iraqi provinces to protest in their cities and towns in support of the Parliament sit-in.

Dueling protests between the two major Shiite factions would have raised the prospect of escalating tensions and plunged Iraq deeper into crisis.

The country has struggled with a political vacuum for 10 months since federal elections were held in October with no one winning an outright majority in Parliament, and tensions remain high.

Earlier Monday, Iraqi security forces erected concrete barriers ahead of the street protests by the Iran-backed groups.

—Associated Press

UNITED NATIONS

Officials Warn of Nuclear Threat

The United Nations chief warned the world that "humanity is just one misunderstanding, one miscalculation away from nuclear annihilation," citing the war in Ukraine, nuclear threats in Asia and the Middle East and many other factors.

Secretary-General António Guterres gave the dire warning at the opening of the long-delayed high-level meeting to review the landmark 50-year-old treaty aimed at preventing the spread of nuclear weapons and eventually achieving a nuclear-free world.

The danger of increasing nuclear threats and a nuclear catastrophe was also raised by the U.S.,

Japan, Germany, the U.N. nuclear chief and many other opening speakers at the meeting on the Nuclear Nonproliferation Treaty.

U.S. Secretary of State Antony Blinken said North Korea was preparing to conduct its seventh nuclear test, Iran "has either been unwilling or unable" to accept a deal to return to the 2015 nuclear agreement aimed at reigning in its nuclear program, and Russia is "engaged in reckless, dangerous nuclear saber-rattling" in Ukraine.

He cited Russian President Vladimir Putin's warning after its Feb. 24 invasion that any attempt to interfere would lead to "consequences you have never seen," emphasizing that his country is "one of the most potent nuclear powers."

—Associated Press

MYANMAR

Military Junta Extends Its Rule

The leader of Myanmar's military-installed government on Monday announced the extension of its mandate to rule for another six months in preparation for an election it has said will be held next year.

The army seized power on Feb. 1 last year from the elected government of Aung San Suu Kyi. It cited alleged fraud in the November 2020 general election, which Ms. Suu Kyi's National League for Democracy party won in a landslide, while the military-backed party did poorly. The military initially declared that new polls would be held a year after its takeover.

—Associated Press

BUSINESS & FINANCE

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Investors Fear Quick End to Rally

Economic and earnings concerns weigh on outlook despite surge

By KAREN LANGLEY

Bearish investors aren't buying into hopes that July's rapid advance for stocks heralded the start of a new bull market.

If anything, they say the worst might be yet to come as inflation remains high, the Federal Reserve plans more interest-rate increases and stocks trade at valuations that still don't look cheap.

"We don't think the market has bottomed," said David Spika, president and chief investment officer at GuideStone Capital Management. With earnings expectations yet to meaningfully decline, he said that "We clearly have not priced in a recession."

That view is at odds with the market's sudden appetite for stocks. After a punishing first half, the S&P 500 rallied 9.1% in July, its strongest month since November 2020. The gains pared the index's year-to-date decline to 13%. On Monday, the S&P 500 began August by slipping 0.3%.

Although Fed Chairman Jerome Powell sounded warning notes during his press conference last week, markets chose to view them as being less hawkish than many had

feared. That reinforced views expressed in the bond markets that while the Fed will continue to raise interest rates for some time, it will then have to quickly pivot and begin lowering them.

Those with a more glass-half-empty view believe markets are getting ahead of themselves with such thinking.

Data last week showed the economy contracted for a second consecutive quarter, intensifying debate over whether the U.S. is headed for—or already in—a recession. While analysts recently made cuts to their forecasts for corporate earnings, many investors say they believe the projections are still too high.

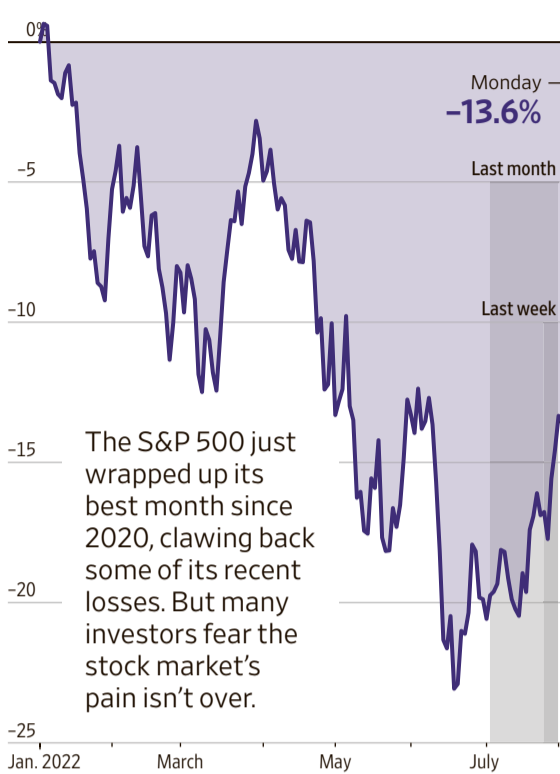
Investors this week will parse the next round of earnings reports from companies including Caterpillar Inc., PayPal Holdings Inc., Starbucks Corp. and CVS Health Corp. for clues about the market's trajectory. They also will scrutinize the latest jobs report to gauge how employment is holding up as the economy shows signs of weakness.

As everyone from portfolio managers to corporate executives to central-bank officials tries to gauge the path forward, conflicting signals have clouded the outlook.

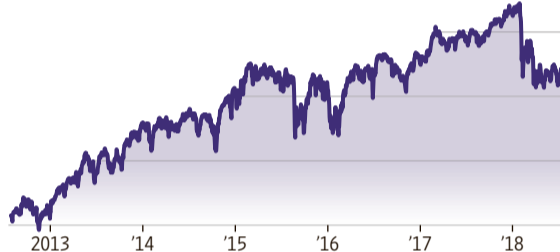
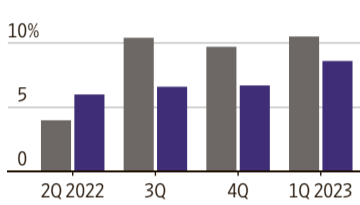
Economic output has fallen and the housing market has cooled.

The bond market is flashing a classic recession warning

S&P 500, performance this year

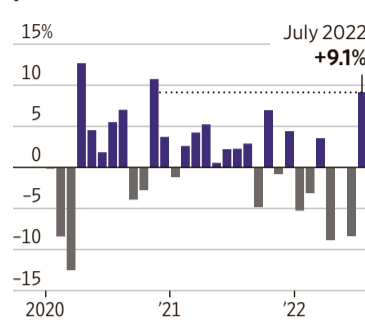


S&P 500 quarterly earnings, change from previous year

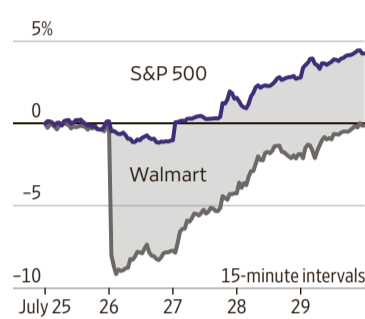


Source: FactSet

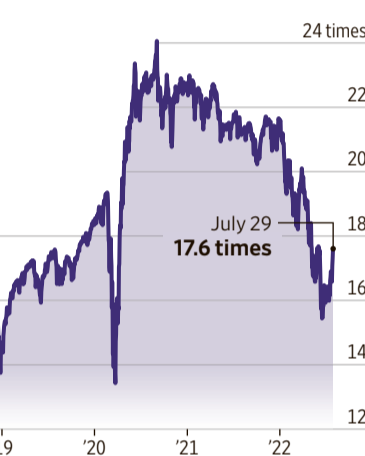
S&P 500, monthly performance



Index and share-price performance last week



S&P 500 price/earnings ratio, next 12 months



Estée Lauder In Talks To Buy Tom Ford

Estée Lauder Cos. is in talks to buy luxury fashion brand Tom Ford, according to people familiar with the matter, in what could be a \$3 billion or more deal representing the cosmetics giant's largest-ever acquisition.

