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TUESDAY, AUGUST 2, 2022 ~ VOL. CCLXXX NO. 27

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### Business & Finance

Merger activity slowed dramatically through July after a record year in 2021, hampered by lack of clarity about the direction of the economy and markets, and some deal makers are bracing for an even quieter rest of the year. A1

- ◆ Amgen is in a pitched battle with the IRS over the company's international tax strategy and \$10.7 billion in back taxes and penalties that the agency says it is owed. A1
- ♦ 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. A2
- ♦ Bearish investors aren't buying into hopes that July's rapid advance for stocks heralds the start of a new bull market. B1
- ♦ U.S. stocks closed slightly lower, with the S&P 500, Nasdaq and Dow slipping 0.3%, 0.2% and 0.1%, respectively. **B11**
- **◆ Estée Lauder is** in talks to buy luxury fashion brand Tom Ford in what could be a \$3 billion or more deal. B1
- **◆ Toronto-Dominion Bank** is close to a more than \$1 billion deal to acquire investment bank Cowen. B1
- ◆ A group led by Apollo Global Management is in advanced talks to buy airfreight company Atlas Air. B3
- ◆ Evergrande 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. B10

### World-Wide

- ◆ The White House said that a U.S. missile launched from a drone in Afghanistan killed al Qaeda leader Zawahiri, a founding member of the jihadist movement and one of the key strategists behind an international campaign of terror that culminated in the Sept. 11, 2001, attacks. **A1, A7**
- ♦ Pelosi is planning to visit Taiwan and meet with government officials this week, defying warnings from Beijing not to do so and setting up the potential for increased tensions between the U.S. and China. A1
- **♦ Ukraine dispatched** its first grain shipment since the start of Russia's invasion, with a vessel leaving Odessa, under a deal aimed at easing global food shortages. A7
- ♦ The first Jan. 6 defendant to go to trial was sentenced to more than seven years in prison, the longest sentence given so far over the attack on the U.S. Capitol. A4
- ◆ Senators returned to work Monday, with Democrats defending their climate, prescription drug and tax plan while Republicans stepped up criticism of the package. A4
- ◆ A state appeals court in Michigan opened the door for county prosecutors to enforce the state's dormant 1931 ban on abortion. A3
- ◆ Kentucky raised the death toll from the state's historic flooding to 35 people, as rescue workers continued searching for the missing. A3
- ◆ Died: Mo Ostin, 95, influential music executive. A6

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# U.S. Strike Kills al Qaeda's Leader

Zawahiri, who served as No. 2 to bin Laden and oversaw 9/11, is targeted in Afghanistan

WASHINGTON—The White House said Monday that a U.S. missile launched from a drone in Afghanistan killed al Qaeda leader Ayman al-Zawahiri, a founding member of the jihadist movement and one of the

By Jessica Donati, Nancy A. Youssef and Warren Strobel

key strategists behind an international campaign of terror that culminated in the Sept. 11, 2001, attacks.

The U.S. strike targeted a safe house in a residential area in central Kabul on Sunday morning, in what was the first known counterterrorism U.S. forces withdrew last year. The Biden administration said the Taliban were aware that Zawahiri was hiding in Kabul, the clearest display of the continuing alliance between al Qaeda and the group now ruling Afghanistan.

Zawahiri, 71, was an Egyptian national and longtime deputy of al Qaeda's founder, Osama bin Laden. In the leadup to 9/11, Zawahiri was the

advisers as they oversaw the operation in which hijackers crashed airliners into the World Trade Center, the Pentagon and a Pennsylvania field, killing nearly 3,000 people. He was also instrumental in shaping how the terrorist group used the 2001 attacks to gain members, often through propaganda letters and videos.

Speaking from a White House balcony Monday, Presi-

operation in the country since most important of bin Laden's dent Biden announced the strike, describing Zawahiri as a terrorist leader who for decades "was the mastermind behind the attacks against Americans." Besides 9/11, those attacks included the 1998 bombings of the U.S. embassies in Kenya and Tanzania, which killed 224 people, and the 2000 attack on the USS Cole, which killed 17 sailors.

During his eight-minute ad-Please turn to page A7

### **Kyiv, Moscow Prepare for Clash in South as Attacks Intensify**



ABLAZE: A firefighter battles flames at a hospital hit by a Russian missile strike in the southern city of Mykolaiv on Monday. The Ukrainian and British militaries said Russia is repositioning troops ahead of a Ukraine offensive in the south. A7

# Market Woes Slow Deal Activity

By Laura Cooper

Merger activity slowed dramatically through July after a record year in 2021, and some deal makers are bracing for an even guieter rest of the year.

In the U.S., about \$1 trillion of deals have been struck so far in 2022, according to Dealogic. That is the lowest in five years—excluding 2020, halt at the outset of the pandemic—and a nearly 40% drop from the same period in 2021. Globally, some \$2.4 trillion of deals were announced, rep-

resenting a roughly 30% de-

crease. The total number of transactions also was down. Driving the decline is the No. 1 enemy of deal making: lack of clarity about the direc-

tion of the economy and mar-

rages in Ukraine.

Higher interest rates have raised the cost of financing deals and made buyout loans harder to come by. The end of a boom in deals involving special-purpose acquisition companies also has taken a toll on merger activity.

"Uncertainty is never helpful for M&A," said Anu Aiyengar, global co-head of mergers when deal making ground to a kets, as inflation rises and war and acquisitions at JPMorgan

Chase & Co.

Deals are happening, including last week's agreement between JetBlue Airways Corp. and Spirit Airlines Inc., and on Monday The Wall Street Journal reported potential deals including Estée Lauder Cos.' talks for fashion brand Tom Ford. Still, Ms. Aiyengar expects deal activity in

the second half to be lower

# Pelosi To Visit Taiwan in Challenge To China

House Speaker Nancy Pelosi is planning to visit Taiwan and meet with government officials this week, defying warnings from Beijing not to do so and setting up the potential for increased tensions between the U.S. and China.

> By Joyu Wang in Taipei, Wenxin Fan in Hong Kong and Alex Leary in Washington

People whom Mrs. Pelosi (D., Calif.) is planning to see in Taiwan have been informed of her imminent arrival, a person familiar with the matter said, though some details remain in flux. Some meetings were scheduled for Tuesday evening, but most were set for Wednesday, the person said, saying that they include Taiwanese government officials.

"She's definitely coming," the person said. "The only variable is whether she spends the night in Taipei."

A visit by Mrs. Pelosi would make her the first House speaker to go to Taiwan in 25 years and put her in the center of a longstanding flashpoint in U.S.-China relations: American

### **INSIDE**



### **SPORTS**

Deshaun Watson gets six-game suspension over sex-misconduct allegations. A12



### **PERSONAL JOURNAL**

Easy-to-install smart cameras can protect your home, but beware of privacy risks. A9

# Amgen Battles With the IRS Over Its \$10.7 Billion Tax Bill

By Joseph Walker AND RICHARD RUBIN

Biotech Amgen Inc. is in a pitched battle with the Internal Revenue Service over the company's international tax strategy and \$10.7 billion in back taxes and penalties that the agency says it is owed.

The IRS says that Amgen underreported its taxable income by nearly \$24 billion from 2010 to 2015 by inappropriately at-

tributing what the agency says should have been U.S. profits to a Puerto Rico subsidiary that oversees manufacturing of the company's drugs.

Amgen's dispute with the IRS is the latest example of heightened government scrutiny of the international tax practices of pharmaceutical, technology and other companies.

For Amgen, the dispute has pressured its share price and raised the risk that its tax rate

could rise significantly going forward if the IRS prevails.

Amgen has long had one of the lowest tax rates in the pharmaceutical industry, reporting a median 12.5% effective tax rate over the past decade, compared with an 18% median rate across the 10 largest U.S. drug companies, according to FactSet data.

The low tax burden is driven largely by Amgen's manufactur-Please turn to page A4

### Women Show Countrymen How to Win

U.K. goes gaga for England's

Lionesses

By Joshua Robinson

England striker Chloe Kelly, the woman whose goal had just won the country its first major soccer trophy in 56 years, was midway through an on-field interview when she decided she'd had enough. Any moment spent answering questions was a moment spent not celebrating England's triumph at soccer's European Championship.

So Ms. Kelly ditched the BBC's microphone and bounced away. In that moment, what she needed more than anything was to sing "Sweet Caroline" at the top of her lungs before 87,000 fans.

# Company Remakes Town to Woo Workers

Window maker in rural lowa spends millions on housing, amenities to aid hiring

By Charity L. Scott

PELLA, Iowa—Pella Corp. has offices and manufacturing plants in more than 30 cities across the U.S. and Canada.

But one of the toughest jobs, say executives at this closely held maker of windows and doors, is convincing workers to locate here in its hometown, a rural city of about 10,000 residents 45 miles southeast of Des Moines.

The company and its controlling shareholders—members of the founding Kuyper family and its descendantsset out to change that. They have spent tens of millions of dollars in the past three years on housing, child-care Please turn to page A8 | centers, restaurants and an

indoor entertainment center, among other things, to retain and attract new workers. More spending is on the

"We just didn't have the amenities that people we were trying to recruit would expect," says Chief Executive Tim Yaggi, noting that the manufacturer competes with major cities for talent.

A hallmark of the labor market in the past two years has been a mismatch of job openings and job seekers. In a tight labor market, companies have had trouble finding the workers they need in the places they want them. A pandemic-related rise in remote work also allows some workers to choose where to live based on qual-

Please turn to page A8



# U.S. NEWS



# 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 mea-

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

the cities that saw some 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 actu-

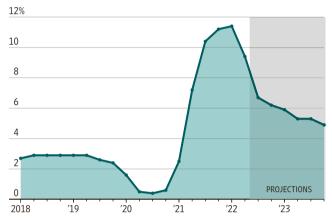
Other measures of rental demand show apartment hunters may be starting to pull back from the market. The U.S. apartment vacancy rate increased for the first time in 14 months this June, according to real-estate software firm Real-Page, rising to 3.7% compared with 3.5% one year earlier.

ally fallen below their 2021 high point of \$2,704 a month.

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

Rental markets often begin moderating when prices be-

slowing fastest include many of 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.

Rental housing affordability worsened in the first year of the pandemic, with the share of American renters who pay 30% or more of their income on rent rising 2.6 percentage points, the report

said. Nearly half of renters

now fall into that category. Housing accounts for about one-third of inflation. The consumer-price index reached an annual rate of 9.1% in June, the highest rate in more than 40 years, the Labor Desaid. Average partment hourly earnings meanwhile, rose 5.1% in June compared with the same month last

The run-up in rental prices has occurred alongside an even more pronounced increase in home-sale prices, which are now also beginning to slightly decelerate.

A softening also is being seen in single-family home rentals, which like apartments have had record rent growth. May was the first month since January of 2021 that annual rent growth for single-family homes didn't increase over the rate of the previous month, according to housing data firm CoreLogic.

There is a lot at stake for

banks, which derive big

chunks of revenue from help-

ing put deals together and

reaped big rewards last year.

Investment-banking revenue

fell sharply at the biggest

firms in the second quarter,

and some face big losses on

leveraged loans they agreed to

Deal makers are closely

watching the sale of debt for

the largest U.S. private-equity

buyout of the year, of Citrix

\$15 billion of debt, some of

which was expected to be split

up and sold off this summer.

That timeline has been pushed

back to after Labor Day, ac-

cording to people familiar

that at some point activity

that "just under the surface."

work is still being done on

possible take-privates, differ-

ent spinouts or divestitures

and straight corporate acqui-

sitions. He said that once fi-

nancing markets rebound, deal

making could come back

at some point in the second

half a very steep recovery,"

Mr. Sorrell said. "The degree

of client dialogue and desire

to do things if the conditions

are in the right place is actu-

ally very strong and very con-

"It's quite possible we see

There are reasons for hope

Goldman's Mr. Sorrell said

The deal included some

markets

finance

Systems Inc.

with the matter.

will rebound.

quickly.

# 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 supplychain 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.

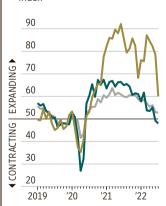
### Purchasing Managers Index, a measure of U.S.

manufacturing activity

■ Manufacturing Prices Index

■ Manufacturing Purchasing Managers Index

Manufacturing New Orders



Source: Institute for Supply Management

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

# Mප්AActivity 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, freeflowing government stimulus spurred a shopping spree for acquirers.

Some of that momentum continued in 2022, with megadeals 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 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-

and looming tax changes ates primary-care practices. A deal valued at roughly \$40 billion or more by Merck & Co. to acquire biotech Sea-

gen 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 airfreight company Atlas Air company Worldwide Holdings Inc., while Toronto-Dominion Bank is close to a more-than-\$1 billion deal to buy investment bank Cowen Inc.

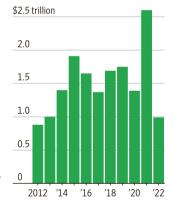
Mark Sorrell, a co-head of global M&A at Goldman Sachs Group Inc., said that without a functioning financing market for large-scale deals, volume is likely to remain muted. "The No. 1 thing we're focused on is the financing markets getting back into their rhythm," he said.

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

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

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### CORRECTIONS ゼ AMPLIFICATIONS

**Ford Motor** Co., **Stellantis** NV and General Motors Co. reported earnings last week. In some editions Monday, a Business & Finance article about auto makers incorrectly said the earnings reports were earlier this week. Also, Walmart Inc. and **Procter & Gamble** Co. warned last week that higher prices were leading shoppers to pull back. The same article incorrectly said the companies made the warnings this week.

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.

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.

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



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U.S. NEWS

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 Mon-

"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

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.

# 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, spokes-woman 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

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 destruc-

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

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.

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 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

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.

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# 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

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 the Michigan Supreme Court 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

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.

**A4** | Tuesday, August 2, 2022

# Battle Over Climate, Tax Bill Heats Up as Senate Vote Nears

Democrats say package would reduce inflation; Republicans disagree and see hit to economy

By Siobhan Hughes AND TIMOTHY PUKO

WASHINGTON-Senators returned to work Monday with the Democrats defending their climate, prescription drug and tax plan while Republicans stepped up their criticism of the package, arguing over the impact on inflation and households' tax burdens.

Senate Majority Leader Chuck Schumer (D., N.Y.) reiterated that he plans to start votes related to the measure this week. Democrats need to keep all 50 members of their caucus on board to pass the bill through the evenly divided Senate, as all Republicans oppose the legislation.

Sen. Joe Manchin (D., W.Va.), a pivotal centrist who reached a surprise deal last week with Mr. Schumer, continued to tout the bill in remarks to reporters, saving it would fight inflation by lowering energy costs and cutting the federal budget deficit. He has cast the tax increases in the bill as closing loopholes for deep-pocketed individuals and corporations. "There's an awful lot of good stuff in the bill," Mr. Manchin said. "It's a balanced bill."

One major victory for Mr. Manchin in the deal would be the permitting of the Mountain Valley Pipeline project that connects gas producers in his home state to buyers elsewhere. His office released a summary of an agreement Mr. Manchin and Mr. Schumer have for federal permitting overhauls—to move for approval in legislation separate from the climate bill—that would guarantee the project's approval.

Mr. Manchin defended a provision eliminating preferential treatment for private-equity managers' carried interest income. something Sen. Kyrsten Sinema (D., Ariz.) has signaled she would oppose. The carried-interest tax increase is estimated to raise \$14 billion over a decade. "How would that be detrimental?" Mr. Manchin said of eliminating the preferential treatment.

Ms. Sinema is reviewing the bill and hasn't said how she would vote. She left a Senate vote Monday without responding to a question about whether she supported the package.

Republicans say the bill will hurt the economy and do nothing to fight inflation.

"We know what it looks like when Democrats say they'll help the economy, and American families can't take much more of it," said Senate Minority Leader Mitch McConnell (R., Ky.) on the floor.

According to Senate Democrats, the package would raise roughly \$739 billion, with much of the revenue coming from the 15% corporate minimum tax and enhanced tax-enforcement efforts at the Internal Revenue Service, as well as projected savings from allowing Medicare to negotiate some prescription-drug prices.

It would spend roughly \$369 billion on climate and energy programs, including tax credits for building more wind and solar power, and provide support for traditional sources of energy such as oil, gas and coal, along with nuclear power. An additional \$64 billion is dedicated to extending healthcare subsidies for three years for some Affordable Care Act users. The bill would dedicate the rest of the new revenue toward reducing budget deficits.

It would also cap out-ofpocket drug costs for Medicare beneficiaries at \$2,000 a year.

Mr. McConnell and other GOP senators pointed to two studies they said called into question Democrats' claims about the bills' impact on taxes and inflation. One, a report by the Penn Wharton Budget Model, estimated the bill would have little to no impact on inflation. The other, from the nonpartisan Joint Committee on Taxation, showed tax levels

'It's a balanced bill,' said Sen. Joe Manchin (D., W.Va.).

for households would rise. That study excluded the impact of the changes in Affordable Care Act subsidies, prescriptiondrug-pricing changes and some energy provisions.

tary Karine Jean-Pierre called the Joint Committee on Taxation report incomplete because it doesn't take into account the full package. "It omits the actual benefits

White House press secre-

that Americans would receive," she said, citing savings on prescription drugs and energy.

The joint committee's analysis shows that tax burdens go up at all income levels because

paid by workers. Senate Democrats aim to advance the bill through the 50-50 Senate by using a process tied to the budget known as reconciliation, which allows the party to get around the 60-vote hurdle needed for most legislation.

of the corporate tax increase

for two reasons: People at all

income levels own corporate

stock and some portion of cor-

porate taxes are ultimately

The Senate parliamentarian, whose procedural guidance will determine whether parts of the bill should be stripped under reconciliation rules, is still evaluating the package.

# Jan. 6 Rioter Gets More Than Seven Years

By Alexa Corse

A Texas man was sentenced to seven-and-a-quarter years in prison for provoking the crowd at the U.S. Capitol on Jan. 6, 2021, and other crimes, representing the longest sentence given to a Jan. 6 defendant so far.