By Dana Cimilluca, Cara Lombardo and Ben Dummett

New York-based Estée Lauder primarily sells skin-care products, cosmetics and perfume. Its brands include MAC, Clinique, La Mer and Aveda. With a market value of nearly \$100 billion, it has the wherewithal to do such a deal.

There are no guarantees the two sides will reach an agreement. Estée Lauder isn't the only suitor for Tom Ford, one of the people said.

Closely held Tom Ford is best-known for its menswear, though it also sells womenswear and accessories as well as a fast-growing, high-end line of cosmetics and fragrances. Estée Lauder is especially interested in the beauty business, with which it already has a longstanding licensing deal, and could potentially look to license the clothing lines elsewhere, the people familiar with the matter said.

Bloomberg News reported in early July that Tom Ford

signal: The two-year U.S. Treasury note is trading at a higher yield than that of the 10-year benchmark note as investors bet the Fed will raise

interest rates through year-end but then switch to cutting them.

At the same time, employers have been adding hun-

dreds of thousands of jobs each month, rounding out a picture that doesn't look like that of any recent U.S. recession. Please turn to page B11

Chicken Is Menu Star at Eateries

By HEATHER HADDON AND PATRICK THOMAS

Whatever you come in hoping to eat, restaurants want it to be chicken.

Big chains are advertising it, cooking up new flavors and pushing poultry hard at the register in these inflationary times. Restaurant owners say they can often make more profit per order on white meat than beef. And consumers are still buying up crispy chicken sandwiches, industry data show.

Panera Bread, Popeyes Louisiana Kitchen and other chains have added new chicken sandwiches to their menus in recent months to attract consumers. KFC, Wendy's Co. and Burger King have each spent tens of millions of dollars advertising their chicken sandwiches on national television this year, according to ad-measurement firm iSpot.tv Inc. McDonald's Corp. and other chain executives have pointed to poultry items as a means to boost sales among U.S. consumers.

Panera Chief Executive Niren



Panera has added new chicken sandwiches to its menu. A Panera test kitchen in Massachusetts.

Chaudhary said introducing the chain's first chicken-breast sandwiches in March helped attract more men looking for a substantial meal than the company has traditionally attracted, and the items are now the chain's most popular sand-

wiches. "The chicken-sandwich category is very crowded but there was room, definitely," Mr. Chaudhary said.

Big U.S. fast-food chains charged between roughly \$1 and \$7 for breaded chicken

sandwiches earlier this year, according to market-research firm NPD Group.

Carolina Gomez, a 22-year-old salon receptionist from San Antonio, said she eats chicken sandwiches more than burgers. Please turn to page B2

Toronto-Dominion Nears Deal to Acquire 100-Year-Old Cowen

By CARA LOMBARDO

Toronto-Dominion Bank is close to a more than \$1 billion deal to buy investment bank Cowen Inc., according to people familiar with the matter.

A deal valuing Cowen at around \$39 a share could be unveiled as soon as Tuesday, assuming talks don't fall apart, the people said.

New York-based Cowen's shares closed Monday at \$35.49, giving it a market value of over \$900 million, while TD Bank's is well over \$100 billion.

Buying Cowen would give TD Bank a deeper presence in investment banking as well as the U.S., where it has been rapidly expanding.

In addition to traditional investment-banking capabilities,

the over-100-year-old Cowen provides investment research and management.

Shares in Cowen have been elevated since Bloomberg News reported in early July that TD Bank was studying a possible deal for it.

Canada-based TD is an active deal maker, having agreed in February to buy First Horizon Corp. for \$13.4 billion.

That deal was Chief Executive Bharat Masrani's first major acquisition in the U.S. since he took the role seven years ago and the largest TD has ever done. He has since signaled the bank could be open to more purchases.

Cowen is run by chairman and CEO Jeffrey Solomon, who joined Cowen Investment Management, formerly known as Ramius.

Self-Driving Truck Crash Raises Red Flags

By KATE O'KEEFFE AND HEATHER SOMERVILLE

On April 6, an autonomously driven truck fitted with technology by TuSimple Holdings Inc. suddenly veered left, cut across the I-10 highway in Tucson, Ariz., and slammed into a concrete barricade.

The accident, which regulators disclosed to the public in June after TuSimple filed a report on the incident, underscores concerns that the autonomous-trucking company is risking safety on public roads in a rush to deliver driverless trucks to market, according to independent analysts and more than a dozen of the company's former employees.

A TuSimple spokesman said safety is a top priority for the company and that nobody was

injured in the accident.

TuSimple has long been seen as a leader among robot-truck developers. Launched in 2015, it won the backing of partners including United Parcel Service, freight giant U.S. Xpress Enterprises Inc. and Volkswagen AG. Today, the San Diego-based company has operations in Arizona, Texas and China.

The Federal Motor Carrier Safety Administration, an agency within the Transportation Department regulating trucks and buses, has launched what it described in a May 26 letter to the company as a "safety compliance investigation" into TuSimple. The letter referenced the accident.

The April incident involved a rig with a TuSimple driver and engineer aboard, and the company has repeatedly blamed the

accident on human error. But details in the June regulatory disclosure, along with internal company documents, show what autonomous-driving-system specialists say are fundamental problems with the company's technology.

An internal TuSimple report on the mishap, viewed by The Wall Street Journal, said the semi-tractor truck abruptly veered left because a person in the cab hadn't properly rebooted the autonomous-driving system before engaging it, causing it to execute an outdated command. The left-turn command was 2 1/2 minutes old—an eternity in autonomous driving—and should have been erased from the system but wasn't, the internal account said.

But researchers at Carnegie

Mellon University said it was the autonomous-driving system that turned the wheel and that blaming the entire accident on human error is misleading. Common safeguards would have prevented the crash had they been in place, said the researchers, who have spent decades studying autonomous-driving systems.

For example, a safety driver—a person who sits in the truck to backstop the artificial intelligence—should never be able to engage a self-driving system that isn't properly functioning, they said. The truck also shouldn't respond to commands that are even a couple hundredths of a second old, they said. And the system should never permit an autonomously-driven truck to turn so

Please turn to page B4



Cowen would give TD a deeper investment-banking presence.

INSIDE



AIRLINES

A group led by Apollo Global is in talks to buy airfreight company Atlas Air. B3



PROPERTY

China Evergrande said a unit has been told to honor a \$1.1 billion guarantee. B10

BUSINESS NEWS

PepsiCo To Take Stake in Celsius

By CONNOR HART

PepsiCo Inc. is investing \$550 million for a stake in the company behind the Celsius energy drink that has generated buzz on social media, expanding the soda and snacks company's bet on the energy drinks market.

PepsiCo made the investment as part of a deal with **Celsius Holdings** Inc. that will give the maker of Mountain Dew and Gatorade a long-term deal to distribute Celsius products. In 2020, PepsiCo paid \$3.85 billion to buy Rockstar Energy, another energy drink.

Celsius is a sugar-free, caffeinated sparkling beverage that markets itself as a healthy alternative to other energy drinks and diet sodas. The company claims its products help burn body fat, and it uses influencers, celebrities and fitness instructors such as Olympic snowboarder Shaun White and model Sara Sampaio to promote the drinks on TikTok and Instagram.

The company is publicly traded and had revenue of \$314.3 million in 2021, up from \$130.7 million in the previous year, and ended last week with a market capitalization of \$6.7 billion.

Shares of Celsius jumped 11% on Monday after the announcement to close at \$98.87. The shares are up almost 33% year to date.

PepsiCo is investing in shares that were valued at \$75 in the transaction, which is below where Celsius shares have been trading recently. PepsiCo is acquiring convertible preferred stock that gives it the rights to 7.33 million shares or the equivalent of an 8.5% ownership stake. The preferred shares will pay a 5% annual dividend.

Apollo-Led Group Nears Atlas Deal

By CARA LOMBARDO AND LAURA COOPER

A group led by **Apollo Global Management** Inc. is in advanced talks to buy air-freight company **Atlas Air Worldwide Holdings** Inc., people familiar with the matter said.

A deal could come soon, assuming talks don't fall apart, the people said. Details of the negotiations couldn't be learned.

Purchase, N.Y.-based Atlas Air, with a market value of roughly \$2 billion, serves freight, commercial, charter and military customers. In 2016, it announced an agreement to provide air-transport services to **Amazon.com** Inc. in a deal that also gave the e-commerce giant warrants to purchase shares in the company.

Atlas Air shares rose 12% on Monday after The Wall Street



Purchase, N.Y.-based Atlas Air serves freight, commercial, charter and military customers.

Journal reported on the talks.

The deal would come amid an overall slowdown in mergers and acquisitions, including

for private-equity firms. Higher interest rates have made financing deals more expensive and buyout loans harder to

come by. But that hasn't choked off activity entirely, as seen for example by an agreement signed last week for Jet-

Blue Airways Corp. to buy passenger airline Spirit Airlines Inc. in a \$3.8 billion deal.

New York-based Apollo is one of the world's largest private-equity firms, with roughly \$500 billion in assets under management. It is known for seeking bargains in sectors including media and for its big lending arm.

The firm has a history of investing in and around aircraft. Its private-equity arm bought Sun Country Airlines in 2018 and the firm has since invested in air-cargo handler Swissport International AG as well as Mexico's flagship airline Grupo Aeromexico S.A.B.

Atlas Air was founded in 1992 and operates the world's largest fleet of Boeing 747 freighter aircraft, according to its website. It is set to report second-quarter results on Friday.

'Dudes' to Feed Amazon's NFL Coverage

By LILLIAN RIZZO

Amazon.com Inc. is looking to draw in new audiences to its "Thursday Night Football" coverage by having a group of guys known for their comedy routines and trick shots call some of its games.

This coming season will mark the first time Amazon's Prime Video streaming service has exclusive rights to the National Football League's Thursday matchups. The company hired acclaimed announcer Al Michaels to host its main broadcast, but is also planning to offer different, simultaneous feeds in an effort to reach Prime Video viewers who might not be typical NFL fans.

One of these alternate streaming feeds will be hosted by Dude Perfect, a sports-comedy team known for performing trick shots and challenges—like pitching a ball through the open window of a moving car or having professional-athlete guests such as former quarter-

back Drew Brees perform similar types of stunts.

"It was essential we differentiated ourselves," said Marie Donoghue, Amazon's vice president of global sports video, of the company's multiple-feed strategy.

Amazon's move comes as a number of broadcasters have experimented with alternate feeds offering a less-serious approach to football coverage. Walt Disney Co.'s ESPN had success with its alternate "Monday Night Football" telecast last season on ESPN2, co-hosted by brothers and former NFL quarterbacks Peyton and Eli Manning.

Paramount Global's Nickelodeon has aired alternate telecasts of CBS Sports' NFL coverage, featuring digitally imposed green slime monsters on the field, with announcers like CBS's Nate Burleson and Nickelodeon actors explaining the rules of the game.

Amazon said the Dude Perfect alternate stream will ap-

pear multiple times throughout the coming season. It will be broadcast from their headquarters and studio in Frisco, Texas, said Tyler Toney, one of the members of Dude Perfect. The group plans to have one of the team's five members work the sidelines of each game, Mr. Toney said.

During their broadcast, the members of the Dude Perfect team will sit around a desk calling the game plays, Mr. Toney said. But rather than sitting still throughout the game, the team will also be moving throughout their headquarters to do what they do best—challenges and stunts, he said.

"This will be an opportunity for families to watch together," Ms. Donoghue said. "Dude Perfect is young, fun and interactive." Dude Perfect's YouTube channel has 58 million subscribers, second only to World Wrestling Entertainment among YouTube sports channels.

One of the team's early ideas

for the broadcast is "Dunk Tank Drive," in which there will be two dunk tanks, one Dude sitting in each. They will go back and forth predicting the next play. "Whoever gets it correct gets to throw a ball at the opposing guy's target to try and dunk him," Mr. Toney said.

Although Prime Video has

58

Millions of subscribers to Dude Perfect's YouTube channel

streamed "Thursday Night Football" since 2019, it was a simulcast of coverage from Fox Corp.'s Fox and the NFL Network. This coming season will be the first time the games are available exclusively on Prime Video.

The NFL has looked to expand its reach beyond cable

and broadcast networks. The "Thursday Night Football" deal with Amazon's Prime Video—which is used by 80 million U.S. households, the company said—was the NFL's biggest step in that direction. The league is also in talks with Amazon and Apple Inc. about acquiring the rights for its Sunday Ticket package when the current deal with satellite broadcaster DirecTV expires after the 2022-23 season, The Wall Street Journal previously reported.

Amazon's coming "Thursday Night Football" schedule begins on Sept. 15, and the company has yet to announce which games Dude Perfect will host in an alternate stream. Amazon plans to make further announcements for more alternate feeds. There will also be a Spanish-language alternate stream, and all feeds will be available on the social-media platform Twitch on top of Prime Video.

Twitch is also owned by Amazon.

EV Startup VinFast Hits U.S. With Novel Pricing Strategy

By SEAN MCLAIN

Vietnam's **Vingroup JSC** became a corporate juggernaut in its home country, operating everything from luxury resorts to hospitals, shopping malls and supermarkets. Now, it wants to break into the U.S. car market with a little-known electric-vehicle startup, called VinFast, that has a novel way of pricing its models.

The young Vietnamese car manufacturer opened its first U.S. showrooms in July in California and is moving aggressively to expand its operations in the states, including a plan to spend \$2 billion to build a new EV factory in North Carolina.

To fund its growth, VinFast filed paperwork with U.S. regulators for an initial public offering to be held later this year or next, making it the latest company to test investors' appetite for seemingly out-of-nowhere startups focused on the increasingly competitive EV market.

"We are well on the way to entering this market," Craig Westbrook, VinFast's chief customer officer, said of the retail store openings in California.

VinFast is starting with six outlets in California and plans to open another two dozen locations in the state this year, before expanding to other U.S. markets. The sites don't sell vehicles, but rather act as galleries, where shoppers can browse options and work with staff to place reservations online.

The EV company, established in 2017 in Vietnam, plans to sell two all-electric sport-utility vehicles in the U.S. to start: a mid-size SUV, called the VF 8, that starts at \$40,700, and a larger VF 9, starting at \$55,500. U.S. buyers can place orders now with deliveries expected to start at the end of 2022.

Unlike other rivals in the U.S., VinFast has a unique business model in which buyers pay one price for the vehicle, but then lease the battery for a monthly fee. The company offers two battery-subscription plans, costing anywhere from \$35 to \$160 a month, depending on how much the owner wants to drive, the model purchased



A VinFast at the company's Santa Monica, Calif., showroom.

and the type of battery. The fee includes maintenance of the battery and replacement when charging capacity drops below 70% of its original capacity.

VinFast said the battery leasing model brings the upfront price of its vehicles down to \$15,000 to \$20,000, roughly on par with what many gasoline-powered models sell for today. The company said it eliminates risks for the consumer because the service covers all repairs, maintenance and replacement costs, including swapping out the battery for a newer one.

Like electric-vehicle makers Tesla Inc., Rivian Automotive Inc. and Lucid Group Inc., VinFast wants to sell its vehicles directly to consumers.

VinFast enters a contested race by a host of new electric-vehicle entrants, including Rivian, Fisker Inc. and Polestar Automotive Holding UK PLC, companies that are selling or plan to sell similar electric models. It will have to contend with more established rivals such as Tesla and Ford Motor Co. that have better brand recognition and are investing billions of dollars to expand their EV lineups.