Guy Reffitt, who was the first Jan. 6 defendant to stand trial, was convicted of obstruction, a gun crime and other charges by a jury in March. His case has been watched closely as hundreds of other Jan. 6 defendants weigh whether to take plea deals or continue fighting their charges.

Mr. Reffitt wore an orange inmate's outfit and a white mask in the courtroom. "I did want to definitely make an apology," he said. He said he didn't want anything to do with politics going forward.

Judge Dabney L. Friedrich, Trump appointee, questioned Mr. Reffitt's apology, saying he previously hadn't accepted responsibility for his actions and that he had described himself as a martyr. Mr. Reffitt said he wasn't good at explaining himself and that he had a tendency to exaggerate. "Clearly, I'm not as smart as I'd like to think I am," he said.

Mr. Reffitt, who wasn't accused of entering the Capitol building itself, was among the crowd of supporters of then-President Donald Trump who stormed the Capitol while Congress was certifying President Biden's victory in the November 2020 election.

Shauni Kerkhoff, a former Capitol Police officer who de-



Guy Reffitt, pictured in a courtroom sketch in February. was the first Jan. 6 defendant to stand trial.

asked the judge to impose a stiff sentence. "I watched in horror as he encouraged the angry mob," Ms. Kerkhoff said in court Monday, describing her encounter with Mr. Reffitt that day.

After the Jan. 6 riot, prosecutors have said, Mr. Reffitt threatened his children not to report him to authorities.

Mr. Reffitt's wife, Nicole, told reporters outside the courthouse that her husband is a patriot and that the case against him was political.

More than 850 people have been charged in connection with the attack. More than people have pleaded guilty, and hundreds more are fighting the charges. The longest sentence previously is-

fended the building on Jan. 6, sued in a Jan. 6 case was 63 months, given to two men who separately pleaded guilty to assaulting police officers.

The judge on Monday denied prosecutors' request to

Prosecutors had sought a 15-year sentence for Mr.

add a terrorism enhancement to the sentence, saying the government hadn't sought it in other Jan. 6 cases that she said also included serious allegations. It was the first time stiffer penalty in a Jan. 6 case. Prosecutors had sought a 15-year sentence for Mr. Reffitt, arguing his actions amounted to terrorism by trying to intimidate Congress to stop the certification of Democrat Joe Biden's 2020 presidential-election victory.

During the hearing, Judge Friedrich reproached Mr. Reffitt, saying he had made frightening claims about rebelling against the government and hadn't acknowledged that his actions were wrong. "In democracy, we respect a peaceful transfer of power," she said.

Mr. Reffitt's attorney, F. Clinton Broden, requested his client serve a shorter sentence of no more than two years,

ready spent approximately 19 months in custody. Mr. Broden stressed that Mr. Reffitt didn't assault anyone.

Federal guidelines had suggested a possible sentence of roughly nine to 11 years for

Mr. Reffitt's trial provided a portrait of a family torn apart by the case. His son, Jackson Reffitt, testified against his father in March, describing how he became concerned about his father's ties to a local right-wing militia group and menacing statements about Washington lawmakers. The then-18-year-old reported his father's behavior to the Federal Bureau of Investigation in December 2020, about two weeks before the Jan. 6 attack.

Jackson Reffitt submitted a letter to the court for the sentencing, saying his father had "fallen into a horrible community" and he hoped his father would get mental-health treat-

The younger of Mr. Reffitt's two daughters, Peyton Reffitt, defended her father, speaking in the courtroom Monday to seek a lighter sentence. "As I know my father, he is not a threat to my family," she said, adding that his mental health is an issue.

Peyton Reffitt also has criticized Mr. Trump. "In my opinion, President Trump abused his authority and enormous influence he had on these people to see if what possibly could happen, would happen, she wrote in a letter submitted to the court. "President Trump deceived my father and many other normal citizens with families to believe that this past election was fraudulent."

# Impostor In Secret Service Case Pleads Guilty

By Sadie Gurman

WASHINGTON—A pleaded guilty Monday to charges stemming from a scheme in which prosecutors said he and a co-defendant posed as federal law-enforcement officers and lavished gifts on Secret Service agents, including rent-free apartments and a drone.

Arian Taherzadeh acknowledged he never actually worked as a Department of Homeland Security officer but sought to ingratiate himself with real federal agents to deepen their relationship and promote his private-security services. Prosecutors said he at times pretended to be a member of a federal task force, a U.S. Air Marshal and a U.S. Army Ranger.

Mr. Taherzadeh pleaded guilty to a federal conspiracy charge and two District of Columbia offenses, unlawful possession of a large-capacity magazine and voyeurism, for installing hidden cameras in his bedroom that he used to record videos of women having sex that he shared with others.

He agreed to cooperate with prosecutors, who could seek a lesser sentence than the 37to-46 month guideline called for in the plea agreement if they find he provides substantial assistance in their continuing probe. He faces additional time for the local offenses. U.S. District Judge Colleen Kollar-Kotelly allowed him to remain free on certain conditions pending another hearing in November.

The ruse that began in December 2018 became public in April, when authorities arrested Mr. Taherzadeh and another man. Haider Ali. and searched a high-end apartment building in southeastern Washington from which they operated. Investigators found a trove of policing and spy tools, including firearms, a drone and police lights, prosecutors said.

The men came to the attention of law enforcement when a Postal Service inspector investigating an unrelated complaint about an assault heard about the men from residents of the apartment complex. The postal inspector interviewed the men and alerted authorities.

Mr. Ali earlier pleaded not guilty to impersonating federal officers and firearms charges. His lawyer Gregory Smith declined to comment Monday. The men's defense attorneys had denied there was a plot to bribe or infiltrate the Secret Service, saying they acted out

ing for a legitimate business.

# AmgenFights Tax Bill

Continued from Page One

ing operations in low-tax Puerto Rico, a U.S. territory that is considered a foreign country for corporate incometax purposes.

An Amgen spokeswoman said that until recently, the IRS agreed with the proportion of profit that should be allocated between the company's U.S. and Puerto Rico operations.

"Our tax returns have always been compliant with the law and reflect our position that the appropriate allocation has not changed—our allocation of profit recognizes the key contributions made, the risks taken, and the significant equity value of our Puerto Rico subsidiary," the spokeswoman

The IRS declined to comment, in keeping with its general practice in ongoing litigation.

Amgen, based in Thousand Oaks, Calif., helped pioneer the biotechnology industry. It is now among the world's biggest drugmakers by sales. Its drugs include arthritis treatment Enbrel and Prolia for osteoporosis, which helped contribute to the company's nearly \$26 billion in revenue last year.

Amgen's low tax rate has long been admired by investors because it helped the company reliably beat analysts' quarterly earnings estimates, said Brian Skorney, a Robert W. Baird & Co. analyst.

In 2013, the company posted a 3.5% effective tax rate for the year, compared with a 35% rate under federal law in the U.S. at the time, according to Amgen's annual financial report.

"At the time, shareholders were like, 'Oh, my God, they're so good at tax accounting," Mr. Skorney said. Yet in retrospect, "that was a pretty negative signal that the IRS was probably going to come knocking," he said.

Amgen said its 2013 tax rate was unusually low because of several factors, including a large acquisition and a federal tax credit retroactively reinstated by Congress. Amgen's annual report for that year said its foreign profits reduced its tax rate by 21.3 percentage points in 2013.

In addition to billing Amgen for back taxes and penalties for 2010 to 2015, the IRS is currently auditing Amgen's tax returns for 2016 to 2018, the company has said.

Amgen is contesting the IRS's claims in U.S. Tax Court and has said the dispute is Reffitt.

prosecutors had sought that

adding that Mr. Reffitt has al-

der a Bermuda subsidiary, where it has no employees or significant operations, and manufacturing it in Puerto Rico.

> AbbVie didn't respond to a request for comment.

> Amgen doesn't disclose its effective tax rate in Puerto Rico, but last year it said its operations there were a significant factor for its global 12.1% tax rate falling below the U.S. statutory rate of 21%.

> When determining the location of profits, tax law focuses on where value is created. It doesn't require that profits match the location of sales, but they are often similar. Pharmaceutical companies, however, rely on easy-to-move patents and have typically had larger divides between where they put profits and where they have economic activity.

Amgen reported \$15.7 billion in U.S. taxable income from 2010 to 2015, or about 39% of the \$40.5 billion the IRS calculates, according to Amgen's court filings. Nearly all of the underreported income-about \$23.7 billion—came from Amgen's profit allocations to Puerto Rico, and the remainder of \$1.1 billion from other items, according to the IRS

Amgen claimed in its tax returns over the same period that it owed \$2.06 billion in federal tax, less than one-fifth of the \$10.7 billion the IRS has as sessed.



Amgen's low tax burden had been driven largely by its manufacturing on a site in low-tax Puerto Rico, above.

likely to take years to resolve. The company has said in Tax Court filings that it accurately attributed its profits to the countries where they were

earned.

Amgen said in court filings that the IRS audited its methodology for the eight years before 2010 and never raised objections. It is arbitrary and capricious for the IRS to retroactively apply a different pricing methodology and impose penalties on the companies, Amgen said. The IRS typically views each tax year as separate.

The company said the IRS failed to properly account for the value of its Puerto Rican manufacturing operations. Amgen said it employs 2,400 people in Puerto Rico and has made \$4 billion in capital investments in its operations there. In addition, the

company said the IRS made certain miscalculations that overstated the tax it owes by about \$2 billion. The IRS and lawmakers have

been scrutinizing the international tax practices of U.S. companies. Coca-Cola Co. and Meta Platforms Inc. are both in multibillion-dollar cases with the IRS over how to value internal transactions that resulted in concentrations of profits The Senate Finance Commit-

tee is investigating the pharmaceutical industry's use of foreign subsidiaries to avoid paying domestic taxes on U.S. prescription-drug sales. The committee in July de-

tailed how AbbVie Inc. reduces its tax payments for U.S. sales of its blockbuster medicine Humira by keeping its patent rights unof a desire for friendship. Prosecutors said Mr. Taherzadeh used the ruse to promote his private-security company, called United States Special Police LLC, and Mr. Smith has said Mr. Ali may have believed he was work-

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### **A6** | Tuesday, August 2, 2022

# Future of Boy Scouts Rocky After Chapter 11

The Boy Scouts of America has a pathway out of bankruptcy, but the group faces challenges in repairing its finances and reputation after resolving a legacy of sexual abuse.

> By Becky Yerak, Kris Maher and **Jodi Xu Klein**

A bankruptcy court last week approved most parts of a landmark compensation plan of at least \$2.5 billion that would end the Boy Scouts' chapter 11 case and resolve roughly 82,200 individual claims of sexual abuse. An exit from chapter 11 would shield the Boy Scouts from further sex-abuse lawsuits, while testing whether it can still appeal to families despite its past failures to protect children.

The chapter 11 case was the largest and most complex bankruptcy case filed to resolve mass claims of sexual abuse. Adult survivors wrote hundreds of letters to the bankruptcy court, recounting lives twisted by childhood abuse and detailing their views of the proceedings.

News of the courtroom battles between the Boy Scouts and abuse survivors filtered down to scouting communities and families, fueling doubts about the organization as it tried to hammer out settlements. Now the group is close to emerging from bankruptcy, low on cash but retaining much of its prized property holdings and adventure camps. The group is hoping for a chance to start fresh, but faces longer-term challenges from declining membership.

"The Boy Scouts can earn back trust and respect over time, but this change won't be easy and will likely need to be measured in decades," said Michael Bellavia, chief executive of HelpGood, a Los Angeles marketing agency focused on social impact.

"It can't be just a campaign or apology tour, and it likely will take credible efforts to remake their leadership, internal operations, communications,

and investments," said Mr. Bellavia, an Eagle Scout.

The chapter 11 plan keeps the Boy Scouts' roughly 250 affiliated local councils safe from future sex-abuse lawsuits, and protects recruiting pipelines from civil and religious partner groups.

### The group faces challenges repairing its finances and its reputation.

The organization's national governing body, based in Irving, Texas, and local councils across the country are together contributing roughly \$800 million. Contributions from insurance companies and troop sponsors bring the total victim compensation to more than \$2.5 billion. An earlier total was roughly \$2.7 billion but Judge Laurie Selber Silverstein struck down a \$250 million

settlement with the Church of parents—about scouting. Jesus Christ of Latter-day Saints, declining to grant the institution the releases that would shield it from further sex-abuse lawsuits.

The Boy Scouts also are responsible for at least \$239 million in professional fees and expenses through June, court filings show. That number will grow the longer the bankruptcy case goes on. Cash on the Boy Scouts' books is dropping, falling to roughly \$32.7 million through June.

The Boy Scouts have apologized for failing to protect children in the past, while noting that most abuse claims predate youth-protection protocols put in place roughly three decades ago. The group has pointed to efforts to make scouting safer, saying its protocols are the strongest of comparable youthfocused nonprofit groups. Everv interaction between adult volunteers and Scouts, whether in-person or over the phone or email, must involve two adults.

Doubts persist among some child safety advocates—and

On Memorial Day, Matthew Slovack, a 45-year-old truck driver in Colona, Ill., set up a recruiting booth for local Boy Scout troops next to a funnelcake stand at a local festival so he would get plenty of traffic. Many parents who stopped by expressed concerns about the safety of scouting, while others told him they didn't even know that the Boy Scouts still existed, he said.

"Due to all the negative stuff on TV, parents are a little hesitant to sign up youths, and I really don't blame them," Mr. Slovack said. He said he volunteers up to 20 hours a week on scouting projects and has a 12year-old son who is a Boy Scout and another, now 20, who is an Eagle Scout.

Kenneth Power, 54, an abuse survivor from Denver, said that the Boy Scouts still had a valuable charitable mission to carry out and that its acknowledgment of past failures showed it learned its lesson about the need to protect children. The bankruptcy plan

is the best deal available for survivors, he added.

The Boy Scouts has forecast that it will have 1.4 million members in 2025 but would have had 1.9 million if it hadn't been for the Covid-19 pandemic, according to March testimony in the bankruptcy court.

In the past decade, the group has expanded its reach to counter a decline in membership. The organization began to allow openly gay boys to join in 2014 and transgender youths in 2017, before starting to accept girls into its core youth programming later that year. Scouting is now made up of 10% to 15% of female members, Brian Whittman, a restructuring adviser to the Boy Scouts, testified in March.

"I believe that that has an upside opportunity for the organization in terms of putting some of that historic turmoil behind it and allowing that growth to continue," he said.

—Andrew Scurria and Akiko Matsuda contributed to this article.

### U.S. WATCH

**MASSACHUSETTS** 

### **Gun Bill Passes After Supreme Court Ruling**

A bill aimed at recasting Massachusetts' gun laws in the wake of the U.S. Supreme Court ruling making it harder for states to limit access to firearms was approved by lawmakers Monday.

Democratic leaders—who have pledged to draft tougher legislation when they come back into formal session next yearsaid the bill would bring state law in line with the high-court ruling that found a New York law restricting carrying licenses, similar to Massachusetts law, was unconstitutional

Under the New York law, residents needed to show proper cause, or an actual need, to carry a concealed handgun in public for self-defense. Massachusetts' law had said those deemed suitable could get a license to carry if they show "good reason to fear injury" to themselves or their property "or for any other reason," including "for use in sport or target practice only.

Republican Gov. Charlie Baker said last week that he talked to Democratic leaders and hoped to have a bill he can sign.



LINED UP: Kansans voted at the Sedgwick County Historic Courthouse in Wichita and across the state on Monday, the last day of early voting. People cast ballots on whether to amend the Kansas Constitution to explicitly say that it doesn't protect abortion.

### **Geothermal Plant Allowed to Proceed**

A U.S. appeals court rejected a bid by environmentalists and

struction of a geothermal power plant that opponents say would harm an endangered toad and destroy sacred hot

The Ninth U.S. Circuit Court of Appeals refused on Monday

junction that temporarily suspended work on Ormat Nevada's project 100 miles east of Reno that would generate carbon-free power by pumping hot water from beneath the earth.

A three-judge panel that

appeal last month concluded that further delay of the proiect would make it "all but certain" Ormat would be unable to meet a contract deadline to complete construction by the end of this year.

### Mo Ostin, Legendary Music Executive, 95

Mo Ostin, the influential music executive who led Warner Bros. Records for decades and helped launch some of the biggest artists in the industry, has died. He

Mr. Ostin died in his sleep on Sunday, according to Warner Records Chief Executive Aaron Bav-Schuck and Chief Operating Officer Tom Corson.

"Mo was one of the greatest record men of all time, and a prime architect of the modern music business," the music executives said in a joint statement.

Mr. Ostin began working for Verve Records when he was in his 20s, according to the Rock & Roll Hall of Fame.

He was chosen by Frank Sinatra to head the singer's Reprise label, which joined forces with Warner Bros. Records in 1963. Mr Ostin headed the new company as it signed such acts as Jimi Hendrix, Prince, Madonna, U2, and Van Morrison, among others.

When Mr. Ostin left in the 1990s, Warner Music was the top company among its music peers, with 21.38% of the current-album market share, according to industry tracking firm SoundScan Inc.

# Pelosi Sets Visit to Taiwan

Continued from Page One support for Taiwan, a democratically governed island that Beijing claims as Chinese ter-

China's military conducted live-fire exercises in the South China Sea and off the coast of the mainland opposite Taiwan in recent days, according to Chinese state media. A Chinese Foreign Ministry spokesman renewed a warning Monday that the People's Liberation Army "will not sit idly by" if Mrs. Pelosi makes the visit. He didn't elaborate on what actions China might

The potential for trouble prompted the White House on Monday to try to ease tensions, with officials reiterating that a visit by Mrs. Pelosi doesn't break precedent and that U.S. policy hasn't

"There is no reason to use a potential visit to justify or to spark some sort of crisis or



conflict," John Kirby, the White House's National Security Council spokesman, said.