Buyers so far have shown demand is high for battery-powered vehicles with EV orders outstripping supplies and wait lists stretching out months, and sometimes years, auto industry executives say.

Still, convincing U.S. car shoppers to take a chance on an unknown brand from a country not widely recognized as an auto-manufacturing hub will be

a challenge, analysts say. Even in Vietnam, VinFast remains a relatively small player with the startup selling only 36,000 vehicles last year, or about 13% of all vehicles sold in the country.

"We have never had a Vietnamese company sell cars in the U.S. and don't know how that will be received by Americans," said Michelle Krebs, an analyst with Cox Automotive.

Some of the aspects of VinFast's strategy, including battery leasing, are untested with U.S. car shoppers and it is unclear if those consumers will embrace it, she said. And Chinese car makers have sought to set up a retail network in the U.S. for years, but failed despite experience making cars in their home country, Ms. Krebs added. Mr. Westbrook said VinFast thinks its affordability play will resonate with U.S. buyers, and the battery-leasing program is key to lowering ownership costs.

Vingroup, the diversified conglomerate behind VinFast, is a recognized name in Vietnam with revenue of \$5.58 billion last year and major real estate holdings and investments in technology services. It traces its origins to an instant-noodle business that the current chairman, 54-year-old Pham Nhat Vuong, established in Ukraine in 1993, which he later sold.

Mr. Vuong used the proceeds from that sale to help establish Vingroup, which grew to become the country's largest private enterprise, accounting for 1.5% of Vietnam's nominal gross domestic product in 2021.

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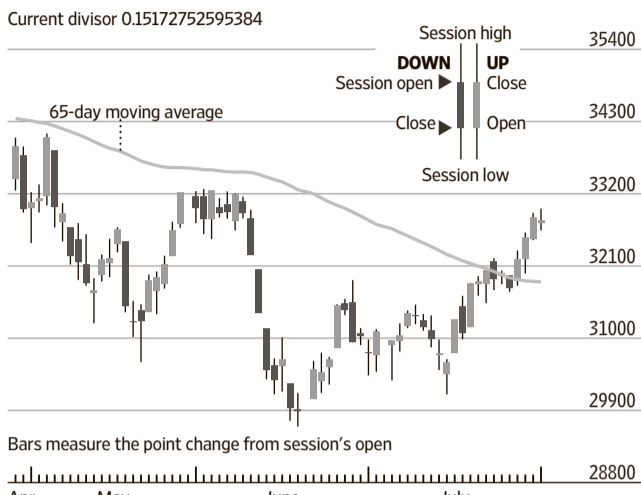
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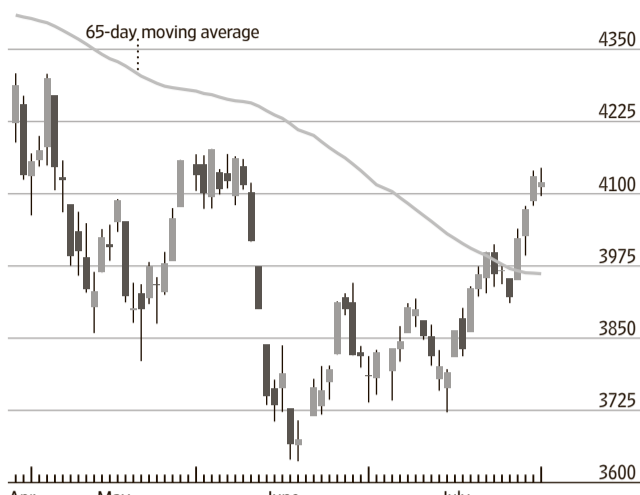
Dow Jones Industrial Average

32798.40 ▼46.73, or 0.14%
Last Year ago
Trailing P/E ratio 19.52 23.51
P/E estimate * 17.43 19.45
Dividend yield 2.13 1.80
All-time high 36799.65, 01/04/22



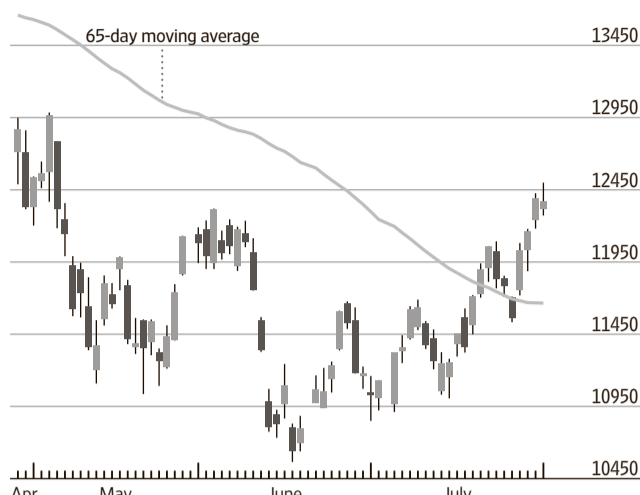
S&P 500 Index

4118.63 ▼11.66, or 0.28%
Last Year ago
Trailing P/E ratio * 22.20 33.75
P/E estimate * 18.01 22.52
Dividend yield * 1.59 1.31
All-time high 4796.56, 01/03/22



Nasdaq Composite Index

12368.98 ▼21.71, or 0.18%
Last Year ago
Trailing P/E ratio ** 26.92 37.15
P/E estimate ** 22.76 29.47
Dividend yield ** 0.83 0.69
All-time high: 16057.44, 11/19/21



Major U.S. Stock-Market Indexes

Table with columns for Index Name, High, Low, Close, Net chg, % chg, 52-Week High, Low, % chg, YTD, and 3-yr. ann. Includes Dow Jones, Nasdaq Stock Market, S&P, and Other Indexes.

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.

Most-active issues in late trading

Table of most-active issues in late trading with columns for Company, Symbol, Volume, Last, Net chg, After Hours % chg, High, and Low.

Percentage gainers...

Table of percentage gainers with columns for Company, Symbol, Latest Session Close, Net chg, % chg, 52-Week High, Low, and % chg.

Trading Diary

Volume, Advancers, Decliners

Table of trading diary statistics including Total volume, Adv. volume, Decl. volume, Issues traded, Advancers, Declines, Unchanged, New highs, New lows, Closing Arms, and Block trades.

International Stock Indexes

Table of international stock indexes with columns for Region/Country, Index, Close, Net chg, Latest % chg, and YTD % chg.

Percentage Gainers...

Table of percentage gainers with columns for Company, Symbol, Latest Session Close, Net chg, % chg, 52-Week High, Low, and % chg.

Most Active Stocks

Table of most active stocks with columns for Company, Symbol, Volume, % chg from 65-day avg, Latest Session Close, % chg, 52-Week High, Low, and % chg.

Percentage Losers

Table of percentage losers with columns for Company, Symbol, Latest Session Close, Net chg, % chg, 52-Week High, Low, and % chg.

Volume Movers

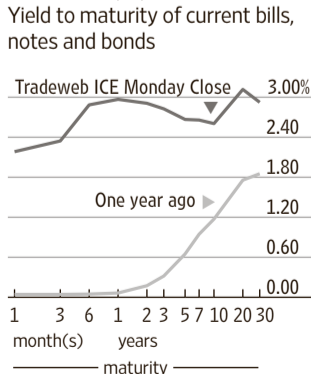
Table of volume movers with columns for Company, Symbol, Volume, % chg from 65-day avg, Latest Session Close, % chg, 52-Week High, Low, and % chg.

CREDIT MARKETS

Consumer Rates and Returns to Investor

Table of consumer rates and returns to investor including U.S. consumer rates, Selected rates, and Interest rate trends.

Treasury yield curve



Forex Race



Corporate Borrowing Rates and Yields

Table of corporate borrowing rates and yields with columns for Bond total return index, Close, Yield (%), 52-Week High, Low, Total Return (%), and 3-yr.

CURRENCIES & COMMODITIES

Currencies

Table of U.S.-dollar foreign-exchange rates in late New York trading for various countries and currencies.

Commodities

Table of commodity prices with columns for Commodity, Close, Monday Net chg, % Chg, High, 52-Week Low, % Chg, and YTD % chg.

COMMODITIES

wsj.com/market-data/commodities

Futures Contracts

Metal & Petroleum Futures

Table with columns: Open, High, Low, Settle, Chg, Open interest. Rows include Copper-High, Gold, Palladium, Platinum, Silver, Gasoline, Natural Gas, Crude Oil, NY Harbor ULSD.

Table with columns: Open, High, Low, Settle, Chg, Open interest. Rows include Cattle-Live, Hogs-Lean, Lumber, Milk, Cocoa, Coffee, Sugar-World, Sugar-Domestic, Cotton, Orange Juice.

Interest Rate Futures

Table with columns: Open, High, Low, Settle, Chg, Open interest. Rows include Ultra Treasury Bonds, Treasury Bonds, Treasury Notes, Treasury Inflation-Protected Securities, Eurodollar.

Currency Futures

Table with columns: Open, High, Low, Settle, Chg, Open interest. Rows include Japanese Yen, Canadian Dollar, British Pound, Euro.

Agriculture Futures

Table with columns: Open, High, Low, Settle, Chg, Open interest. Rows include Corn, Soybeans, Soybean Meal, Soybean Oil, Rough Rice, Wheat, Wheat (K), Cattle-Feeder.

Cash Prices

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

Table with columns: Commodity, Price, Change. Rows include Energy (Iron Ore, Shredded Scrap, Steel), Metals (Lithium, Nickel, Cobalt), Fibers and Textiles (Burlap, Cotton), Grains and Feeds (Barley, Bran), Other metals (Platinum, Palladium).

KEY TO CODES: A=ask; B=bid; BP=country elevator bids to producers; C=corrected; D=CME; E=Manfra, Tordella & Brookes; H=American Commodities Brokerage Co; K=bi-weekly; M=monthly; N=nominal; n.a.=not quoted or not available; P=Soiland Publishing; R=SNL Energy; S=Platts-TSI; T=Tootlook Limited; U=USD; V=Benchmark Mineral Intelligence; W=weekly; Y=International Coffee Organization; Z=not quoted. *Data as of 7/29

Borrowing Benchmarks

Key annual interest rates paid to borrow or lend money in U.S. and international markets. Rates below are a guide to general levels but don't always represent actual transactions.

Table with columns: Rate, Week, -52-Week. Rows include Inflation (June index), U.S. consumer price index, International rates (Prime rates, U.S., Canada, Japan), Overnight repurchase, U.S. government rates, Discount, Federal funds, Secondary market (Fannie Mae), Other short-term rates.

Key Interest Rates

Data are annualized on a 360-day basis. Treasury yields are per annum, on actively traded noninflation and inflation-indexed issues that are adjusted to constant maturities. Data are from weekly Federal Reserve release H.15.

Table with columns: Week Ended, -52-Week. Rows include Federal funds (effective), Commercial paper, Nonfinancial, Financial, Discount window primary credit, Treasury yields at constant maturities, Discount window primary credit, TIPS, Treasury yields at constant maturities.

Notes on data: Federal-funds rate is an average for the seven days ended Wednesday, weighted according to rates on broker trades; Commercial paper rates are discounted offer rates interpolated from sales by discounted averages of dealer bid rates on nationally traded certificates of deposit; Discount window primary credit rate is charged for discounts made and advances extended under the Federal Reserve's primary credit discount window program; rate is average for seven days ended Wednesday; Inflation-indexed long-term TIPS rate is indexed and is based on the unweighted average bid yields for all TIPS with remaining terms to maturity of 10 years or more.

Index Futures

Table with columns: Open, High, Low, Settle, Chg, Open interest. Rows include Mini DJ Industrial Average, Euro, Mexican Peso, Mini S&P 500, Mini S&P Midcap 400, Mini Nasdaq 100, Mini Russell 2000, Mini Russell 1000, U.S. Dollar Index.

Bonds

Tracking Bond Benchmarks

Return on investment and spreads over Treasuries and/or yields paid to investors compared with 52-week highs and lows for different types of bonds

Table with columns: Total return close, YTD total return (%), Index, Yield (%), Latest, Low, High. Rows include Broad Market, U.S. Corporate Indexes, High Yield Bonds, U.S. Agency, Mortgage-Backed, Global Government.

*Constrained indexes limit individual issuer concentrations to 2%; the High Yield 100 are the 100 largest bonds. †In local currency. ‡Euro-zone bonds. **EMBI Global Index. Sources: ICE Data Services; Bloomberg Fixed Income Indices; J.P. Morgan

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 with columns: Coupon (%), Maturity, Country, Latest, Yield, Spread, Under/Over U.S. Treasuries. Rows include U.S., Australia, France, Germany, Italy, Spain, U.K., Japan, Canada, EMU, France, Germany, Japan, Netherlands, U.K., Emerging Markets.

Corporate Debt

Prices of firms' bonds reflect factors including investors' economic, sectoral and company-specific expectations

Investment-grade spreads that tightened the most...

Table with columns: Issuer, Symbol, Coupon (%), Yield (%), Maturity, Spread, Current, One-day change, Last week. Rows include Morgan Stanley, Royal Bank of Canada, Sumitomo Mitsui Financial, Dominion Energy South Carolina, ING Groep, Altria, Pacific Gas and Electric.

...And spreads that widened the most

Table with columns: Issuer, Symbol, Coupon (%), Yield (%), Maturity, Spread, Current, One-day change, Last week. Rows include Credit Agricole, Deutsche Bank, UBS, Peachtree Corners Funding Trust, Athle, Apple, Credit Suisse, HSBC Holdings.

High-yield issues with the biggest price increases...

Table with columns: Issuer, Symbol, Coupon (%), Yield (%), Maturity, Bond Price as % of face value, Current, One-day change, Last week. Rows include Navient, Teva Pharmaceutical Finance, Telecom Italia, Intesa Sanpaolo, FirstEnergy, Lumen Technologies, Hat Holdings I, Ford Motor.

...And with the biggest price decreases

Table with columns: Issuer, Symbol, Coupon (%), Yield (%), Maturity, Bond Price as % of face value, Current, One-day change, Last week. Rows include Nokia Oyj, Embarq, Belo, United Airlines Holdings, Ford Motor Credit, Dish DBS, Sprint, Royal Caribbean.

New Highs and Lows

Table with columns: Stock, Sym, 52-Wk % High/Low, Stock, Sym, 52-Wk % High/Low. Rows include Amalgam Fin, Apexigen, Ardmore Shipping, Athlon Acqna, Axiata, Balfour Beatty, Bluebird, BoozAllen, CBZ, Ceva, CofA, CSG Systems.

Continued on Page B9

BANKING & FINANCE

Evergrande Told To Honor Guarantee

By REBECCA FENG

Embattled property developer **China Evergrande Group** said one of its units has been told to honor a \$1.1 billion guarantee, revealing yet another large financial obligation that wasn't previously disclosed.

Evergrande, in a regulatory filing on Sunday, said one of its subsidiaries in China had provided counter guarantees to an unnamed entity by pledging its shares in **Shengjing Bank Co.**, a regional lender based in the city of Shenyang, the capital of northeastern Liaoning province.

The pledged shares represent Evergrande's entire 14.6% stake in the Chinese bank, which is listed in Hong Kong. They were part of a convoluted financial arrangement where the unnamed entity provided guarantees in July 2021 for borrowers that were

ultimately controlled by Evergrande.

Those borrowers defaulted on their loans, causing the unnamed entity to come up with 7.3 billion yuan, equivalent to \$1.1 billion. It then filed for arbitration against the Evergrande subsidiary that provided the counter guarantees.