Mr. Kirby said that Beijing appears to be positioning itself for further action, including staging more military exercises, firing missiles into the Taiwan Strait or sending more aircraft and naval vessels into areas closer to Taiwan where they haven't operated.

For Beijing, a visit by Mrs. Pelosi is seen as a high-profile instance of rising U.S. political and military support for Taiwan, contravening Washington's commitments to limit its ties to the island. Allowing a Pelosi visit to go ahead without consequences, Chinese foreign affairs specialists said, would invite more senior political officials from the U.S. and other countries to visit Taiwan, breaking Beijing's diplomatic blockade of the island.

Mrs. Pelosi opened her trip to Asia on Monday in Singapore. She and four other Democratic members of Congress met with Singapore Prime Minister Lee Hsien Loong, who hailed the importance of stable U.S.-China relations for regional peace and security, according to a statement by Singapore's Ministry of Foreign Affairs.

She attended a closed-door reception with the American business community and afterward didn't respond to questions outside the venue. A statement released by her office didn't mention Taiwan, nor did an announcement Sunday of her trip, which said the delegation's schedule includes high-level meetings in Malaysia, Japan and South

"As we continue our regional travel, we look forward to additional engagement with our partner nations to advance a free and flourishing Indo-Pacific," the Monday statement about her trip said.

government,



House Speaker Nancy Pelosi and Singapore Prime Minister Lee Hsien Loong met on Monday.

which often doesn't announce high-level visits in advance, has sidestepped questions about Mrs. Pelosi.

While the White House as well wouldn't confirm the Taiwan stop, its possibility consumed a large portion of the two-hour-plus phone call last week between the U.S. and Chinese leaders.

Xi Jinping told President Biden, a Democrat, that China would safeguard national sovereignty, describing it as "the unbending will of 1.4 billion Chinese people." "Those who play with fire will perish by it." China's official account of the meeting said.

Mr. Biden, for his part, told the Chinese leader that U.S. policy on Taiwan hasn't changed and that Washington opposes unilateral changes to the status quo.

Mr. Biden also emphasized to Mr. Xi that Congress is independent from the executive branch, the White House's Mr.

Kirby said. Mr. Kirby criticized China for "irresponsible rhetoric." He said the U.S. will ensure Mrs. Pelosi's safety, adding that a Pelosi visit, should it occur, is in line with previous official exchanges.

"We urge China, if she goes, to see this for exactly what it is: Nothing new. No change to our policy, and certainly not an unprecedented visit by the speaker of the House," he said.

The Pentagon, meanwhile, added to the naval forces operating in the region as a deterrent. The aircraft carrier USS Ronald Reagan, which last week was ordered to leave a port call in Singapore, was in the Philippines Sea with its accompanying ships plus the amphibious assault ship the USS Tripoli, defense officials said Monday.

A potential stop in Taiwan by Mrs. Pelosi's delegation has discomfited the Biden administration. Should Mrs. Pelosi go ahead with the visit, the already sharp tensions between China and the U.S. are ex-

pected to escalate further. Mr. Biden didn't speak to Mrs. Pelosi about her trip, an administration official said. Members of the administration's national-security team briefed Mrs. Pelosi, said Sa-

loni Sharma, a spokeswoman

for the National Security

Council. "She will make her

own decisions because Con-

gress is an independent

branch of government," Ms. Sharma said. For Mrs. Pelosi, the visit is a potential capstone for a career that she built focused on strengthening democracy around the world, a former aide said. Many Democrats expect the longtime leader to step down at the end of this year, so her time to travel as second in line to the presidency and leader of the House

is likely ending. "She's a woman who uses every minute of her life to get stuff done," said Daniel Weiss, Mrs. Pelosi's former chief of staff. "It is expected to be near the end of her career and

this is an important piece of her overall legacy in Congress."

Mrs. Pelosi has previously taken potentially high-risk trips. She visited Ukrainian President Volodymyr Zelensky in Kyiv in May, the highestranking U.S. official to do so. Members of Congress have increasingly worried about China attacking Taiwan, and when asked two weeks ago how the U.S. could deter such action, Mrs. Pelosi stressed that it was important to "show support for Taiwan."

Asia has been a focus of Mrs. Pelosi's since she first ar-🖔 rived in Congress more than three decades ago. She has often spoken out about humanrights violations in China.

Mrs. Pelosi unfurled a protest banner in Tiananmen Square in 1991, two years after the Chinese military crushed pro-democracy demonstrations there. In 2015, Beijing allowed her to visit Chinesecontrolled Tibet, a rare concession, especially given her longstanding relationship with the Dalai Lama, the exiled Tibetan leader.

When Republican House Speaker Newt Gingrich traveled to Taiwan in 1997, Beijing initially objected and threatened a response. Mr. Gingrich, however, first made a highprofile visit to Beijing, meeting with Chinese leaders before eventually traveling to Taiwan.

Back then, the priority for Chinese leaders was a smooth handover of Hong Kong to Chinese sovereignty. The stakes this time are higher for Beijing and for Mr. Xi in particular. Having cemented his authority over the past decade, he is poised to break with recent precedent and secure a third term in power later this year.

–Liza Lin, Natalie Andrews and Nancy A. Youssef contributed to this article.

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# WORLD NEWS

# Ukrainian Grain Is Shipped Russia Redeploys almost a third of all global

In first since invasion, export vessel departs Odessa port in deal to ease food shortages

KYIV, Ukraine—Ukraine dispatched its first grain shipment since the start of Russia's invasion, under a deal aimed at easing global food shortages.

> By Matthew Luxmoore, Jared Malsin and Alistair MacDonald

The ship departed the Odessa port on Monday carrying 26,000 metric tons of corn headed for Tripoli, Lebanon, according to Ukrainian officials and the Turkish government, which helped broker the deal.

The Sierra Leone-flagged bulk carrier, the Razoni, was expected to arrive in Istanbul on Tuesday and then continue on its course following inspections.

The shipment is the first test for a deal reached in July to allow Ukraine, one of the world's largest grain exporters, to begin shipping some 18 million metric tons that have been trapped in the country since Russia's invasion in February.

While the start of shipments is promising for Ukrainian farmers and the country's mainly developing-world buyers, the flow of corn, wheat and barley will still be lower than before the war. It will take months to clear the backlog of grain, and this season's harvests are expected to be



The Razoni left port Monday carrying 26,000 metric tons of corn.

Dmytro Kuleba called the re-

sumption of grain exports a

"day of relief for the world, es-

pecially for our friends in the

Middle East, Asia and Africa."

reliable partner and will re-

main one should Russia respect

its part of the deal," he wrote

The resumption of ship-

ments offers hope of crucial in-

come to Ukraine as its econ-

omy buckles under the weight

of Russia's invasion. Farming

accounted for over 40% of

Ukrainian exports before the

war and employs 14% of the

country's population, according

to the USDA. It could offer a

lifeline to Ukraine's embattled

farmers, granting them hard cash with which to buy the

seeds, fuel and fertilizer they

need to sow their next crops

Before the war, Russia and

and ensure their survival.

on Twitter.

'Ukraine has always been a

depleted by the war.

The U.S. Department of Agriculture predicts Ukraine will export 30.6 million metric tons of grains and seeds over the 2022-23 season, almost half the tonnage of the season be-

The Razoni was escorted out of the port in the strategic southern city of Odessa by a Ukrainian government vessel. Inspection teams including officials from Turkey, the United Nations and Russia are set to check ships involved in the

Further ships are expected to depart in the coming days, with several already loaded before the Russian invasion began. Ukrainian President Volodymyr Zelensky on Friday oversaw the first loading of a ship with grain since February at Chornomorsk port, near

Ukrainian Foreign Minister Ukraine together accounted for

The ship's departure Monday signals that Ukraine, along with Turkey and the U.N., are

determined to implement the grain deal despite the threat posed by Russia's attacks on Ukrainian agricultural infrastructure. Senior Ukrainian officials

wheat exports. Ukraine was

also a major exporter of corn

and barley. Ankara, together

with the U.N., helped broker

the July 22 agreement after

months of negotiations.

have expressed doubt as to whether Russia would uphold its end of the deal. Russian missiles struck the port of Odessa on July 23, just hours after officials from all four parties signed the agreement in Istanbul. Russian officials said the strike targeted military infrastructure.

The deal calls on Ukraine and Russia not to attack ships carrying grain, and to refrain from strikes on three ports covered by the deal. Officials from all four parties are set to monitor the deal from a new control center in Istanbul.

U.N. officials have said one or more ships would likely leave Ukraine under the deal in the early days of the agreement in part to demonstrate that the agreement can work. The deal is in effect for 120 days and can be renewed.

On Monday, the prices of wheat and corn fell 1.6% and 2.1%, respectively, as among other factors market participants anticipated higher supplies of Ukrainian grains.

# As Focus Shifts

By Brett Forrest AND BOJAN PANCEVSKI

KYIV, Ukraine-Russia is repositioning troops to strengthen its hand in southern Ukraine, shifting forces from the front line in northern Donbas, says the Ukrainian and British militaries, ahead of a planned Ukrainian offensive in the south.

Ukraine's southern command said Russian battle groups are being deployed near Kryvyi Rih and Zaporizhzhia, southern Ukrainian cities that lie to the north of territory fully controlled by Moscow. "Now the Russian army is trying to strengthen its positions in the occupied areas of the south of our country," Ukrainian President Volodymyr Zelensky said.

The U.K.'s Defense Ministry said Russia is reallocating a significant number of troops and likely adjusting its Donbas offensive after failing to make a decisive breakthrough under a plan Moscow has followed since April.

'It has likely identified its Zaporizhzhia front as a vulnerable area in need of reinforcement," the U.K. Defense Ministry said Monday. Russia's Defense Ministry didn't respond to a request to comment.

After months of Russian forces making slow gains in Ukraine's east, the focus of the war is moving south.

Ukraine has used longrange artillery and rocket systems to halt Russia's advances

in the east, and apparently limit Moscow's ability to supply its front lines. Now, with the help of Western weapons, Ukraine says it is mounting a counteroffensive to take back the southern port city of Kherson, the largest population center occupied by the Russians and the first city to fall.

On Monday, the Biden administration authorized an additional \$550 million in U.S. military aid for Ukraine, bringing Washington's security assistance for Kyiv to more than \$8 billion since Russia's invasion. Earlier in the day, Ukraine's defense minister said four additional Himars arrived, and he thanked President Biden and Defense Secretary Lloyd Austin for strengthening the Ukrainian army.

"We have proven to be smart operators of this weapon," Oleksii Reznikov wrote on Twitter.

Russia on Monday continued to shell positions around the regions of Donetsk, Kharkiv and Zaporizhzhia, the Ukrainian military said, areas that have been under attack for months.

Meanwhile, Ukraine's General Staff said it detected the deployment of radar systems across its border with Belarus, a Russian ally that has served as a key staging ground and supply point for the invasion. Russia moved some troops into Belarus during its military buildup ahead of its February invasion, but Belarusian forces haven't entered the conflict.

# Sept. 11 Strategist Was Seminal Figure of Modern Jihad

By Jared Malsin

AND NANCY A. YOUSSEF

Al Qaeda leader Ayman al-Zawahiri, who died Sunday in a U.S. drone strike in Kabul, was a founding member of the jihadist movement and a key strategist behind a decadeslong campaign of terror, including the deadliest strike on U.S. soil on Sept. 11, 2001.

He was 71 years old. From his days as a young medical student who organized

**OBITUARY AL-ZAWAHIRI** 1951-2022

underground Islamist cells in Cairo to his years as Osama bin Laden's top lieutenant in al

Qaeda, Zawahiri was a seminal figure of modern jihad as it transformed from a movement seeking to topple authoritarian regimes in the Middle East to waging war on the West.

Zawahiri helped steer the jihadist movement toward a confrontation with the U.S. that he hoped would draw America into costly wars in the Middle East. That strategy led to the 9/11 attacks, which claimed nearly 3,000 lives, and helped prompt the American-led invasions of Afghanistan and Iraa in response, which resulted in the deaths of hundreds of thousands of people. Zawahiri was the most important of bin Laden's advisers as they



Ayman al-Zawahiri, right, with Osama bin Laden in Afghanistan in 2001. He would succeed bin Laden as al Qaeda's leader in 2011.

planned the 9/11 hijackings.

The FBI offered a reward of up to \$25 million for information leading to his capture after he was indicted in connection with the 1998 bombings of the U.S. embassies in Tanzania and Kenya, which killed 224 people.

After taking over the organization when American special

forces killed bin Laden in 2011, Economics and the author of Zawahiri presided over a troubled period in al Qaeda's history. Under his helm, al Qaeda was eclipsed within the jihadist world by Islamic State

"Zawahiri led from behind, while bin Laden led from the front," said Fawaz Gerges, a professor of international relations at the London School of several books on al Qaeda and jihadism. "Zawahiri was the brain behind al Qaeda. He was the nerve center."

Zawahiri was born in Cairo on June 19, 1951. He was shaped at a young age by President Gamal Abdel Nasser's crackdown on the Islamist movement.

At age 15, Zawahiri formed his first underground cell aimed at overthrowing the Egyptian government and establishing a religious state. He continued to organize in the Islamist underground as a medical student and after he graduated and became a surgeon.

After Islamist militants assassinated Egyptian President

Anwar Sadat in 1981, Zawahiri was arrested in a dragnet. He spent three years in prison where he was tortured, hardening his resolve to overthrow the regime and seek revenge.

After encountering bin Laden during the war in Afghanistan on invading Soviet troops in the 1980s, Zawahiri gradually shifted his focus to global jihad. Zawahiri became the leader of a group of Egyptians who would later form the core of al Qaeda.

Zawahiri viewed attacking the U.S. as a way to capture the imaginations of potential followers in the Muslim world and strike an ally of the Arab regimes that he loathed. He cited as justifications for his violence against Americans the war on Iraq and killings of Iraqis in 1991 as well as the presence of U.S. troops in Saudi Arabia, which he viewed as an occupying force in one of Islam's holiest locations.

Zawahiri paradoxically became the face of a moderate wing of the jihadist movement, in conflict with a branch that emerged during the war in Iraq following the U.S. invasion in 2003. This newer, more radical brand of jihad espoused by Islamic State shifted the center of gravity within the world of iihadism away from al Qaeda.

In the years following 9/11,

# Strike Kills Leader of Al Qaeda

Continued from Page One dress, Mr. Biden said he approved the "carefully planned" operation a week ago "after being advised conditions were "The United States did not

seek this war against terror. It came to us, and we answered with the same principles and resolve that have shaped us for generation upon generation," Mr. Biden said.

The Taliban seized power during America's final weeks in the country after two decades of war that began as a U.S. effort to punish al Qaeda

The Taliban have pledged to prevent Afghanistan from being used as a haven for terrorist organizations, and claim that they seek peaceful relations with all nations.

The revelation that al Qaeda's leader and family moved to a safe house in one of the most affluent parts of Kabul soon after the Taliban returned to power undermines

those claims. Taliban figures "were aware of Zawahiri's presence in Kabul," the senior Biden official said.

The strike comes nearly a year after the chaotic U.S. military withdrawal from Afghanistan that helped return the Taliban's most conservative factions to power.

The White House said no other casualties resulted from the strike, which targeted Zawahiri as he stepped out on his balcony just after 6 a.m. on

There was no known response from al Oaeda.

The Taliban condemned the attack earlier Monday, calling it a violation of international laws and the agreement it signed with the  $\overline{\text{U.S.}}$  in 2020 that set the terms of America's withdrawal from Afghanistan.

"Such actions are repetitions of the failed experiences of the past 20 years and are against U.S., Afghanistan and the region's interests," said Zabiullah Mujahid, the Taliban's chief spokesman.

The last U.S. drone strike in Afghanistan one year ago killed 10 civilian members of an Afghan family, including seven children, in the final week of the American presence in the country. The operation was initially described as successful. The U.S. later





The drone-strike killing of Ayman al-Zawahiri seen in a video released by al Qaeda in April, was announced by President Biden Monday.

admitted that the target was a

A senior Biden administration official said Zawahiri was killed by two U.S. Hellfire missiles and that the intelligence community has "high confidence" in his identity.

Pentagon officials said they had no knowledge of the strike and the senior Biden administration official declined to specify which U.S. agency was responsible. The Central Intelligence Agency declined to comment.

The president was first briefed on plans for a strike

on July 1 by advisers including network of individuals who CIA Director William Burns, Director of National Intelligence Avril Haines and Christine Abizaid, director of the U.S. National Counterterrorism Center, the administration official said.

Mr. Biden made the decision to order the strike at a July 25 meeting with top advisers, the official said, in which all the participants recommended going forward with it, a senior administration official said.

The official said that for several years, U.S. intelligence agencies had been aware of a supported the al Qaeda leader.

Intelligence agencies tracked several members of Zawahiri's family, including his wife and children, as they moved to Kabul. The U.S. then got confirmation that Zawahiri himself was in Kabul.

As with the 2011 raid that killed bin Laden, U.S. spy agencies built a replica of the house where Zawahiri was staying, and brought it to meetings with Mr. Biden and his aides, the official said. Specialists used the model to confirm that Zawahiri could be

killed in a missile strike without collapsing the entire structure and killing civilians, including members of his family.

A July U.N. report said there are two likely successors to Zawahiri: Saif al Adel, a former Egyptian military officer and a Zawahiri confidant who was involved in the 1998 embassy bombings, and Abdul al Rahman al Maghrebi, Zawahiri's son-in-law and the recent leader of al Qaeda in Afghanistan and Pakistan.

-Alex Leary, Michael Gordon and Esmatullah Kohsar contributed to this article.

### **A8** | Tuesday, August 2, 2022

# Company Remakes Its Town

Continued from Page One ity of life and cost of living. rather than nearness to offices. Some employers have boosted salaries or added signing bonuses to attract the workers they need.

While the job market remains tight, it is showing signs of cooling amid high inflation and rising interest rates. Wages and benefits continued to grow in the second quarter, but the broader economy is slowing. Some big companies have pulled back spending or curtailed hiring as they anticipate a slowdown.