Evergrande said it received an arbitration ruling on July 25 that said the entity "has the priority to receive compensation from the sale of the shares" in Shengjing Bank.

The world's most indebted property developer defaulted on its U.S. dollar bonds in late 2021, and has been taking heat from its international creditors. Bondholders have expressed frustration over how large sums of money have been leaving Evergrande to pay previously undisclosed obligations, potentially hurting investors' recovery prospects.

Last month, Evergrande ousted its chief executive offi-

cer and chief financial officer after revealing that its property-services arm had pledged the majority of its cash to help third parties borrow money. The funds were then diverted back to Evergrande.

When those third-party borrowers defaulted on their loans, banks seized roughly \$2 billion of the property-services company's cash. A group of Evergrande's offshore creditors are demanding further explanations from the company about how the arrangements came about, the Journal reported last week.

On Friday, Evergrande mapped out the rough contours of a debt-restructuring plan, saying international creditors could end up with debt backed by its key assets outside of China, including its property-services arm and its electric-vehicle business.

The company didn't indicate how much of its roughly \$20 billion of international



The developer said one of its units has been told to honor a \$1.1 billion guarantee.

debt will be written down, but promised fair treatment of creditors and their claims. Evergrande had more than \$300 billion in liabilities as of June 2021. It has promised to unveil an offshore restructuring plan before year-end.

Evergrande first bought shares of Shengjing Bank in 2016, when the real-estate giant was expanding aggressively and investing in non-

core assets that included a soccer team and a bottled-water plant. By 2019, it had become the bank's largest shareholder with a 36% stake. Shengjing Bank in turn lent money to Evergrande.

Last year, Evergrande unloaded about a fifth of the bank to a state-owned firm in a deal valued at about \$1.5 billion. At that time, Shengjing Bank demanded that Ever-

grande use proceeds from the sale to repay what the developer owed it.

"The presence of undisclosed guarantees is very concerning but not entirely surprising to us," said Nicholas Chen, an analyst at debt-research firm CreditSights. "These guarantees, if enforced, would dramatically reduce the recovery rates of offshore bondholders," he said.

HSBC Posts Jump in Profit, Aims To Restore Pre-Covid Dividends

By JOSH MITCHELL AND ELAINE YU

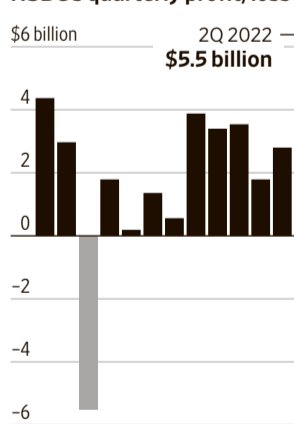
Global banking giant **HSBC Holdings PLC** said it would resume paying full dividends to investors as early as next year and warned that its top shareholder's push to split up the company would jeopardize profit and growth.

Profit at the London-based lender rose 62% in the second quarter from a year earlier to \$5.5 billion, the company said Monday. The bank said it received a boost from rising interest rates worldwide, which increased the money the bank earns on loans to businesses and consumers.

Executives said they strongly opposed a push by **Ping An Insurance (Group) Co. of China**—the company's largest shareholder—to potentially split off the company's Asian operations from its other businesses around the world. Such a move would undermine the bank's goal of being an international bank that connects global regions and limits costs by avoiding duplicate tasks.

"We just really struggle to come up with any form of value case that we could put in front of shareholders," Chief Financial Officer Ewen Stevenson said Monday, pointing to the costs and complexities of separating HSBC's Asia business, including tax impacts, losing group purchasing power and a significant risk to the

HSBC's quarterly profit/loss



Source: the company



The global banking giant said it received a boost from rising interest rates worldwide.

rest of the group derating.

In a slide presentation to investors, the bank circled the words "world" and "international finance partner" on the first page.

"The board firmly believes that as these results clearly demonstrate, HSBC's strategy is working," Chairman Mark Tucker told investors in Hong Kong. Chief Executive Noel Quinn said the bank's current strategy is the safest and fastest route to generate more dividends and returns, pushing back against calls for an Asia spinoff.

HSBC is the largest European-based bank by market value, according to FactSet. It makes most of its profit before tax in Asia, where it continues to shift resources as part of a broad growth plan. Hong Kong and mainland China are two of its most important markets. "Our international connectivity remains our greatest strength," Mr. Quinn said.

The bank said it would pay a cash dividend of 9 cents a share for the first half—up from 7 cents last year. It intends to return to paying quarterly dividends in 2023, but said these would be initially lower than the 10 cents per share it used to pay quarterly through 2019. A move by the Bank of England

in 2020 to shore up the finance system as the pandemic unfolded temporarily prevented banks such as HSBC from paying dividends.

"We understand and appreciate the importance of dividends to all of our shareholders," Mr. Quinn said. "We will aim to restore the dividend to pre-Covid-19 levels as soon as possible," he said.

HSBC is set to hold an informal meeting of shareholders on Tuesday in Hong Kong, which will be attended by the bank's senior management, including Mr. Tucker and Mr. Quinn.

The bank said higher interest rates helped lift its second-quarter revenue by 2% to \$12.8 billion. HSBC makes a significant share of its profit from interest, relative to other banks, and has said it expects a boost from rising interest rates, driven by central banks around the world aiming to tamp down inflation. When interest rates rise, banks are typically able to lift the rates they charge consumers and businesses by more than their own funding-costs increase, widening their profit margins.

The company said it expects the money it makes on interest rates—net interest in-

come—would rise to \$31 billion this year and \$37 billion next year, from roughly \$27 billion in 2021. That income would offset expected losses from loans as economies slow and costs associated with higher inflation.

HSBC's reported profit was boosted by a \$1.8 billion deferred tax gain. It recorded \$448 million in expected credit losses—nearly a third of which is a charge related to China's property downturn—adding to its provisions for souring loans in China and Russia.

Executives said they are seeing few, if any, signs of distress from the bank's customers. On the retail side, it serves mainly affluent customers, said Mr. Stevenson, and "they're all sitting quite liquid with good cash reserves at the moment."

He added that corporations' finances are unusually healthy given the slowing economy.

HSBC's shares in London rose 6% on Monday, adding to the 14.5% jump this year through Friday and outperforming the FTSE 100 stock index.

◆ Heard on the Street: Bank aims to woo investors..... B12

Centerview Bankers Form Advisory Firm

By DANA CIMILLUCA

A pair of investment bankers is leaving **Centerview Partners** to start a firm focused on advising technology companies on mergers and acquisitions.

The men, veteran deal makers David Handler and David Neequaye, have secured the backing of two well-connected firms on Wall Street, Consello and 25madison, according to people familiar with the matter. Both will have minority stakes in the new M&A and strategic-advisory boutique, which is to be focused on technology, media and telecommunications companies and called Tidal Partners.

Merger advisory can be a highly profitable business. Centerview, which has become one of the most successful independent firms since its founding 16 years ago, in a good year brings in well over \$1 billion in revenue. The firm, which has more than 500 professionals, last year brought in three senior bankers from Bank of America Corp. to run its tech practice.

Technology eclipses all other sectors as a generator of deals—and fees for bankers, with more than \$400 billion of transactions struck in the U.S. alone so far this year, according to Dealogic.

M&A activity overall is in the doldrums, with volatile markets and an uncertain economic outlook causing a major slowdown in deal activity this year. But it is widely expected that the current downturn will

prove to be temporary, with companies continuing to seek combinations to gain scale, efficiency and competitive advantage.

Mr. Handler made a name for himself advising clients including Cisco Systems Inc. and Qualcomm Inc. (He is also the chairman of Penn National Gaming Inc.) Mr. Neequaye is a founding member of the tech practice at Centerview, according to its website. He previously worked at UBS Group AG, as did Mr. Handler. He has worked with clients including

The veteran deal makers secured the backing of two well-connected firms.

Cisco and Motorola.