Pella says it has an eye on the long term in its bid to attract more workers. The company says it needs hundreds of workers to fulfill its growth ambitions, which include doubling annual revenue by 2025 from 2020 levels.

'We've got very high ambitions in terms of where we think the company can grow," says Chairman Adam Farver, the great-grandson of the company's founders. "In order to stay in the community, Pella is going to need to grow."

Charting the city's future is no small feat. The company and the controlling sharefamily set aside roughly \$30 million for community redevelopment between 2019 and the end of this vear and it isn't clear how much spending is needed to reach their goals.

Iowa is among the states where population growth lags behind the national average and low unemployment has exacerbated the labor market strain. Iowa's unemployment rate was 2.6% in June, declining for six straight months.

The destinies of the two Pellas are intertwined—for now. The city of Pella's population, however, has been little changed for decades, and some residents fear changes brought by Pella, the company, could wreck what makes the small city special.

But not meeting Pella Corp.'s needs makes it a flight risk, potentially eroding the local tax base, according to city leaders. The city's annual budget is \$47 million, a fraction of the company's annual revenue of more than \$1 billion. Pella Corp. is able and willing to fund community projects that otherwise might never come to fruition, com pany executives say.

The steps Pella, the company, is taking evoke memories of old company towns, where employers shaped nearly every facet of community life. It pays for the city's annual fireworks production and its foundation donates to a range of local causes.

### **Dutch roots**

The city traces its roots to immigrants from the Netherlands settling in the area in 1847, nearly 80 years before Pete and Lucille Kuyper founded the forerunner to Pella—the Rolscreen Co. The company moved to its now hometown from Des Moines in 1926 and gained success selling window screens that roll up and down. Despite the close ties between the company and town, Rolscreen didn't take the name Pella until 1992.

City proponents are careful to maintain visible ties to Pella's Dutch heritage. One local McDonald's has fake shutters on its windows and gables decorating its roof, features that meet local design guidelines. The visitor's center is housed inside a windmill, one of several in town. This spring, Pella planted 130,000 tulip bulbs for its annual Tulip Time festival.

The city's main squaredominated by a "Tulip Tower" where each year a highschooler is crowned Tulip Oueen—is surrounded by Dutch store fronts, housing businesses from restaurants and bike shops to a full-service quilt shop.

Pella Corp.'s tastes, in some instances, are more modern. Some new construction funded by the family shareholders' group, including townhomes and a grocery store, feature few traditional Dutch design features, raising the ire of some residents. "If we're going to put up a building that's built from scratch, there's no harm in building it in a traditional Dutch aesthetic, right?" asks Shawn Thomas, a member of a group that works to preserve the city's historic buildings. Still, he appreciates the support the company has given over the years. "Pella puts a lot of money into this town, and it's put a lot of money in the right places."

The company says its designs reflect its brand while staying true to the city's heritage. Its headquarters campus, which anchors the south end of Main Street, features a three-story, red-brick office building, a product showroom and factory that churns out made-to-order doors and win-

### Labor pool

Pella says it will take time to increase its local workforce. Currently, about 2,550 people work for the company in the town, but only about 640 live there. The others live and the office from Des Moines



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'We've got very high ambitions in terms of where we think the company can grow.'

Chairman Adam Farver, great-grandson of the founders

commute in from neighboring Iowa communities.

"We can make an investment now knowing that the payback may not be next quarter and maybe in a few years," says Mr. Yaggi, whose company employs roughly 10,000 workers across 14 states.

Pella executives say the company tried more traditional solutions to boost its ranks. It raised pay, automated some tasks in factory work to widen the appeal, and doubled down on recruiting from the local high school and collegebut with limited success. Tapping a larger labor pool isn't easy. Some candidates relocating may fret about adjusting to life in an overwhelmingly white town with more than two dozen churches and two bars, they say. "We can bring in all the amazing talent from across the country, but if they get here, and they don't see themselves reflected in the community, they don't feel at home," says Nicolle Picray, a company spokeswoman.

Absent interventions from Pella, Andrew Kreifels says he wouldn't have joined the company. Mr. Kreifels moved here with his wife and two children from suburban Detroit earlier this year to run Pella's strategy and business development

After rounds of interviews, problems kept surfacing. He couldn't secure spots in local child-care centers, ending up on wait lists instead. Options for local housing were limited, he says, and the idea of at least a 45-minute commute to wasn't appealing. "If you've got a dual-career household, of your top 10 priorities, the first five are child care," says Mr. Kreifels. "I vividly remember saying to my now-manager, 'It's just too much, I don't think we can do it.' '

Pella had a plan. The company offered him corporate housing, a spacious colonial in the city, for a year. It also reserved two slots for the Kreifels' children in a local davcare center that the shareholder family paid to renovate and expand. Mr. Kreifels plans to stay in the housing until next spring when construction is scheduled to be completed on a home he and his wife purchased in the city.

'I would never have imagined us moving to a town of this size.

Executives and city leaders agree that a shortage of housing is a big barrier to growth. On a typical weekday, 5,000 to 6,000 people pour into the city for work at large employers such as Pella and farmingequipment maker Vermeer Corp., Mayor Don DeWaard

Employers nationwide, including meat-processor JBS housing in an attempt to address labor-market issues.

The shareholder family's in-

vestment arm bought 160 acres of farmland here for Prairie Ridge, a development aimed at creating more affordable homes. The median home price in Pella is \$339,750 as of July, according to real-estate brokerage Redfin Corp.

"If a house comes on the market, it's usually gone almost instantly," says Mr. DeWaard, who worked as a local real-estate developer before being elected in 2019. He says he recently sold his own house through word-of-mouth before it was officially on the market. People relocating might spend tens of thousands of dollars over the asking price to snag a home here, he says. "The odds ≝ of someone staying in the job are much higher if they live in the community where they work," says Mr. DeWaard.

Pella, the company, is also remaking the city to be more attractive for out-of-state recruits by covering construction and startup costs for some businesses.

### Poke bowls

One of those is Liberty Street Kitchen, a contemporary restaurant opened in 2019 that serves dishes such as poutine, tuna poke bowls and steak ramen stir-fry. Pella recruited a Des Moines-based hospitality organization to take care of hiring and running the new establishment, which sits inside a hotel along a short, artificial canal.

Liberty Street Kitchen has been a hit with Pella residents, packed for lunch and dinner most days. Like many businesses in town, the restaurant is hiring. The hourly rate for dishwashers starts at \$14, nearly twice the federal minimum wage and \$4 more than the starting pay at Jaarsma Bakery, just around the corner.

Jaarsma bakes Dutch letter pastries, almond butter cake and white walnut bars six days a week, but owner Lisa Larson says the pressure in the local labor market is intense. Several businesses along the town square feature "Help Wanted" signs. Ms. Larson, whose family has owned the bakery for five generations, says she has lost four new hires to Pella in the past year. "We get a lot of people who move to town and they work for us for a month or not at all, before they're like, 'Oh, I got the interview for the job that I really wanted' and ends up being at Pella Corp.," she says.

Jason Bandstra, owner of #DutchFix, a restaurant, says he employs dozens of teens, offering flexible hours and short shifts to secure staffing. "When we started this busi-USA Holdings Inc. and Walt ness, my wife and I under-Disney Co., are focusing on stood that Vermeer and Pella Corp. have exhausted the labor force in this community, and we were going to have to run be living here."

this place with high-school kids," he says.

Pella executives say there is little overlap between its workforce and the labor pool local businesses are hiring from. The company is offering \$3,000 sign-on bonuses for some roles on its warehouse and manufacturing operations team, according to its website. It is also seeking machinists, commercial truck drivers as well as a senior internal auditor.

Residents in Pella recognize the benefits of having the company deeply tied to the city, says Ross Davidson, pastor of Heartland Reformed Church. "Companies coming from somewhere else, you put a factory in because you got incentives, and when those incentives dry up, you find the next best place," says Mr. Davidson, who moved here from Michigan 20 years ago.

Heartland is one of Pella's smaller churches, but its congregation of about 125 spans generations and socioeconomic backgrounds, Mr. Davidson says. There is division among his members over whether or how much Pella should grow, and how growth may change the town.

"When we moved here 20 years ago, you would never see anyone cut their grass on Sunday," he says, as one example of how Pella is changing. "Now if I sit in the yard, on a Sunday afternoon, I can just see mowers running all over."

Pella, the company, is steadfast with its development plans. It recently committed \$6 million to help the city build a 90,000-square-foot recreation center, with three gyms, multiple pools and a rock-climbing wall. These efforts, executives say, will help woo talent.

Mr. Kreifels is originally from Iowa and never planned to move back when he left 16 years ago. Before Detroit, he lived in Philadelphia and Portland. "I would never have imagined us moving to a town of this size," he says.

Pella has its advantages, Mr. Kreifels says. He used to spend as many as three hours in his car every weekday between commuting to work and ferrying his toddler to daycare. It has been easier to make friends than in the big cities he's previously lived in.

The scale of Pella Corp.'s investments were confusing as an outsider, Mr. Kreifels says, but now that he's a resident, he understands why the company has been so proactive about filling in gaps in the town's amenities. "The conversation with friends and family is like, 'these people that you work for, why would they do all that?" he says. "And then once you get here, you realize, well, if they didn't do that, I probably wouldn't





The city traces its roots to immigrants from the Netherlands. Pella's annual Tulip Time festival, left, attracts many visitors; right, a canal runs through a plaza in downtown.

# England's Women Deliver

Continued from Page One

"This is what dreams are made of," Ms. Kelly said later. "I can't put into words what this means to every single one of these girls."

That hasn't stopped the country from trying. In the space of a weekend, the U.K. has gone gaga for the England Lionesses. More than half a century after the men's team won the World Cup, it took the women to end the title drought with a 2-1 victory over Germany at London's Wembley Stadium on Sunday. When the

team awoke Monday morning, possibly with a few sore heads, they found that they were suddenly national heroes.

More than that, the Lionesses taught the nation that rooting for England on the international soccer stage could actually be fun—instead of the usual psychodramas supporters became accustomed to with the men's team. Decades of traumatic defeats at World Cups and European Championships had conditioned fans for heartbreak, often caused by Germany (or in the case of

Euro 2016, by lowly Iceland). So when the release finally came, England commemorated it with a heaving celebration in the middle of Trafalgar Square and obligatory talk of royal honors for the team.

"I was watching the games more than I thought I would," said Matthew Johnstone, a 46year-old fan draped in an England flag. "The men's team would have cracked under the pressure.

The Lionesses, however, found that they had plenty going for them when it came to getting the British public onside. They competed hard. They wore their hearts on their sleeves. And most important, they won in plenty of style. Over the six games of the women's Euros, England scored 22 goals and conceded just two. This is not normal behavior for a team with the Three Lions on its jerseys. If football was coming home, in the words of England's favorite soccer anthem, then it had found the women to do it.

By Monday morning, they were splashed across the front of every English newspaper and leading every major news broadcast.

"Move over fellas," read the headline on the cover of the Sun tabloid. "It's come home."

England's performance in the final reached a peak audience of 17.4 million viewers on the BBC, plus 5.9 million on its streaming services, the broadcaster said. That made it the most watched women's soccer match in U.K. television history and the BBC's highest-rated broadcast of the year so far. (Reminder: This is also a year in which the queen celebrated 70 years on the throne, British weather went crazy, and a prime minister resigned.)

The irony is that for much of the past century, England had done its level best to ignore women's soccer. In fact, from 1921 until 1971, the professional women's game was effectively banned, despite a huge surge in popularity during World War I and the years

that immediately followed it. "The game of football is quite unsuitable for females and ought not to be encouraged," the sport's national gov-

erning body wrote at the time. But since the formation of the top-tier Women's Super League in England in 2010, the game has seen record investment, as the elite men's clubs made genuine efforts to professionalize the women's teams. Players gained access to higher-level coaching, better facilities and, for the most part, no longer had to work day jobs on top of their soccer careers. It's no surprise that the list of WSL champions reads like a roster of the richest clubs in England-Manchester City, Chelsea, Arsenal, and Liverpool.

The result was a more competitive national team that had the skill and the physical quali-

ties of full-time athletes. When the Lionesses needed an extra edge, though, they did what English teams have been doing for decades: They spent lavishly to import talent from abroad. England hired manager Sarina Wiegman in 2021, four years after she became a European champion with her native Netherlands. Since then, she has coached 20 games. She is still undefeated.

Before the legacy of this tournament could be measured, the Lionesses had some important business to attend to. As the new toasts of England, they needed to party all of Sunday night.

"Crazy. Lots of music, lots of dancing," a slightly bleary Ms. Wiegman said on Monday morning. "English people can

> –Sara Ruberg contributed to this article.

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# 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

hen 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 videodoorbell 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 activitybased 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 canabilities

"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 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.

tute at Northeastern University.

End-to-end encryption, while

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-

encryption. You can 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

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 pass-phrase—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-andrun is OK. Posting footage of someone walking through an unfenced front yard isn't.

# Heads Spin Over Inherited IRAs

By Ashlea Ebeling

iguring 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

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.

taking distributions.

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



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

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.

istributions.

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 yearend to see if the IRS or Congress makes changes.

**A10** | Tuesday, August 2, 2022

# Her Small Citroën Conquered the Alps

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, 置sleeping in our car. We would gmeet 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

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.'

> 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.

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### **HBO's 'Industry' Plays** To Generational Divide

By Ellen Gamerman

any frightening forces converge in **V** 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 50year-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 realworld 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

"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.

At one point, Eric is "promoted" to a corner office

to get money."

that he compares to a coffin. "It tells you something about how youth-obsessed the culture is that we're talk-

ing 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.



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

"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.

# ARTS IN REVIEW

**MUSIC REVIEW | MARK RICHARDSON** 

# **Comfortable** In Her Skin

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

rom 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.

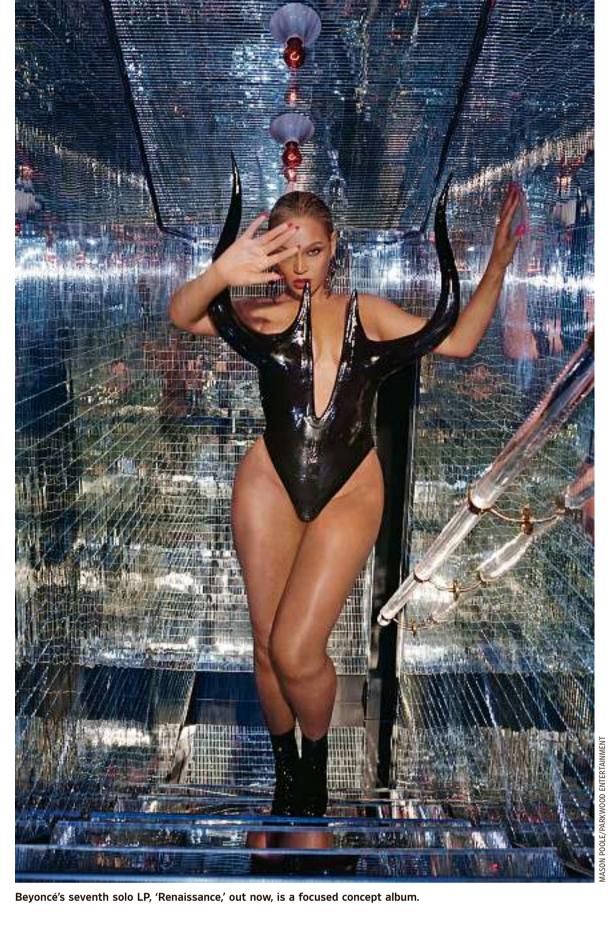
idea of the album as an ecstatic space for personal expression. "Bring that beat in / I can breathe again," she sings partway through the track. The drums kick in shortly after and rarely let up over the record's hour.

"Cozy" features contributions from producer Honey Dijon, and it's steeped in her style of propulsive, syncopated, Chicago house. The coziness 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



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 relentless 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.

1 Let off steam

2 Way off

for one

12 Craze

4 Pitching stat



### Weather AccuWeather | Discover our app Shown are today's noon positions of weather systems and precipitation. Temperature bands are highs for the day Edmonton 60s 60s 0s 10s 20s 30s 40s 50s 60s 60s 70s 70s 80s 90s 100+ 100s Rain Warm Cold 80s T-storms 50s Stationary Snow Flurries 50s Ice City Hi Lo W Hi Lo W

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Austin	102	75	pc	102	75	рс
Baltimore	92	70	pc	92	74	S
Boise	90	70	t	96	70	S
Boston	90	73	pc	83	72	рс
Burlington	82	61	t	87	71	C
Charlotte	93	72	pc	95	73	рс
Chicago	86	78	S	93	72	t
Cleveland	76	65	pc	91	75	рс
Dallas	102	83	pc	103	81	S
Denver	95	65	pc	90	68	рс
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	рс
New Orleans	88	77	t	87	77	t
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Oklahoma City	100	79	pc	101	76	S

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Orlando	94	75	t	92	75	t	
Philadelphia	92	74	pc	93	77	S	
Phoenix	105	87	рс	104	84	C	
Pittsburgh	80	62	t	88	72	S	
Portland, Maine	83	65	pc	80	64	рс	
Portland, Ore.	86	60	S	85	61	C	
Sacramento	97	65	S	100	67	S	
St. Louis	97	80	t	97	76	S	
Salt Lake City	87	70	t	92	75	рс	
San Francisco	72	59	pc	73	58	S	
Santa Fe	88	60	pc	87	60	C	
Seattle	78	56	рс	77	58	рс	
Sioux Falls	100	74	S	91	61	S	
Wash., D.C.	91	73	рс	90	75	S	

Sacramento	97	65	S	100	67	S	Johannesburg	60	43	рс	60	4
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San Francisco	72	59	pc	73	58	S	Manila	90	79	t	91	7
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Seattle	78	56	pc	77	58	pc	Mexico City	74	57	sh	77	5
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Athens	93	78	S	92	78	S	Seoul	86	79	r	88	7
Baghdad	121	85	pc	121	89	pc	Shanghai	96	84	t	97	8
Bangkok	90	80	t	90	80	t	Singapore	86	78	sh	85	7
Beijing	95	79	S	97	79	pc	Sydney	66	53	S	74	6
Berlin	82	65	pc	92	70	pc	Taipei City	86	79	t	93	80
Brussels	82	63	pc	88	65	S	Tokyo	94	83	pc	94	7
Buenos Aires	59	51	pc	60	49	C	Toronto	79	60	pc	85	7.
Dubai	106	94	S	106	93	S	Vancouver	73	60	S	72	60
Dublin	75	57	sh	67	49	pc	Warsaw	77	61	pc	80	60
Edinburgh	74	58	C	68	51	рс	Zurich	85	59	рс	90	6

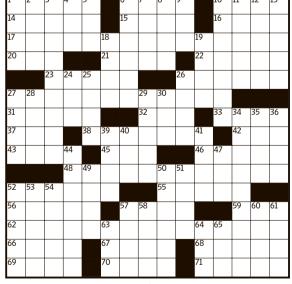
Frankfurt

Havana

Jakarta

Hong Kong Istanbul

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



### **ENDING** | By Dan Caprera

27 \*"All My Sons

playwright

32 Little squirt

33 As a result

38 \*CEO who

37 Granola grain

this then?!'

Thüringen

43 Three, in

45 "Goooooo,

team!"

31 Paper packages

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1 Was dashing, say
6 Trivial quarrel
10 Fictional seller of anvils
14 Blazing
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82

- 15 2009 Bevoncé
- hit 16 Word often
- 17 \*Alt-rocker with the 1995 Top 10 hit "Carnival" 20 Have a go at 21 Insulting remark
- 46 Shady shelter 22 Eagle's nest 23 Recital highlights 26 2009 James Cameron film
  - Soul 52 Steinway with a seguel due in December products
    - 48 \*Grammy winner nicknamed "Empress of
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56 Remove, as from

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59 Support

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- 71 Porky Pig's lack ► Solve this puzzle online and discuss it at WSJ.com/Puzzles.

70 Nix

36 Do a laundry chore 3 Medieval Venice, 39 Plans for some 40 "Spy vs. Spy"

good...

35 "That can't be

- 5 Neighbor of Md., magazine N.J. and Penna. 41 Title role for
- 6 Belief in a higher Welles 44 Sets ablaze 7 Poetic foot
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- by a bent arrow 52 Penguins' projectiles 18 Lab assistant of 53 Utterly
- laughable 19 Give in 54 Potential REM 24 Unit of
- interrupter resistance 57 Skilled 25 Salacious sin 58 Dressmaking
- 26 Soprano-tenor go-between measurement 27 Former Yankees 60 Monthly superstar
- familiarly 61 Seeks info 28 Bum 63 Crank (up)
- 29 Up to scratch? 64 One of six in a 30 Londoner's lav fl. oz. 34 Mischievous imp 65 Copying



# **SPORTS**



# Watson Suspended for Six Games

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

By Andrew Beaton

leveland 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

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 out-

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 yearlong 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 toand 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.

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

Ever since the accusations

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

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 Wat-

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 vear.

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."

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 the greatest sports books ever written-brutally 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.

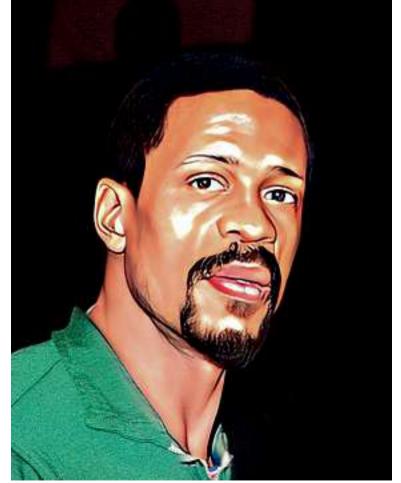
He was a man. It was not a declaration of modesty, but a demand of basic respect. Russell, who died Sunday at age 88, is inarguably one of the greatest athletes in the history of team sports, collecting 11 titles in 13 seasons with the Boston Celtics. But Russell's essential legacy is his lifelong insistence 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 domianance by widening the foul lane ≦to the NBA in an era when a rival club owner could discuss quotas sand 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 humiliationsthe 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 Heinsohn, 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.

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# **OPINION**

# From Pandemic to Pandemonium



**GLOBAL** By Walter Russell Mead

the years of global pandemic. So far, 2022 is looking like a year of global pandemonium. It began with Russia's invasion

The past two

were

of Ukraine and has gone on to feature rising tensions between the U.S. and China, the collapse of the Iran nuclear deal, and a budding economic crisis that has set off inflationary spirals, financial panics and even political upheaval around the world.

Trapped between rising geopolitical tensions and deteriorating economic outlooks, none of the world's major powers are in a good place today. China, where aggressive zero-Covid policies continue to exact massive social and economic costs, faces its gravest financial crisis yet as it struggles to manage the biggest real-estate bubble in world history. Japan's foreign minister told Washington think-tankers last week that the "logic of brute force" was replacing the rule of law in Japan's part of the world even as slow growth, demographic decline and a weak currency raise doubts about Japan's long-term prospects.

Rising food and fuel costs pose major problems for India's economy. With Pakistan and Sri Lanka embroiled in political and economic crises, China pressing on the border, Afghanistan on the boil, and pass many more \$40 billion still marinating in Obama-era

Myanmar's civil conflict growing bloodier and more bitter, India's home region is less stable than at any time since Bangladesh's war of independence in 1971.

Europe is faring no better. The war in Ukraine has plunged the Continent into its worst crisis in decades. Germany is looking at the collapse of the economic and geopolitical assumptions that have guided its policies and underwritten its prosperity since the end of the Cold War. France can neither reform itself nor shape the political environment beyond its frontiers. Brexit backers in the U.K. had hoped that in a rapidly globalizing world a Britain freed from the constraints of European Union regulations could become a vital offshore financial center enjoying close relations with Russian and Chinese firms. In today's deglobalizing world, that dream has faded, and it isn't clear how or whether Britain can make Brexit work.

The Biden administration has so far struggled to rise to the occasion. Sadly, that difficulty could be with us for a while. The president's abvsmal poll ratings and the prospect of losing at least one chamber of Congress in the midterms limit the White House's political authority at home and undercut its power abroad. The combination of bad domestic economic news and challenging events overseas doesn't bode well. Few observers think that a beleaguered administration can

aid bills for Ukraine through ideas that are even less suited Congress. How, in the absence of such aid, Washington can were five years ago. help Kyiv bring its war against Russia to a successful conclusion is a question without easy answers.

Especially striking is the virtual absence of strong American economic leadership at a time of global crisis. In past world economic crises. Americans such as Paul Volcker, James Baker and Robert Rubin provided crucial intellectual and policy leadership.

### Amid the latest crises, governments pursue national interests above global values.

If the White House or the Treasury Department has a compelling and practical agenda to put the global economy back on course, it has yet to be revealed to an anxious world.

Part of the problem is structural. What Charles Krauthammer called the "unipolar moment" in world history, the era of American supremacy that followed the Cold War, is over, and it is harder for any American president to shape world events when faced with active and powerful adversaries out to break up the American order. But the problem is intellectual as well. Too many of the Obama veterans filling key Biden administration posts are

to conditions today than they

To take just one example, the mere existence of common threats doesn't inspire the nations of the earth to common action. The 2020 pandemic made governments more nationalistic and inward-looking. So far, the pandemonium of 2022 is having the same effect. Countries respond to threats like the Iranian nuclear program, climate change and Russia's attack on Ukraine based on their assessment of their national interests much more than on their respect for global values.

Both the Obama and Biden administrations overvalued the importance of sweet reason in international affairs. Foreigners, even friendly ones, are often less impressed by American arguments about common interests and global goals than by their assessments of American power, shrewdness and will. Good intentions matter less than success.

President Biden can still put his administration, the country and the world on a more hopeful course. But you can't fix a problem until you acknowledge you have one. Until and unless Team Biden can shake off the failed assumptions and habits of the Obama years, American foreign policy seems fated to flounder as geopolitical and economic storm winds continue to rise.

William McGurn is away.

# Planned Parenthood's Politicized Diagnosis

By Erin Morrow Hawley

ince the Supreme Court overturned *Roe v. Wade* in June, abortion advocates have been insisting that pro-life laws threaten women's health. Yet Planned Parenthood's own website has already debunked many of these arguments, explaining that treatments for medical conditions such as ectopic pregnancies and miscarriages aren't abortions.

Then Planned Parenthood changed its website in mid-July, promoting a false narrative that proves many in the abortion industry care more about advancing a political agenda than about women's

In July abortion advocates argued at a congressional hearing, in which I testified on the other side, that laws protecting the unborn threaten women's health by preventing physicians from offering common pregnancy treatments. Rep. Avanna Presslev (D., Mass.) suggested that the treatment for an ectopic pregnancy was the same thing as an abortion. Witnesses said that women would be unable to access lifesaving medical treatment in

cases of emergency. Yet Planned Parenthood's own website used to say. "Treating an ectopic pregnancy isn't the same thing as an abortion." After abortion advocates insisted that post-Roe pro-life laws might interfere with treatments for ectopic pregnancy, Planned Parenthood altered its medical definition to fit the narrative. Today, its to treat ectopic pregnancy or unlikely to take ACOG's lanwebsite says: "The medical procedures for terminating a pregnancy in the uterus are usually different from medical procedures for terminating an ectopic pregnancy.

Planned Parenthood was right the first time. Legally, abortion is the intentional termination of a human life. The treatment for an ectopic pregnancy isn't an abortion because its purpose isn't to end a human life. Similarly, every state provides that lifesaving

The group's website used to tell the truth about treatment for ectopic pregnancies.

treatment for a pregnant woman isn't an abortion. When these tragic circumstances occur, a physician does everything possible to ensure the survival of both the mother and the baby.

The argument that physicians might refuse lifesaving medical care due to fear of prosecution is a red herring. Physicians who provide emergency medical care to a pregnant woman, or who treat an ectopic pregnancy or miscarriage, don't violate any state abortion law. Many states, such as Mississippi, leave the question of lifesaving necessity up to the physician's goodfaith judgment. Further, while only a fraction of OB-GYNs perform abortions, procedures

miscarriage, while tragic, are routine. Doctors can distinguish between tragic circumstances and intentionally ending a pregnancy.

Planned Parenthood's reversal is consistent with other efforts to suppress inconvenient truths by adapting medical terminology to advance political purposes. The American College of Obstetricians and Gynecologists, an organization of medical specialists who bring unborn children into the world, has long denied that those children have a right to life. ACOG's position on aborany legislative restrictions on abortion.

In March 2022, ACOG released its Guide to Language and Abortion. In the guide, the risk of miscarriage drops ACOG recommends avoiding word "baby" or the phrase "unborn child." ACOG also insists on supporting partial-birth abortion, rejecting the word "dismemberment" in favor of "dilation and evacuation procedures" (those terms mean the same thing—the tearing apart of a baby during an abortion procedure). The organization even refuses to use the word 'woman" in its abortion policy. Finally, given the recent passage of state laws protecting unborn children after a detectable heartbeat, ACOG modified its guide to advise OB-GYNs against referring to a "heartbeat." ACOG recommends that doctors say "fetal cardiac activity."

Practicing obstetricians are

guage guide seriously. Imagine a physician telling the excited parents, "Look, here's your embryo's fetal cardiac activity!" That would be terrible bedside manner, but it is also terrible science. Basic biology confirms that human life begins at conception. Embryologists agree that at fertilization a human being emerges as a genetically distinct member of the species Homo sapiens, needing only a proper environment to flourish. ACOG's wordsmithing is an attempt to avoid humanizing unborn children.

Pregnant women know that tion is extreme. It is against the presence of a heartbeat is significant. It is an assurance that the most vulnerable part of pregnancy has passed. Once a child's heartbeat is detected, dramatically, to less than 2% after eight weeks.

> ACOG's guidance is another linguistic about-face. In 2017 it opposed a House bill that, in ACOG's words, banned "abortion after the detection of the fetal heartbeat, which occurs as early as six weeks gestation." The new language is all about politics.

> That Planned Parenthood and ACOG are willing to modify medical terms shows they are more committed to their politics than to providing women with accurate medical information or good healthcare.

Ms. Morrow Hawley is a senior counsel for Alliance Defending Freedom and an associate professor of law at Regent University.

# The Zelenskys' Defiant Vogue Cover

By Melik Kaylan

spectacle he Ukraine's president and first lady being featured in Vogue along with a glossy photo shoot by the celebrity portraitist Annie Leibovitz has triggered outcry from a predictable chorus of Western scolds. How can the Zelenskys indulge in such frippery when there's a war on? Surely they have more urgent demands on their time. This is how they repay all our donations? And, of course, there's the wokier fringe inveighing with heated objections to the heteronormative nature of the pairing, not to mention (gasp) the implicit wife-as-helpmate symbolism.

Yet the actual profile and interview, ostensibly centered on Mrs. Zelensky (Olena Zelenska), comes across as sober. gritty and thoroughly focused on Ukraine's struggles. Nor do any of the photographs appear flamboyant or loudly

fashion-conscious. Lacking fashion, food, cafes, good con- of subject cultures. any substantive cause, the clamor seems to have been largely provoked by the quietly confident elegance on display.

Vladimir Putin is also intent on erasing this sort of image of Ukraine, contending that the country is merely a wayward part of Russia. Ukrainians should take every opportunity to reassert

Western scolds echo Putin's scorn for Ukraine's love of life.

cultural particularity in distinction from their grimly power-obsessed antagonists. Ukraine, unlike Russia, doesn't feed its populace delusions of empire in place of the good life. One might think of it as the Italy of the Russosphere, not excluding its flaws and inefficiencies. Free expression,

versation, the habit of hope, and attractive friendly folk are common in Ukraine. There's a love of life and of making life lovable, which is grievously lacking in the colder, harder wastes further north. Nobody has to be dominated to make survival more possible or pleasurable for others. The fashion industry is also a recognizable force in Ukraine, one that is noted in the world and applauded-beautiful models, a vibrant art scene, design, aesthetic care and the like.

Zelensky's message can be interpreted as: Look, this is what they're out to destroy, not just in us but in the world—a love of beauty, the dolce vita ethos.

The Kremlin believed that Ukrainians were irredeemably soft exactly because of own. their penchant for the good life, what the old leftist ideologues would have deemed a culture and the arts for the colonialist's "feminized" view

It turned out that Ukrainians of both sexes were willing to fight and die to uphold their culture. They refused to let Mr. Putin erase them, and not simply in terms of buildings or institutions but in the enduring celebration of joy and panache and good taste, a provocative defiance to Russia, which considers itself the height of culture. You can be sure that the psychological lesson isn't lost on Moscow's nihilistic bullies.

Yet it seems to have been To put it another way, Mrs. entirely missed by the Western killjoys who see the Zelenskys as violating a wartime moral imperative to drape everything in a relentless gray. They shouldn't be helping Mr. Putin wipe away Ukrainian cultural traits simply because they don't conform to their

Mr. Kaylan writes about

**BOOKSHELF** | By Joseph C. Sternberg

# Whose Money Is It Anyway?

### The Fed Unbound

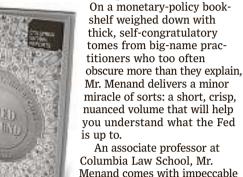
By Lev Menand

(Columbia Global Reports, 173 pages, \$15.99)

he Federal Open Market Committee last week raised interest rates by another three-quarters of a percentage point. Federal Reserve Chairman Jerome Powell then delivered an hourlong market-moving press conference, replete with argle-bargle about neutral and terminal rates, meeting-by-meeting adjustments, narrow landing zones and much more. The average viewer was left with the impression of a momentous event for the economy, while having very little idea of what actually happened.

Don't feel bad about that last bit, dear reader, since it's not obvious the Fed knows what's going on either. In a very real sense the Fed has lost control of those areas it ought to manage, while constantly trying to expand its role into those areas it ought not to manage.

This is the important story to emerge from Lev Menand's "The Fed Unbound: Central Banking in a Time of Crisis."



An associate professor at Columbia Law School, Mr. Menand comes with impeccable credentials, having worked at the Federal Reserve Bank of New York, in the Treasury Department

during the Obama administration and on the Biden-Harris presidential transition team.

His argument is simple: Since the 1950s, the Fed has steadily eroded its core authority over the American monetary system, creating conditions that now make it near impossible for the Fed to perform its central functions. The problem is money creation. As Mr. Menand explains, the Fed does not create most of the money in the U.S. economy. The private sector does. The Fed has tolerated dangerous changes in the way this is accomplished.

When you take out a mortgage, say, your bank credits your account with dollars that did not previously exist. It's a neat trick, and the government comes into it mainly by way of imposing constraints. The Fed can require your bank to hold a certain proportion of previously existing dollars in reserve against the new dollars it creates for your home loan; the availability of these reserves would then limit your bank's ability to lend. The Fed also allows chartered, and therefore regulated, banks to borrow from the central bank when they're in distress. This combination of a bank's submission to government rules and its access to Fed credit gives other institutions the confidence to accept a bank's made-up digital money when a depositor transfers it elsewhere in the economy.

Mr. Menand lists the good historical reasons for the adoption of such a monetary system. Going back to England in the 1690s, the ability to create new money was recognized as both vital to economic expansion and too important to be left solely to a government that could be foolish or corrupt. Bank-led money creation, hemmed in by complex regulatory and economic checks and balances, could provide the economy with the money it needs to grow while allowing the market to manage money's allocation fairly and efficiently

There are many good reasons to decentralize the power of money creation. But the Federal Reserve has let things get out of hand.