Consello, which focuses on merger advisory, investing and helping companies with business development, among other activities, was started by PR veteran Declan Kelly. Its partners include NFL great Tom Brady, and it also counts former Qualcomm CEO Steve Mollenkopf and Elon Musk lawyer Alex Spiro as senior advisers, according to its website.

Tidal and Consello have an exclusive partnership to work jointly on select big-cap-client assignments.

25madison is a venture firm whose chairman, Michael Lynton, holds the same title at social-media company Snap Inc.

Binance Arm Delists Cryptocurrency Cited By SEC as a Security

By PAUL VIGNA

Binance.US, the U.S.-based arm of crypto exchange **Binance**, delisted a small cryptocurrency in the wake of the Securities and Exchange Commission's investigation into insider trading at rival **Coinbase Global Inc.**

Binance on Monday said it was delisting the AMP token as of Aug. 15. The cryptocurrency trades for less than a penny with a market value of less than \$400 million, according to CoinMarketCap. Despite its size, AMP looms large because it was one of nine cryptos cited by the SEC as unregistered securities as part of its investigation of insider trading at Coinbase.

The crypto industry has grown up without clear definitions of the assets within it and regulations for trading. The SEC has informally said the two largest tokens, bitcoin and ether, aren't securities. However, both the current SEC chairman, Gary Gensler, and his predecessor, Jay Clayton, said that most cryptocurrencies meet the legal definition of a security, potentially putting crypto exchanges

in the position of selling unregistered securities.

Binance said its decision was based on the fact that AMP was the only one of the nine cryptocurrencies in the insider-trading case that trades on its platform. "We operate in a rapidly evolving industry and our listing and delisting processes are designed to be responsive to market and regulatory developments," Binance wrote in a blog post.

Coinbase previously said it conducted an internal investigation of the insider-trading allegations and provided information about the people allegedly involved to the Justice Department. "Coinbase takes this type of illicit behavior super seriously," said Paul Grewal, the company's chief legal officer. "We have zero tolerance for it."

While seven of the nine cryptos cited by the SEC trade on Coinbase, the company is adamant it doesn't list securities. In a blog post last month, Mr. Grewal said Coinbase has an SEC-reviewed process for determining whether an asset is a security, and for that reason the assets have been determined to not be securities.

Arena Investors Raises \$930 Million

By MARIA ARMENTAL

New York-based investment firm **Arena Investors** has raised \$930 million for its latest opportunistic investment strategy, seeing potential deal targets in the economic downturn.

"We're really at the precipice of some material changes as we enter into recession," said Dan Zwirn, Arena's chief executive and chief investment officer. Mr. Zwirn started Arena, which focuses on distressed debt and credit markets, with support from Canadian asset manager Westaim Corp. in 2015.

Arena's credit-oriented investments can include asset-

backed debt and collateralized loan obligations, according to a regulatory filing.

The firm's transactions range from \$5 million to \$50 million and typically fall within the \$10 million to \$20 million range, according to Parag Shah, an Arena managing director who heads marketing and client services.

The firm began raising commitments for its latest fund, Arena Special Opportunities Partners II LP, and related vehicles about a year ago with a goal of collecting \$750 million and an investment minimum set at \$15 million. In addition to some new participants, all investors in a predecessor fund committed cash in the latest

fundraising, the firm said.

Arena's predecessor fund closed in December 2020. The firm used the fresh capital to make credit-oriented investments in industries hurt by the Covid-19 pandemic and said that through June it has produced an estimated net return of 1.44 times invested capital. Last month, the firm said in a securities filing that it had about \$3.53 billion in regulatory assets under management at the end of April.

Looking back at the past decade in the markets, Mr. Zwirn describes himself as a "careful contrarian and strong believer that everything has some historical reference." He said he expects to see difficult

conditions develop in the markets similar to the hedge-fund-prompted liquidity squeeze in 1998.

A correction period has begun that may help deflate a technology asset bubble that has built up in recent years, Mr. Zwirn said.

"Trillions of dollars have been invested to create hundreds of billions of dollars of value in the technology markets," he said. But in some cases companies sacrificed profitability in favor of growth that has proved unsustainable even as it supported higher valuations, Mr. Zwirn said.

"So that whole process is now unwinding in a kind of cataclysm," he said.

MARKETS

Stocks See-Saw but End Day Lower

Some traders now expect Federal Reserve to raise rates more slowly

By CAITLIN McCABE
AND PIA SINGH

Stocks closed slightly lower to start a new month of trading after finishing July with their best month since 2020.

Major indexes spent much of Monday's session flitting between gains and losses before falling in the afternoon. The S&P 500 fell 11.66 points, or 0.3%, to 4118.63. The Dow Jones Industrial Average shed 46.73 points, or 0.1%, to 32798.40. The technology-focused Nasdaq Composite Index lost 21.71, or 0.2%, to 12368.98.

Stocks fell sharply early Tuesday in Asia as traders reacted to possible volatility in the region resulting from the trip to Taiwan of Speaker Nancy Pelosi (D., Calif.). The CSI 300, an index tracking mainland Chinese stocks, was down 2.3%, while Hong Kong's Hang Seng Index was down 3% and Japan's Nikkei 225 was down 1.6%. S&P 500 futures fell 0.4%.

U.S. stocks have mounted a furious recovery in recent weeks, boosted by positive signals from earnings and expectations that the Federal Reserve may not need to raise interest rates as aggressively as once thought, spurring a rally in government bonds alongside stocks.

"The market's beginning to price in the end of Fed tightening rather quickly, and I think it's going to be disappointed. I think the market's a bit ahead of itself here," said Thomas H. MacCowan, partner at Williams Jones Wealth Management.

Last week, officials approved another 0.75-percentage-point interest-rate increase. But traders are now betting that the size of rate increases will be smaller for the rest of the year.

"This has been a very rapid repricing of bond and equity markets," said Edward Park, chief investment officer at U.K. investment firm Brooks Macdonald. "I fear, however, it might be a bit premature based on what was said out of



Shares of Boeing rose 6.1% after the plane maker temporarily avoided a strike at three defense manufacturing plants and cleared a regulatory hurdle.

the Federal Reserve last week."

Mr. Park noted that Monday's weakness in stock futures suggested investors are likely taking a breather after the S&P 500 finished Friday with a 9.1% gain for July. He added that traders are in "wait and see" mode ahead of Friday's jobs report. Economists surveyed by The Wall Street Journal expect the U.S. economy to have added 250,000 jobs in July, down from 372,000 in June.

Strong employment is the remaining pillar propping up consumer sentiment and stopping the economy from seeing a "full-blown recession," said Aoifinn Devitt, chief investment officer of Moneta.

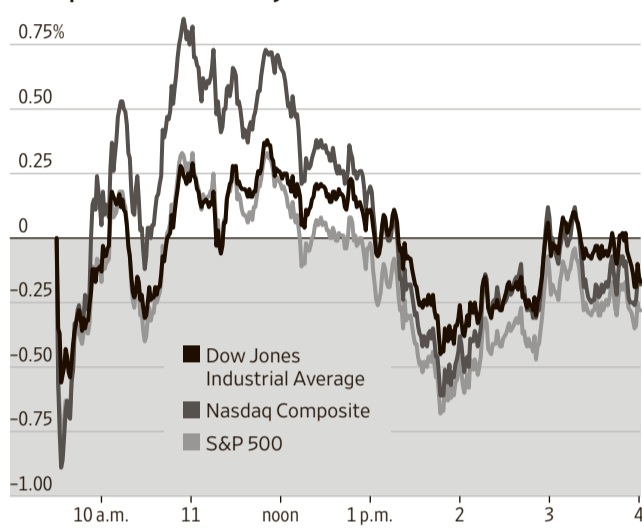
"We are probably well poised for another good end to the summer," Ms. Devitt said.

Not all investors are feeling optimistic after July's market rally, however.

"We expect to have more pain ahead, more downside from here, even if it may take a few weeks to materialize," said Chris Wilde, managing director at NEIRG Wealth Management.