The Fed has helped to erode this system by tolerating, since the mid-20th century, the expansion of a wide range of nonbank money creators. It has extended its lender-of-lastresort backstop—the keystone of the monetary system—to dollars created by money-market funds, insurers (such as AIG), and even foreign entities via swap arrangements with other central banks that lend Fed-credibility to dollars created abroad. "The Fed was not built to manage a monetary system that relies on these financial enterprises," Mr. Menand writes, "but unless it is willing to risk a Second Great Depression, it is often pressed to rescue them when they get into trouble.'

Each intervention has stimulated even more growth in nonbank money creation. As Mr. Menand notes, in 2008 nonbank money accounted for \$15 trillion of the U.S. money supply, as compared to \$7 trillion in traditional bank deposits and \$1 trillion in physical cash. The author could have added that, in response to catastrophes such as the Bear Stearns and Lehman Brothers implosions of 2008, Congress and regulators have piled ever more costly regulations onto true banks. This only further discourages money creation by the entities that are supposed to be doing it, while encouraging more money creation by entities that aren't supposed to be doing it.

Despite occasional complaints, Congress has happily allowed the Fed to facilitate the explosion of nonbank money creation. Lawmakers bask in the benefits of a rapidly expanding money supply, blame the Fed for bad inflationary or recessionary outcomes, and disclaim the responsibility and hassle of understanding or properly regulating the monetary system, let alone devising an alternative.

What is to be done? Mr. Menand seems enthusiastic about central-bank digital currency, which would allow individuals to open new retail bank accounts directly with the Fed. This would reregulate money creation (which the Fed would do directly), but at the cost of the political and economic problems that prompted the development of the bank-led monetary order in the first place. The author's plea for Congress to create fiscal "stabilizers" to soften economic downturns feels like part of a very different policy debate. This might ease pressure on the Fed to act whenever recession threatens, but that's separate from whether the Fed has the proper authority to do what it already has done.

For now, a good start would be to refuse to bail out crypto investors as those digital currencies collapse in value—thus fencing off that new market outside the monetary system. Any broader solution will have to run through Congress, which will have to rebuild its own monetary-policy credibility after supinely tolerating the Fed's destabilizing expansion of its remit. As hallowed as the concept of central-bank independence has become, five decades of serial monetary disasters are enough to make one suspect monetary management is too important to be left to the Fed alone.

Mr. Sternberg, a member of the Journal's editorial board, writes the Political Economics column.

### **OPINION**

### REVIEW & OUTLOOK

### Nancy Pelosi's Taiwan Straits

dangerous new era.

Taiwan on her Asian trip this week, and Beijing is promising an unspecified military response if she does. We A Chinese military hope the White House is ready response will signal a

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 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-

ancy Pelosi seems determined to visit 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

A U.S. drone strike kills

Osama bin Laden's

former deputy in Kabul.

t took nearly 21 years, but the U.S. finally removed al Qaeda leader Ayman al-Zawahiri from the terrorist battlefield. President Bi-

den 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 71year-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 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. 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

jihadists 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

Will they vote to repeal

a Biden rule that

blocks public works?

ermitting headaches for public works 
Circuit Court of Appeals panel tossed a permit are a bipartisan complaint. So we won-

Republican colleagues in voting to reverse a Biden Administration rule that adds costly new roadblocks?

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

for the Mountain Valley gas pipeline because the der: Will Democratic Senators join their Fish and Wildlife Service did not consider the

"cumulative" impact of nonpipeline construction on two endangered species.

The judges said the agency should have evaluated how the pipeline—in conjunction with road improvement, urbaniza-

tion, 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

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 extensive 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 airconditioning system. Even well-insured black women have a higher maternal-mortality rate than white women. The U.S. has a higher infantmortality rate than almost all other developed countries.

We call these factors the social determinants of health. This is life-ordeath 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 diversity 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 emergingmarket countries there are hundreds of robust evaluations of cash pay ments, 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. cashaid 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, de- 28) reminds me of an old friend lost livered 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

### 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 squaredaway state trooper told me that recruitment has become significantly more difficult in recent years.

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.

Cincinnati

### 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

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

to a Montana highway, and puts a

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.

### Young people who might have been 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



"Do you wish to hold now or later?"

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Marc Elias's Curious Idea of 'Democracy'

**And Jason Snead** arc Elias, the leading Democratic election lawyer, complains that 'a dangerous theory will have its day in court" this fall. That's rich—he was instrumental in bringing it there by litigating the case that raises it. But

'body blow to our democracy." Moore v. Harper is the product of a nationwide campaign, led by Mr. Elias, to mow down state election laws that make it easy to vote but hard to cheat. That effort is a large part of the reason the Supreme Court felt the need to weigh in.

his dire warnings have attracted plenty of support. The headline of a

Washington Post op-ed by a trio of

legal scholars blares the threat of a

### Democratic lawyers seek to hijack elections via state judges. The Supreme Court has a chance to stop them.

After North Carolina gained a House seat in the 2020 census, the state's Republican-controlled Legislature drew a new congressional map. Mr. Elias and his clients petitioned state courts to toss out that map as unduly partisan in violation of the state constitution—a legal theory the North Carolina Supreme Court had rejected as unworkably open-ended in 2015.

This time, citing a handful of clauses plucked seemingly at random from the North Carolina Constitution, the state supreme court invented a new, judicially enforceable prohibition on so-called partisan gerrymandering. It used this newfound power to toss out the Legislature's map and replace it with one of its own design, along the lines Mr. Elias's experts proposed.

Which brings us—and Mr. Elias—to the U.S. Supreme Court. The U.S. Constitution's Elections Clause provides that the "manner" of conducting congressional elections must be "prescribed in each state by the legislature thereof." As Justice Samuel Alito has noted, the clause "specifies a particular organ of a state government." It doesn't assign this authority to the state as a whole. That necessarily limits the power of state courts and executive-branch officials to override lawmakers'

Until about a decade ago, state legislatures were in the driver's seat on election laws. But as Republicans took majorities in state capitals around the country, Democrats bowed out of the legislative process, turning to state officials and state courts instead. Through backroom deals, they persuaded election officials to drop ballot-integrity regulations, open up drop boxes, and loosen deadlines. When deal-making didn't work, they asked state courts to rewrite election laws wholesale, typically based on vague language in state constitutions like the declaration in North Carolina's constitution that "all elections shall be free."

The pandemic accelerated this process in 2020. Through settlements and litigation, Mr. Elias and his colleagues wielded a massive budget to sustain a campaign of litigation that forced states to adopt



Democratic election-law priorities against the will of the legislature. Covid became an excuse to upend the law, but the end result was widespread chaos driven by ever-shifting rules intended to benefit one side.

Harper v. Hall, as the North Carolina case was styled in state court. was the next logical step. If state courts are willing to draft their own election codes, why not their own maps too? Never mind that years of litigation had proved, as the U.S. Supreme Court observed in Rucho v. Common Cause (2019), another case from North Carolina, that there is no "clear, manageable, and politically neutral" legal standard for partisangerrymandering claims.

That was a federal case, so it didn't address the limits on state judges' power. Moore gives the justices an opportunity to do so, with respect to voting rules as well as redistricting. The idea that honoring the Constitution's limits on state judicial power is a threat to democracy is risible. When state legislatures make laws governing federal election law, their power is subject to all the limitations of the U.S. Constitution and federal statutes, including the 15th Amendment and the Voting Rights Act, which prohibit racial discrimination.

The shrillest critics of the appeal in Moore assert that state legislatures simply can't be trusted and have to be closely supervised by state supreme courts. They point to Donald Trump's failed attempts to work state legislatures to swing the vote in his favor following the 2020 election, by disregarding the Election Day result and appointing pro-Trump electors. Yet no state legislature did Mr. Trump's bidding. No state election law on the books today gives state legislatures an openended power to disregard the popu-

and presidential electors, and there's no indication of any serious attempt to enact such a

Further, it would violate federal law. Like the Elections Clause, the Electors Clause, which governs presidential elections, gives state legislatures power to set the "manner" of choosing presidential electors. But that power is tempered by Congress's authority to set "the time of choosing the electors." Federal law plainly states that presidential electors "shall be appointed" on Election Day. So although a state legislature has broad leeway in setting the rules for the presidential vote, it can't change the rules, or

nullify the voters' decision, af-Election Day. Moore won't change that.

Moore's real threat is to partisan election lawfare and the gravy train that the Elias Law Group, 70 attorneys strong, is riding. The real threat to democracy is cynical "voting rights" litigation brought to sway election outcomes and the many ways that it undermines the administration of the vote and public confidence in the electoral process. And what could be fairer or more neutral than following the Constitution, or more democratic than leaving the matter to elected lawmakers?

Mr. Rivkin practices appellate and constitutional law in Washington. He served in the White House Counsel's Office and Justice Department under Presidents Reagan and George H.W. Bush. Mr. Snead is executive director of the Honest Elections Project.

# 'Inflation Reduction Act' Is an Insult to Used-Car Salesmen



**FREE EXPRESSION** By Gerard Baker

ust as some claims made in business are so self-evidently fictitious that even the most shameless of hucksters will recoil from articulating them, so some propositions advanced in politics are so dishonest that even the most mendacious politician will avoid association with them.

Then there's the Inflation Reduction Act of 2022.

If you've ever been convinced by a used-car salesman that the 20-yearold rusting hulk out back with the dodgy chassis and the blue smoke pouring out of the exhaust is a "reliable pre-owned bargain," you're going to love the Inflation Reduction

This, you will know, is the new name that has been conferred by Senate Democrats and the White House on the remnants of the old Build Back Better bill, the vastly ambitious tax-and-spending measure that was nearly foisted on an unsuspecting American public last year in the middle of a pandemic.

Like that lemon sitting at the back of the dealer's lot, it's been given a little touch-up, a fresh coat of paint, a reduced price tag and a bright new description. The master plan that was going to save the planet from extinction a year ago has been repurposed as a fully functional inflationfighting weapon, laser-focused on reducing price pressures in the American economy.

I'm being a little unfair to usedcar dealers. Surely not even the most opportunistic of charlatans would take his customer for that kind of a

Start with the premise for the principal claim in the bill—namely that the package of \$739 billion in tax increases and reduced outlays and a little \$433 billion in new spending will produce a "historic" \$300-plus billion reduction in the federal deficit over 10 years "to fight inflation."

True, deficit reduction should, other things being equal, reduce aggregate demand and inflation. We'll come to the economic wisdom and plausibility of the specific measures shortly, but it is worth noting that, in the very first sentence of their summary, the Democrats hand up a selfindictment of almost everything they've been doing in the 18 months since the party took the Senate and the White House.

If a bill that reduces the deficit by \$300 billion over 10 years represents "inflation reduction," what are we to make of a law Congress passed last year that increased the deficit by an estimated \$1.7 trillion in less than two years?

### Democrats hide a power grab behind a purported solution to a problem they themselves caused.

If we are in the business of renaming legislative measures with a bill that is going to reduce inflation through deficit reduction, can we now all agree to call the American Rescue Plan of 2021-which added six times as much to the deficit in one-fifth of the time—the Inflation Acceleration Act?

Then take a look at what the Democrats' new bill actually achieves in deficit reduction.

Because the spending provisions

kick in more quickly than the revenue-raising provisions, the bill would actually increase the deficit in its first few years. According to the Penn Wharton Budget Model, it would begin to reduce the deficit only in 2027.

So the Inflation Reduction Act sold to Americans on the basis that it will reduce the surging inflation the Democrats themselves helped unleash-won't even have any downward effect on the deficit for five years. I'm skeptical about the average lawmaker's ability to predict the inflation rate in five years, but if we have to wait until 2027 to get on top of the current cost-of-living crisis. we are in trouble.

As for those tax increases that kick in straightaway, especially the minimum corporate tax rate, not only are they outweighed by the spending increases, but they make no sense at all for an economy that is clearly contracting at an alarming pace

Democrats claim that some measures, such as enabling Medicare to negotiate drug prices, will tamp down inflation. But that's largely speculative, and the independent Penn Wharton analysis sees no overall impact on inflation.

Of course it doesn't. That's not

what the bill was ever intended to

Tear off the absurd Inflation Reduction Act label, and behind it, you will see—illuminated by the excited glow of media coverage of the Democrats' premature victory laps-exactly what it is: another large plank in the Democratic plan to "re-engineer " the U.S. economy, with another hefty expansion of government, disappointingly enabled in part, by the way, by congressional Republicans, who cleared a path for it by helping pass another bill, subsidizing semiconductor producers.

The left's increasingly shrill claims of a climate "emergency" have always been a thin veneer to cover their ambitions to take over large swaths of the American economy.

It all amounts to a breathtaking piece of policy-making chutzpah worthy of the most unscrupulous salesman's patter: Having created the inflationary mess in the first place, Democrats now aim to con the country into believing that they're cleaning it up, even as they steal a further march in their plan to remake the country.

If anyone thinks that's what America voted for two years ago, I have a used car to sell them.

# What Happened to That 'Emergency' Covid Money?

By Allysia Finley

he White House is importuning Congress for \$31.4 billion to buy more Covid-19 treatments, tests and vaccines. Yet asked last week whether President Biden wanted Democratic leaders in Congress to include the Covid money in a budget-reconciliation bill, administration officials demurred.

Two days later, Senate Majority Leader Chuck Schumer and West Virginia Sen. Joe Manchin unveiled a \$739 billion reconciliation deal dripping with climate grease. Somehow the Covid money, which the administration has insisted for months is urgently needed, didn't make the cut. Is subsidizing Teslas a higher Democratic priority than protecting the vulnerable?

Possibly. But the truth that should be increasingly apparent to Americans is that Democrats con-

sider Covid an emergency only when it's politically convenient that is, when they can use it to attack their political opponents or expand the size and scope of government.

It's worth rehashing the administration's grave warnings in March about impending shortages of vaccines, tests and medications. Unless Congress provided tens of billions of more dollars pronto, the administration warned, it wouldn't be able to procure booster vaccines, sufficient treatments for immunocompromised individuals and desperately needed antivirals.

The U.S. would also soon run out of lifesaving monoclonal antibodies, and tests could be in short supply because the administration wouldn't have the funds to support domestic testing capacity. Yet none of the White House's Chicken Little warnings came to pass. Nor are

they likely to this summer.

Only about three million of the 20 million courses of Pfizer's antiviral Paylovid that the administration has ordered since last November have been prescribed. The administration was late to place the orders, which resulted in shortages during the winter Omicron wave. But as Pfizer has delivered more doses in recent months, uptake has been

One reason is Paxlovid is authorized only for patients who are deemed high-risk—Pfizer's trial didn't show a statistically significant benefit in younger patients without health conditions—and more than two-thirds of patients over 65 are prescribed a drug that interacts with the antiviral. Many can't quit their other medications to take Paxlovid since they could experience withdrawal.

Eli Lilly's monoclonal antibody, bebtelovimab, provides a treatment alternative. Yet despite White House warnings, there has been no shortage of the drug. In late June, Lilly said the existing U.S. supply was expected to last through August. At the same time, the administration ordered an additional 150,000 treatment courses at a cost of \$275 million to be delivered no later than Aug. 5.

Meantime, hundreds of thousands of AstraZeneca's Evusheld prophylactic treatment for immunocompromised patients are sitting on shelves at hospitals and infusion centers. The drug is intended to protect patients who mount a weak immune response to vaccines. While the administration has ordered 1.7 million courses, only about 400,000 have been administered.

Some providers have also been reluctant to prescribe it because of the administration's warnings about shortages. The administration has done little to promote it, prompting AstraZeneca to launch an ad campaign so the treatments don't expire and have to be thrown out. That's what has happened to tens of millions of mRNA vaccines in recent

### The White House calls for another \$31.4 billion. But it isn't in the Democrats' reconciliation deal.

Administration officials pondered recommending fourth shots for people under 50 this summer so unused vaccines wouldn't go to waste. But last week they instead announced plans to make "bivalent" boosters targeted in part at the Omicron BA.4 and BA.5 variants in September. The administration has ordered 66 million doses from Moderna (\$1.74 billion) and 105 million from Pfizer (\$3.2 billion).

As for Covid tests, the administration in May allowed U.S. households to order a third round of free at-home kits because the government's supply exceeded demand. Even so, officials still warned that Congress's "failure to provide additional funding for the nation's COVID-19 response" would crimp domestic test manufacturing.

Yet most at-home Covid tests the administration has procured were made in China by iHealth Labs, a California-based subsidiary of a Chinese manufacturer. U.S. taxpayers have no reason to support China's test-making capacity.

Now the administration is asking Congress for tens of billions of dollars for Covid. Republicans have refused to pass more Covid spending until the administration details how it has spent the money in Democrats' \$1.9 trillion American Rescue Plan Act of March 2021, only \$16 billion of which was specifically allocated for vaccines and therapies.

Most of the money in the March 2021 measure went for transfer payments such as stimulus checks, child tax credits and enhanced unemployment benefits. Yet the administration has found spare change in other funding buckets to buy additional booster vaccines. Where else is there spare change? The administration won't sav.

It says it wants more money so it can invest in next-generation antivirals, nasal vaccines and a vaccine that works against myriad future variants. But if these projects were truly important, the administration would have pressed Mr. Schumer to include them in the reconciliation

Instead, Mr. Biden and Democrats seem to be setting up Republicans to blame for any Covid problems that arise this fall, including those that are the administration's fault. But good luck explaining to Americans why building windmills is a bigger imperative than fighting Covid. The unavoidable conclusion is they don't even take seriously their rhetoric that the virus still constitutes an emergency.

Ms. Finley is a member of the Journal's editorial board.

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# 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.

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 Kosovo 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 Viennabased think tank.

# 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 Soviettype 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.

# Financial Woes Roil Sri Lanka's Middle Class

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 岩 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 in-

come 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, Snowson 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.

### WORLD WATCH

### **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 Parliamentonly 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 re

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

Secretary-General António Guterres gave the dire warning at the opening of the long-delayed highlevel 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 reining in its nuclear program, and Russia is "engaged in reckless, dangerous nuclear saberrattling" in Ukraine.

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

-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. 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

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THE WALL STREET JOURNAL.

Tuesday, August 2, 2022 | **B1** 

**S&P** 4118.63 ▼ 0.28% **S&P FIN** ▼ 0.89% **S&P IT** ▼ 0.20%

**DJTRANS** ▲ 0.17% **WSJ\$IDX** ▼ 0.43%

Monday

Last week

-13.6%

2-YR. TREAS. yield 2.909% NIKKEI (Midday) 27547.41 ▼1.59% See more at WSJ.com/Markets

July 2022

'22

15-minute intervals

+9.1%

S&P 500, monthly

Index and share-price

performance last week

S&P 500

Walmart

S&P 500 price/earnings

performance

15%

10

-5

-10 -15

-10

2020

# **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 a classic recession warning

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 lower-

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

Data last week showed the

ing them.

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

The bond market is flashing

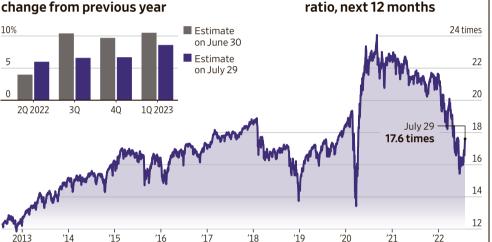
S&P 500, performance this year

The S&P 500 just wrapped up its best month since 2020, clawing back some of its recent losses. But many investors fear the stock market's pain isn't over.

S&P 500 quarterly earnings,

March

Jan. 2022



higher yield than that of the 10-year benchmark note as in-

Source: FactSet

signal: The two-year U.S. Trea- interest rates through yearsury note is trading at a end but then switch to cutting them.

At the same time, employvestors bet the Fed will raise ers 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. reces-Please turn to page B11

# Estée Lauder 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 largestever 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 Please turn to page B2

# 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 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. con-

sumers. 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 sandwiches.

"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-yearold salon receptionist from San Antonio, said she eats chicken sandwiches more than burgers, Please turn to page B2

# Nears Deal to Acquire 100-Year-Old Cowen

Toronto-Dominion

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-vear-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 vears 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.



Cowen would give TD a deeper investment-banking presence.

# 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 con-

crete 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 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 oldan eternity in autonomous driving—and should have been erased from the system but wasn't, the internal account

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.

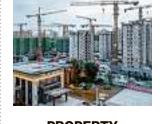
For example, a safety driver—a person who sits in the truck to backstop the artificial intelligence-should never be able to engage a self-driving system that isn't properly functioning, they said. The truck also shouldn't respond to commands that are even a couple hundredths of a second old, they said. And the system should never permit an autonomously-driven truck to turn so Please turn to page B4

### **INSIDE**



**AIRLINES** 

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



### **PROPERTY**

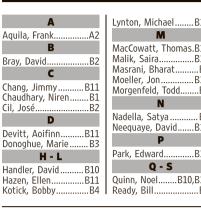
China Evergrande said a unit has been told to honor a \$1.1 billion guarantee. **B10** 

### These indexes cite notable references to most parent companies and businesspeople in today's edition. Articles on regional page inserts aren't cited in these indexes.

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AbbVie	E Electronic Arts Elliott Managem Estée Lauder Evo Payments F Ferrari Ford Motor G General Motors Global Payments
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S HealthB1	PerkinElmerB11 Pilgrim's PrideB2
ctronic ArtsB4 ott ManagementB4 ée LauderA1,B1	Ping AnB12 PinterestB4 Procter & GambleB12
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# **Dollar Stores Attract Anxious Shoppers**

By RACHEL WOLFE

More Americans are embracing frugality as they face rising prices at every turn.

With energy costs up 41.6% and groceries 12.2% more expensive than they were last year, according to June's Consumer Price Index, many families say that skipping vacations and restaurant meals is no longer enough. They are now finding ways to cut costs on essentials.

One way they are doing so is by relying more on dollar and discount stores for groceries. Average spending on grocery products at discount chains increased 71% from October 2021 to June 2022, according to analytics firm In-Market. Over that time period, spending on the same items in grocery stores decreased by 5%. Many large consumer brands—including Walmart and Unilever-attest that their prices aren't going down

In San Antonio, Lily Penelope is eating mostly canned chicken, vegetables and peanut butter from the Dollar General down the street. Mx. Penelope, who uses gender neutral pronouns and has a disability that makes them unable to drive, says they can no longer afford the cost of groceries plus an Uber to and from the HEB grocery store 3 miles away. Before January. \$120 covered a round-trip Uber plus two weeks of fresh ingredients for meals for them and their wife, they say. Now, the same trip costs nearly twice as much.

Since Mx. Penelope's dollar store doesn't sell fresh produce, they add spices and salt to camouflage canned ingredients. "My health and the quality of my life has gone down," says Mx. Penelope, 26, who relies on their wife's call-center income. "I'm in a position where I'm having to choose between making meals I can afford and putting my health on the line."

Roughly 2,300 Dollar Gen-

erals across the country currently stock fresh produce, out of more than 18,000 total locations, according to a Dollar General spokeswoman. "While Dollar General isn't a full-service grocer, we consider ourselves today's general store by providing nearby and affordable access to daily household essentials, including the components of a nutritious meal,' she says. The company plans to expand fresh produce to a total of more than 10,000 stores in the next several years.

Phoenix Kamlo, 41, has been relying on the Family Dollar for an increasingly large share of groceries for his family of five. "Everything in there is super-duper sweet," he says, citing the high sugar content of goods from tea to canned fruit. "But it's nearby, and it's

Income from his Wichita, Kan., tailoring and alterations business has gone down in recent months, he says. He suspects his longtime customers are more focused, like he is, on affording enough to eat.

A spokeswoman for Dollar Tree, which owns Family Dollar, says the chain aims to complement, not replace, grocery stores. She adds that most of the 16,162 stores offer frozen fruits and vegetables, along with sugar-free options, fruit juices, nuts, beans, whole wheat products, eggs and milk.

Other households are buying in bulk or making do without items they never used to think twice about spending money on. Sam's Club membership income was up 10.5% year-over-year, according to parent company Walmart's May earnings call.

Lower-income families are switching brands, saving less and cutting what they can, according to economists.

### Watch a Video

Scan this code

for a video on consumer confidence and fighting inflation

# $\it Est\'ee$ Lauder In Talks

Continued from page B1 was for sale.

Tom Ford's beauty business is considered a ultraprestige brand, meaning it resonates with the most discerning consumers. Estée Lauder executives mentioned on its fiscal third-quarter earnings call in May that Tom Ford was among a handful of brands with double-digit sales growth and highlighted especially strong demand for such luxury brands in China.

In 2005, Tom Ford consulted for the company on a fragrance, Youth-Dew Amber Nude. It signed him to develop and distribute fragrances and cosmetics under the Tom Ford Beauty brand soon after.

Mr. Ford, a Texas native, founded his eponymous brand after a long stint as creative director at Gucci. A young Mr. Ford was depicted in the 2021 film "House of Gucci," which chronicled the history of the Gucci family and brand.

Estée Lauder has been an active acquirer over the years, but its deals have been relatively small. It paid around \$1 billion each to buy the rest of Canadian beauty company Deciem Inc. in 2021 and the South Korean skin-care company Have & Be Co. in 2019. A few years prior, it paid around \$1.5 billion for Too Faced Cosmetics LLC.

-Ben Dummett contributed to this article.

### **BUSINESS & FINANCE**



# Inflation Stars in TV Commercials

By Suzanne Vranica AND KATIE DEIGHTON

As consumers worry about rising inflation and high gasoline prices, advertisers have found a new approach to sell everything from wireless plans to Cajun chicken.

Walmart Inc. earlier this year pulled the plug on ads that were set to promote items such as fresh food and clothing after it concluded that inflation was first and foremost on shoppers' minds. It quickly crafted new ads-relying on footage from older campaigns to save time—with a simple message: Consumers are getting squeezed, but Walmart is keeping prices low.

William White, Walmart's chief marketing officer, said the retailer's latest commercials aims to celebrate consumers' ingenuity and tenacity in leaner times, rather than remind them about the state of the economy. "We knew

behavior," he said. "So it's important for us to be clear in the role that we can play."

Some brands are using inflation as an opportunity to poke fun at rivals. Mint Mobile the wireless carrier backed by actor Ryan Reynolds, recently ran a campaign dubbed "Deflation" in which Mr. Reynolds said the company would cut its prices for a few months-while taking a jab at other carriers.

"When they announced they'd be raising prices due to inflation, we decided to deflate our prices due to not hating you," Mr. Reynolds said in the spot.

Others are framing their campaigns around high gasoline prices.

Bojangles, a U.S. restaurant chain that specializes in Cajun-seasoned fried chicken, ran a promotion in April that gave customers a \$10 gas card with the purchase of a 12-

that people are changing their piece or 20-piece chicken family meal. The company said it doled out \$1 million in free gas in 25 days, and sold more chicken family meals over that period than it typically does in that time frame.

Gas prices are a "real pain point" for people, said Jackie Woodward, the marketing chief of Bojangles, which is owned by **Durational Capital Management** LP and New York private-equity firm Jor-

U.S. inflation reached its highest rate in more than four decades in June, fueled by surging prices for energy, housing and food.

Americans see inflation as the biggest issue facing the country, exceeding other concerns such as healthcare affordability and violent crime, according to a recent Pew Research survey, which polled about 5,000 U.S. adults in April and May 2022.

As talk of rising inflation

than the chain's existing

chicken sandwich-and was la-

and a potential recession reached a "feverish pitch," RV rental service Outdoorsy.com adjusted its marketing, said Jennifer Young, Outdoorsy's co-founder. It now focuses on the cost savings associated with vacationing in an RV—no need to spend on flights and hotels, for example, she said.

The word "inflation" appears six times in Outdoorsy's 30-second online video ad that shows people enjoying the great outdoors.

Tally Technologies Inc., a financial-technology company whose app helps people consolidate all of their monthly credit-card bills into one payment, is running a TV commercial showing people meditating while stressing about their debt.

"Inflation, it's killing me," says one of the men, while a woman chimes in: "I know, I'm totally freaking out." A voiceover plugs Tally's app and loans that help people get out of debt.

Average sales per restaurant\*

# Chicken Remains Big Seller

Continued from page B1 pizza or other types of fast food because she likes the variety of flavors and quality of options. Ms. Gomez savs she buys one from McDonald's when she is trying to save money and opts for sandwiches from independent restaurants when she is looking for something different. She fell for Popeyes after its spicy sandwich debut in 2019. "Chicken sandwiches can cater to almost everyone," she

said. U.S. consumers spent \$2.4 billion on breaded chicken sandwiches in the June quarter, according to NPD. The research firm said fast-food chains dished up 678 million chickensandwich servings during the period, up 3% from the previous three months.

Industry-research firm Technomic Inc. said 138 restaurant companies and convenience stores introduced chicken-sandwich specials in the first half, while 111 chains rolled out specialty-burger promotions.

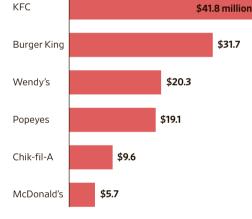
Privately held Chick-fil-A Inc. remains the dominant competitor in the chicken-sandwich category. The company's 2,704 U.S. locations averaged \$6.29 million in sales last year, Technomic said, more than any fastfood chain and more than many other sit-down chains.

Some chicken suppliers are benefiting from the meat's popularity, reporting rising profit margins for the first half of this year. Despite boneless, skinless breast-meat prices nearly tripling since the start of 2021, demand from restaurants has stayed hot in recent months. Pilgrim's Pride Corp., the second-largest poultry company by volume, said last week that the appetite for chicken helped it post a \$643 million profit for the first six months of this year, compared with a \$66 million loss the same period a year earlier.

Investors and Wall Street analysts are bullish on continued demand for chicken. Shares of Pilgrim's Pride are up more than 40% over the past 12 months.

Labor shortages in meat plants and continued problems hatching chicks among top poultry companies have constrained chicken supplies, push-

### National spending on TV ads that feature chicken Share of total sandwiches in 2022\*



executives and analysts. "The chicken-sandwich wars continue to drive demand," said Diana Souder, a spokeswoman for poultry processor Perdue Farms Inc. During periods of high inflation, consumers often trade down to chicken from pricier meat options, including beef, she added.

ing prices higher, according to

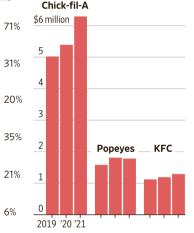
After recovering from the economic shock of the Covid-19 pandemic, restaurants have been bringing more requests to processors to help develop chicken-sandwich ideas, said David Bray, head of poultry at Tvson Foods Inc., the largest U.S. chicken supplier.

For example, poultry processors might develop a spicier sandwich or tweak the appearance so customers can see the flakes of pepper in the breading to stand out, some industry officials say.

Some chains are discovering that merely offering a chickensandwich option doesn't guarantee success.

Starbucks Corp. stopped selling a new breakfast chicken sandwich over quality concerns roughly a week after the item made its national debut. Some baristas said the middle of the sandwich was cold even after the fully cooked product was heated up, resulting in complaints. The company told employees in a notice in July to throw out existing sandwiches and warned that restaurants would have temporary shortages of new ones. The company voluntarily decided to yank the sandwiches and the quality concerns wouldn't have led to foodborne illness, Starbucks

Burger King executives hoped a hand-breaded chicken sandwich introduced last year would help attract higher-income customers, but some franchisees said the new offer-



Sources: iSpot.tv Inc. (ad spending); Technomic (average sales)

ing, called the Ch'King, hadn't has since put its entire chicken generated much more sales

menu under review, said José Cil, chief executive of Burger King parent Restaurant borious to make. The company **Brands International** Inc.

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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

AND LAURA COOPER

A group led by Apollo Global Management Inc. is in advanced talks to buy airfreight 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

interest rates have made fi- choked off activity entirely, as nancing deals more expensive seen for example by an agreeand buyout loans harder to

for private-equity firms. Higher come by. But that hasn't ment 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, 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 Fri-

# '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 challengeslike pitching a ball through the open window of a moving car or having professional-athlete guests such as former quarterback 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, cohosted by brothers and former NFL quarterbacks Peyton and Eli Manning. Paramount Global's Nickel-

odeon 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 appear 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

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 Videowhich 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

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

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-yewith 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 midsize 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 \$15,000 to \$20,000, roughly on par with what many gasolinepowered 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., Vin-Fast wants to sell its vehicles directly to consumers.

VinFast enters a contested race by a host of new electricvehicle 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 Vin-Fast'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.



Item #952753

**B4** | Tuesday, August 2, 2022



The company's user numbers suffered in part because Google changed its algorithm and people broke with pandemic-era online habits.

# Pinterest to Watch Spending As Advertising Market Softens

By Sarah E. Needleman

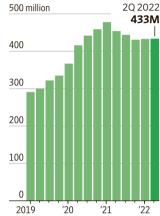
Pinterest Inc.'s new Chief Executive Bill Ready said he was going to emphasize profitability as he puts his imprint on the company at a time when the weakened digital-advertising market has dented sales growth for the socialmedia platform and its peers.

"I do not subscribe to a growth-at-all-costs mentality." Mr. Ready said on a call with analysts, adding he would scrutinize spending to boost profitability next year. "While I believe we need to invest in long-term growth, I also believe that constraints breed creativity and can lead to even better product outcomes."

Mr. Ready on Monday got a shot in the arm from activist investor Elliott Management Corp., which said it was now the company's largest shareholder. The firm has taken a stake of more than 9% in Pinterest, The Wall Street Journal reported last month. Elliott is known as one of Wall Street's toughest activist investors. with a history of taking on tech companies and others and forcing changes such as sales or executive shake-ups.

Elliott called Mr. Ready "the right leader to oversee Pinterest's next phase of growth."

Pinterest global monthly active users



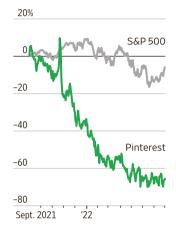
Sources: the company (users); FactSet (performance)

Mr. Ready said he viewed Elliott's investment as "a vote of confidence."

Shares in Pinterest rose more than 20% in after-hours trading following a period in which investors had grown downbeat on social-media companies.

The San Francisco company said revenue rose 9% to \$666 million for the quarter that ended in June, in line with what analysts polled by FactSet were expecting. Though Pinterest has been working in recent years to move into e-commerce, all its revenue still comes from digital advertising.

Share and index performance in the past year



Pinterest joins the expanding ranks of tech companies that are trying to keep a tighter control on some spending and has moved to slow the pace of hiring significantly, finance chief Todd Morgenfeld said in an interview. Microsoft Corp., Facebook parent Meta Platforms Inc. and Twitter Inc. are among those to take similar action in recent weeks.

The company on Monday issued a muted sales outlook, projecting mid-single-digit revenue growth for the current quarter, in part, Mr. Morgenfeld said, as it anticipates a slowdown in coming weeks. Wall Street has been projecting growth above 10%. The sales forecast, the company said, partly reflects a more difficult exchange-rate environment from the strong dollar.

Last week, Google parent Alphabet Inc. reported the slowest quarterly sales growth in two years. The following day, Meta posted its first decline in revenue. Both blamed upheaval in the digital-advertising market as a factor.

Pinterest operates a free platform for sharing images that inspire projects such as planning weddings, completing home renovations and creating recipes. The company has been struggling to recapture the rapid growth it experienced during the pandemic now that people are spending more time offline.

Pinterest reported a net loss of \$43 million, or 7 cents a share, compared with yearago earnings of \$69 million, or 10 cents a share.

Pinterest said it had 433 million monthly active users in the second quarter, about the same as in the first quarter and down 5% from a year earlier. The company said its user numbers suffered in part because Google late last year changed its search algorithm and as people break with some of their pandemic-era online habits.

# **Activision Records** Earnings Drop as Gamers Pull Back

By Denny Jacob

Activision Blizzard Inc.'s sales and earnings fell in the second quarter, the latest indicator that pandemic-fueled growth is slowing as consumers are limiting their spending in response to record inflation.