Mr. Wilde noted the recent drop in the 10-year real yield, which represents what investors earn from government bonds after adjusting for inflation, as a sign that the mar-

Index performance Monday



Source: FactSet

ket remains in a "very tenuous spot."

Enthusiasm among individual investors for riskier assets, such as big-name tech stocks, are also stopping the market from hitting a bottom, he said.

Investors' expectations for a less aggressive Fed have been evident in federal-funds futures, which are used by traders to place bets on the course of interest rates.

Such futures on Monday morning showed a nearly 69% probability that the Fed will raise its interest rate by half a percentage point in Septem-

ber, up from 44% last week, according to CME Group. They also are assigning a smaller probability to a 0.75-percentage-point increase compared with a week ago.

Shifting expectations for central-bank policy for the rest of the year have scrambled other areas of financial markets in recent days, upending some trades that have flourished this year. The dollar, for example, which has staged a prolonged rise in 2022, fell on Monday for a fourth consecutive session, with the WSJ Dollar Index losing 0.4%.

The Japanese yen, meanwhile, advanced again, rising 1.2% against the dollar. The yen's recent rise has challenged a popular trade on Wall Street this year: betting against the Japanese currency.

The dollar also fell against the euro and British pound. In the bond market, the yield on the 10-year Treasury note traded at 2.605%, down from 2.642% Friday.

The yield on the benchmark note has come down significantly from its closing high of 3.482% reached in June.

The yield on the two-year Treasury note, meanwhile, traded at 2.909%, compared with 2.897% Friday, to keep the yield curve inverted.

That market signal, which occurs when short-term Treasury yields trade higher than long-term yields, is often seen as a predictor of a recession.

Boeing gained \$9.76, or 6.1%, to \$169.07 after the plane maker temporarily avoided a strike at three defense manufacturing plants and cleared a regulatory hurdle for resuming deliveries of its 787 Dreamliner.

American depository shares of Alibaba added 97 cents, or 1.1%, to \$90.34 after the company said it would work to stay listed on the New York Stock Exchange.

The Securities and Exchange Commission on Friday

added Alibaba to a list of Chinese companies at risk of being delisted from the U.S. exchanges if their auditors can't be inspected before spring 2024.

EVO Payments increased \$6.37, or 23%, to \$33.71 after Global Payments said it would buy the payments-technology company and pay \$34 a share in an all-cash deal. Global Payments shares rose \$5.66, or 4.6%, to \$127.98.

PerkinElmer rose \$7.70, or 5%, to \$160.87 after it announced it will sell its applied, food and enterprise services business to private-equity firm New Mountain Capital for \$2.45 billion.

In energy markets, Brent crude lost 3.8% to \$100.03 a barrel.

Overseas, the pan-continental Stoxx Europe 600 finished down 0.2%.

AUCTION RESULTS

Here are the results of Monday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

	13-Week	26-Week
Applications	\$150,495,507,000	\$128,732,595,000
Accepted bids	\$62,447,651,900	\$46,570,645,400
* noncomp	\$1,303,219,000	\$1,509,721,200
* foreign noncomp	\$259,000,000	\$294,000,000
Auction price (rate)	99.370583	98.559167
	(2.490%)	(2.850%)
	2.541%	2.932%
	61.58%	60.07%
Bids at clearing yield accepted	912796N96	912796XT1

Both issues are dated Aug. 4, 2022. The 13-week bills mature on Nov. 3, 2022; the 26-week bills mature on Feb. 2, 2023.

Investors Fear Rally To End Fast

Continued from page B1

sion. After the Fed raised interest rates last week, Mr. Powell cited job growth as he dismissed worries that the economy is in a recession.

Recent earnings reports have raised concerns, however, that consumers might begin to buckle as inflation remains at a four-decade high.

Walmart Inc. warned last week that elevated prices for food and fuel were causing customers to pull back, forcing the country's largest retailer to cut prices to reduce merchandise levels.

Walmart lowered its profit outlook for the second quarter and fiscal year, sending its shares down 7.6% in the next session.

"Some might argue that the market is already down so much, isn't it already anticipating these negative estimate revisions?" said Ellen Hazen, chief market strategist and portfolio manager at F.L. Putnam Investment Management

Co. "I think Walmart tells you that no, that was actually still a surprise."

Analysts have been trimming their earnings expectations for the year. They now anticipate that profits from S&P 500 companies will grow by 8.9% in 2022, down from projections for 10.2% growth at the end of June, according to FactSet.

Given current earnings expectations and the stock-price declines this year, many investors say the market looks fairly valued after a period of trading at lofty valuations. The S&P 500 traded last week at about 17 times its projected earnings over the next 12 months, roughly in line with its average over the past 10 years, FactSet data show.

But others worry that analysts have been too timid in cutting their profit forecasts as the economy slows and monetary policy tightens, suggesting that stocks might not be so reasonably priced after all.

"With earnings at risk, our concern is that the P/E isn't really reflecting reality," said Saira Malik, chief investment officer at Nuveen. "If earnings decline, then your P/E is actually higher than it looks."

For signs that the stock market might soon find a bot-



Walmart warns high prices for food and fuel have caused customers to pull back, forcing the country's largest retailer to cut prices.

tom, investors are scrutinizing signals from the Fed. Many believe stocks will struggle to sustainably advance until the central bank halts its rate-raising campaign.

Others are looking for indications that the market has come to expect company profits will be lower than today's forecasts suggest.

Jimmy Chang, chief invest-

ment officer at Rockefeller Global Family Office, said a shift in monetary policy features prominently on his list of potential reasons to become more positive about risk as-

sets such as stocks.

"At a minimum you want the Fed to be neutral, not tightening," Mr. Chang said. "That's the bare minimum, and we're not there yet."

SEC Charges Crypto Platform Forsage With Ponzi Scheme

By VICKY GE HUANG

The Securities and Exchange Commission said Monday that it charged 11 individuals with creating and promoting a fraudulent platform that operated as a global crypto pyramid and Ponzi scheme.

The platform in question, Forsage, raised more than \$300 million from millions of individual investors worldwide since it was launched in January 2020. Forsage's four

founders—Vladimir Okhotnikov, Jane Doe (also known as Lola Ferrari), Mikhail Sergeev, and Sergey Maslakov—were among those charged and were last living in Russia, the Republic of Georgia and Indonesia, according to the SEC complaint.

Forsage purportedly allowed millions of individual investors to enter into transactions via smart contracts, or self-executing computer programs, created by the founders and operated on the

Ethereum, Tron, and Binance blockchains.

The SEC said the founders raised funds from individual investors in the U.S. and across the world through the "unregistered offer and sale of securities in Forsage."

To amplify its reach to potential investors, the SEC said Forsage also engaged U.S. individuals to aggressively promote the platform on social media and its own website, members of a network that calls itself "Crypto Crusaders."

The network had more than 75,000 subscribers from its YouTube channel and Facebook group, according to the SEC.

However, the SEC said, Forsage has "no apparent source of revenue other than funds received from investors," and the primary way for investors to make money was to recruit others into the scheme.

The SEC described Forsage's business model as a "textbook pyramid and Ponzi scheme."

Forsage couldn't be reached to comment.

In September 2020, the Securities and Exchange Commission of the Philippines issued a cease-and-desist action against Forsage for operating as a fraud. In March 2021, the Montana Commissioner of Securities and Insurance followed suit.

But the defendants allegedly continued to promote the scheme while denying the regulators' claims in several YouTube videos and elsewhere,

according to the SEC.

Two of the promoters who were charged by the SEC, Samuel D. Ellis and Sarah L. Theissen, didn't admit or deny the allegations. They agreed to settle the charges and to be permanently enjoined from violating federal securities laws and engaging in certain further conduct.

Both Mr. Ellis and Ms. Theissen also agreed to pay civil penalties subject to court approval, according to the complaint.