The videogame company, which in January agreed to be acquired by Microsoft Corp. for \$75 billion, recorded \$1.64 billion in sales, a roughly 28% decrease from \$2.3 billion in sales in 2021.

The Santa Monica, Calif.based company posted \$280 million in net income for the three months ended June 30, down from \$876 million in the same period a year earlier. Analysts polled by FactSet expected \$410.6 million.

Stripped of certain items such as expenses related to share-based compensation, adjusted earnings were 48 cents a share, down from \$1.20 a share in the year-ago period, matching analysts' expectations.

A deal between Microsoft and Activision would continue the software company's ascent as a powerhouse in the business-computing sector and a rising giant in videogames under Microsoft Chief Executive Satya Nadella's leadership.

Microsoft rushed into a deal after The Wall Street Journal reported that Activision CEO Bobby Kotick knew about allegations of employee misconduct at the company but didn't brief the board.

Activision has said the Journal's reporting created a misleading picture of the company. Mr. Kotick has said he is transparent with his board, which issued a statement supporting him.

Mr. Kotick, who is expected to leave after the acquisition is complete, could walk away with as much as \$520 million. The deal is expected to close in mid-2023.

Another major development at Activision has taken place in recent months: In May, a small number of workers at one of Activision's studios voted in favor of unionizing with the Communications Workers of America, a first for a major U.S. videogame publisher.

A sense of how the broader videogame market is faring is expected to become clearer on Tuesday with results from the latest quarter from competitor Electronic Arts Inc.

# Payment Processors Reach \$4 Billion Deal

By WILL FEUER

Global Payments Inc. said it has agreed to buy payments company EVO Payments Inc., in a deal that the companies said gives EVO an enterprise value of \$4 billion.

Global Payments would pay \$34 a share for EVO in an allcash deal. Shares of EVO soared 23% to close at \$33.71 a share. Global Payments rose 4.6%.

EVO provides payment technology and services and operates in more than 50 markets and 150 currencies, according to its website. The much larger Global Payments primarily provides technology and point-of-sale services to merchants and has a market

value of around \$34 billion. Both companies are based in Atlanta.

Global Payments is active on

the deal front. In 2019 it struck a roughly \$22 billion deal for Total Systems Services Inc., known as TSYS. Late the following year it held unsuccessful talks to merge with Fidelity National Information Services Inc. in a deal that could have been valued at around \$70 billion.

EVO has a rapidly growing international business, which now makes up 62% of the company's total revenue. Global Payments Chief Executive Jeff Sloan said the deal would expand Global Payments' presence in fastergrowth geographies.

# Crash Raises Red Flags

 ${\it Continued from page B1}$ sharply while traveling at 65 miles an hour.

This information shows that the testing they are doing on public roads is highly unsafe," said Phil Koopman, an associate professor at Carnegie Mellon who has contributed to international safety standards for autonomous vehicles, referring to the company's disclosures.

### **Federal Investigation**

TuSimple said that after the accident, it modified its autonomous-driving system so that a human can't engage it unless the computer system is fully functional. A former TuSimple engineer said the move was long overdue. The TuSimple spokesman, in response, said the April accident was the only one in which a company truck was responsible for an accident.

The National Highway Traffic Safety Administration is joining the DOT agency investigation into TuSimple. A copy of the FMCSA letter, along with a video of the accident, was posted to a YouTube trucking channel called The Asian Mai

TuSimple, in a Tuesday night post on its website, acknowledged the investigation. "We take our responsibility to find and resolve all safety issues very seriously," the TuSimple post said, and it confirmed that federal officials had visited the company's Tucson facility.

After years of delays in selfdriving vehicle development, many investors are betting trucking will beat passenger cars to fully autonomous driving, largely because the highways on which trucks typically drive are easier than city roads

to navigate. Companies have pitched autonomous trucks as alleviating a shortage of drivers while boosting profits in the industry. Roughly a half dozen U.S. companies are focused exclusively on building self-driving long-haul trucking technol-A crash is also significant

vestor filings.

of autonomous-trucking startup Kodiak Robotics Inc., said his firm is leaving safety drivers in the cab until he can confirm that his trucks operate more safely than an attentive human



given the size of trucks relative to other vehicles on highways. NHTSA reported in June that trucks accounted for only three of the 145 reported accidents among vehicles with autonomous-driving systems that have occurred on publicly accessible roads since July 2021. One of those three trucking accidents was the April TuSimple incident. So far, TuSimple's rivals, including Aurora Innovation Inc. and Embark Technology Inc., have refrained from testing unmanned trucks on public highways because the technology hasn't developed enough to satisfy their own safety standards, according to public statements by the companies and in-

Don Burnette, chief executive

TuSimple's April accident involved a truck with an engineer and safety driver. But TuSimple is also testing trucks without drivers on public roads and announced in December 2021 that it had completed one such trip of 80 miles in Arizona. That distance far exceeds those of the handful of other companies that have attempted driverless runs, and TuSimple said it has since logged hundreds of miles more without any human in the

TuSimple's founder, Xiaodi Hou, a graduate of the California Institute of Technology who holds a Ph.D. in computation and neural systems, said the December event showed the company had cleared the final technological hurdle ahead of



TuSimple had set a goal of 500 practice runs before launching 'Ghost Rider.'

commercializing autonomous trucks. "We have actually no unconquered technical challenges on the table," Mr. Hou said in a March interview on

### Safety Complaints

TuSimple had set a goal of 500 practice runs before launching "Ghost Rider," the internal name for the December driverless run, according to people familiar with the matter. But it had conducted less than half of those when it launched the fully automated drive. which it did without informing its security teams. They learned of the event only after it occurred, one of the people said. A TuSimple spokesman said the company proceeded with the driverless test "after addressing any and all legitimate concerns.

TuSimple's accident follows years of management rebuffing what some former employees say were significant safety and security complaints. In late 2021, a group of employees raised some of these issues with the legal department, according to people familiar with

the matter. A presentation included the company's alleged failure to check software regularly for vulnerabilities and use of unencrypted communications to manage trucks, which could provide an opening for hackers to intercept data going between engineers and the vehicles' systems, the people said.

Safety drivers, meanwhile, have flagged concerns about failures in a mechanism that

### The April accident involved a truck with an engineer and safety driver.

didn't always enable them to shut off the self-driving system by turning the steering wheel, a standard safety feature, other people familiar with the matter said. Company management dismissed the safety drivers' concerns, the people said.

A TuSimple spokesman said the company "actively solicits and reviews flags, concerns and risks our employees identify so

they can be addressed."

TuSimple was the first autonomous-trucking startup to tap the public markets, listing shares on the Nasdaq Composite Index in April 2021 with a valuation of \$8.5 billion. Other rivals soon followed suit. Some analysts worry that pressures to deliver results to investors, expecting near-term returns, might come at the expense of public safety. "The industry is enormously incentivized to go as fast as they can," said Mr. Koopman.

### **Personnel Changes**

No self-driving trucking company has commercially ready trucks. In May, TuSimple said it pushed back by a year its anticipated delivery date to 2025. TuSimple missed its 2020 and 2021 revenue targets by a wide margin, according to investor presentations. TuSimple's stock price is down more than 86% from its peak, due in part to investors souring in recent months on companies that won't have significant revenue for years.

Meanwhile, dozens of employees in key roles have de-

parted and Mr. Hou has moved to consolidate control over the company he started, according to former employees. The moves reflect his efforts to avoid executives pushing back on his rush to get products to market, these people say. On March 3, the company announced the departure of its chief executive and said Mr. Hou would take on that role. Mr. Hou, the company's larg-

est stakeholder, also became chairman of the board. On June 21, TuSimple announced the departure of Chief Financial Officer Patrick Dillon, who held that position for about a year and a half. No successor has been announced.

A TuSimple spokesman said that while there have been some personnel changes as Mr. Hou assumes his position as CEO, "TuSimple is building a team of leaders with the right experience to take us to the next level."

### **Ignored Concerns**

People familiar with the matter say those who raised safety concerns were ignored, or even fired in some instances, which the company spokesman denied. John Lindland, once the company's top safety official, said in a lawsuit filed in federal court in California in March 2021 that he was wrongfully fired after he refused to sign off on safety standards that he said the company had yet to meet.

"Essentially, Mr. Hou would come up with an idea, instruct his teams to execute the idea, and then would test the idea on public roads, bypassing all safety standards and regulations," Mr. Lindland said in a filing in the case, which is pending.

The TuSimple spokesman denied the allegations in the suit and said at a company of TuSimple's size—about 1,400 full-time employees—there were bound to be "a few former employees who have made complaints after being termiTHE WALL STREET JOURNAL.

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The lubricants business is to be sold in a \$2.65 billion deal.

# Aramco Agrees to Buy Valvoline Products Line

By WILL FEUER

Valvoline Inc. said it had agreed to sell its global-products business for \$2.65 billion in cash to Saudi Aramco, a move that comes nearly a year after Valvoline said it planned to separate the segment from its retail-services business

Once the deal closes, Valvoline said it would own its name brand for all retail services globally, excluding China and certain countries in the Middle East and North Africa, while Aramco would own the Valvoline brand for all product uses globally.

Valvoline said it would pro-

cure motor oil and other products from its divested global-products business through a long-term supply agreement.

Valvoline's retail-services segment operates quick-lube service chains, while its global-products segment sells lubricants and other automotive and engine-maintenance products to automotive retailers, installers and original equipment manufacturers.

The company's shares fell 2.7% on Monday to \$31.35.

In May, The Wall Street Journal reported that Aramco had approached Valvoline about a potential takeover of its lubricants business.

# Ben & Jerry's Seeks Hearing

By Saabira Chaudhuri

Ben & Jerry's is seeking a fresh court hearing to block Unilever PLC's sale of the icecream maker's Israeli unit after mediation talks between the brand and its parent company failed.

The brand on Monday filed a letter with the U.S. District Court in Manhattan asking the court to hear its request for a preliminary injunction. The move came after several days of negotiations with Unilever that ended last week, said a person familiar with the matter.

Ben & Jerry's sued Unilever last month seeking to block the sale of its Israeli business to a licensee, saying the decision to sell was made without the approval of the brand's independent board of directors.

The brand and Unilever then agreed to adjourn a hearing on the injunction in favor of a two-week mediation process that ended on Thursday.

Tensions between Unilever and Ben & Jerry's have been high since the brand said last year it would end sales in Jewish settlements in the West Bank and East Jerusalem.

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Calms (the "Amended Settlement Agreement"). All capitalized terms not defined in this notice are defined in the Amended Settlement Agreement.

Pursuant to the Amended Settlement Agreement, the Deloitte Entities will pay the amount of \$31,000,000 ("Settlement Agreement.

Pursuant to the Amended Settlement Agreement, the Deloitte Entities will pay the amount of \$31,000,000 ("Settlement Amount") to be deposited into escrow account(s) for DLIF Investors; for DLIFF; and for the payment of Court approved attorneys' fees. Coursel for Party Investors seek to be paid attorneys' fees of up to \$4.65 million that will be deducted from the Settlement Amount ("Net Settlement Amount"). As part of the Amended Settlement Agreement, the Receiver has requested entry of a final order approving the Settlement from the United States District Ocurt, central District of California, Securities and Exchange Commission v. Direct Lending Investments, LLC, Case No. 19-cv-02188-DSF-MRW ("SEC Action").

Investors have the right to exclude themselves from the Amended Settlement Agreement pursuant to the procedures described in the notice to be sent to Investors ("Opt-out Notices"). The deadline to opt out is September 6, 2022. If the Court in the SEC Action approves the Settlement, Calimants and Participating DLIF Investors will be eligible to receive their portion of the Net Settlement, Galimants and Participating DLIF Investors will be indible to receive with Gayman Islands law. Calimants and Participating DLIF Investors will be eligible to receive with Gayman Islands law. Calimants and Participating DLIF Investors will be eligible to receive with Gayman Islands law. Calimants and Participating DLIF Investors will release any to (a) professional services provided to the DLI Entities, (b) the conduct, transactions, or occurrences set forth in any of the pleadings in the Released Deloitte Entities, whether arising under federal, state, statutory, regulatory, common, foreign, or other law), based upon, arising out of, or related in any way to

The Court in the SEC Action will hold a hearing to consider whether to approve the Amended Settlement Agreement and enter the Order Approving Settlement at 1:30 p.m., on October 3, 2022, in Courtroom 7D of the United States District Court for the Central District of California, First Street Courthouse, 350 West 1st Street, Los Angeles, California 90012. The Court will consider whether the Settlement is adequate, fair, and reasonable. If you wish to object to the Amended The Court with Consider whether the Sectlement's acceptance, and, and reasonable, now you want to object to the Amended Settlement Agreement or appear at the hearing, you must email a written objection to TeamDilgSretto.com. on or before September 6, 2022. Specific information on objecting is provided in the Opt-out Notices and the Amended Notice of Proposed Settlement (collectively "Notices").

Complete copies of the Amended Settlement Agreement, the proposed Order Approving Settlement, and other settlement documents are available on the Receiver's website: http://case.stretto.com/dii or by emailing: TeamDLl@stretto.com or by calling: 855-885-1564.

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# Trial Begins in Federal Suit To Block Publishers' Merger

By Jan Wolfe

WASHINGTON-Trial proceedings kicked off in the Justice Department's antitrust challenge to Penguin Random House's planned acquisition of rival publisher Simon & Schuster, a test for the Biden administration's efforts to limit corporate consolidation.

"This proposed merger must be stopped," Justice Department lawyer John Read said in his opening statement Monday. "It would, in the defendants' own words, cement Penguin Random House's dominance.'

Daniel Petrocelli, Penguin Random House's lawyer, countered that the merger would "only enhance the fierce competition" that exists in the publishing industry.

U.S. District Judge Florence Pan has set aside three weeks for the nonjury trial. It could take months before she issues her ruling on whether the publishing merger, valued at

more than \$2 billion, should proceed.

The trial will include testimony from big names in the publishing industry, including Stephen King, a bestselling Simon & Schuster author who is slated to testify Tuesday in support of the Justice Department's lawsuit.

The case is part of the Biden administration's push to be more aggressive in challenging deals that it believes will suppress competition. A different team of Justice Department lawyers separately went to trial Monday in a lawsuit seeking to block UnitedHealth Group Inc. from acquiring health-technology firm Change Healthcare—a proceeding unfolding in the same courthouse in Washington, D.C.

The German media company Bertelsmann SE, which owns Penguin Random House, agreed in November 2020 to buy Simon & Schuster from ViacomCBS—now called Paramount Global.

Penguin Random House, already the result of a 2013 merger, is the largest book publisher by revenue. If allowed to acquire Simon & Schuster, Penguin Random House would dominate the U.S. publishing industry with

House-Simon & Schuster deal

revenues twice that of its next closest competitor, the Justice Department has said.

"That would be good for Penguin Random House but bad for the marketplace of ideas and bad for the authors who contribute to that marketplace," Mr. Read, the government lawyer, said during his opening remarks. Together Penguin Random House and

Simon & Schuster accounted for 31% of all print books sold in the U.S. through July 16, according to book tracker NPD

The Justice Department alleges the merger will hurt competition in what it describes as the market for anticipated top-selling books, ones acquired from authors through advances of at least \$250,000.

Penguin Random House and Simon & Schuster argue the \$250,000 number is an arbitrary one that encompasses about 1,200 books annually, or about 2% of all books published by commercial publishers.

"We're talking about a tiny increment of the overall market," Mr. Petrocelli said Monday, adding that industry indon't anticipated top-sellers as a separate, distinct market in which publishers compete.

"No one in the publishing industry has heard of this before," he said. "It does not exist."



The company has faced protests from its unpaid suppliers at its Beijing headquarters and other locations as it ran out of cash to pay them.

# Missfresh Highlights Troubles Facing Chinese Online Grocers

By Raffaele Huang AND SHEN LU

China's online grocery-de-

livery market, where big technology companies and startups once fiercely competed, is facing a blow as companies grapple with continuous losses and cash shortages compounded by a slowing economy and tighter regulations.

**Missfresh** Ltd., one of China's top grocery-delivery companies, said last week that it has shut down its main business of same-day, groceries delivery. Hundreds of employees, accounting for most of Missfresh's workforce, have lost their jobs, according to employees who were laid off. Missfresh also has faced protests from its unpaid suppliers at its Beijing headquarters and other locations in recent weeks as it ran out of cash to pay them, according to former employees and sup-

The company, once valued at \$3 billion, said last week that an expected equity investment of about \$30 million didn't come through. Missfresh had agreed on the investment with a local coalmining company, Shanxi Donghui Group, earlier last month.

The troubles at Missfresh, known for its pink-shirted workers dashing on motorbikes to deliver groceries, is the latest example of the scars that China's yearlong regulatory assault has left on its tech sector. It also underscores the cooling investor enthusiasm for the sector—as consumer demand weakens, room is shrinking in China's startup space for those that continue to burn cash without turning a profit.

Grocery delivery has become a much sought-after business in China since

mid-2020, when the pandemic Missfresh share price spurred demand for buying fresh groceries and other household supplies online. Ecommerce companies including Alibaba Group Holding Ltd., Meituan and Pinduoduo Inc. ran their own services or supported smaller startups.

But many have struggled to turn a profit after burning cash to build storage and delivery networks and offering heavy subsidies.

Last summer. Alibababacked Beijing Shihui Technology Co. started closing businesses in 2,000 cities and townships after being fined about \$450,000 by Chinese regulators for inappropriate marketing and pricing behaviors, former employees said. JD.com Inc. also started cutting staff from its groceryshopping unit in March, current and former employees said. Ride-hailing firm Didi Global Inc.'s e-grocery unit, Chengxin Youxuan, was among the business units that cut thousands of employees beginning last year.

Before the latest round of layoffs, Missfresh had also cut around half of its workers since late last year, former employees said.

Globally, in recent years, investors have poured billions of dollars into online grocery delivery, including companies such as Philadelphia-based Gopuff. But for many companies, losses have been heavy given the high cost of advertising and courier payments. Executives and backers of the companies have said losses today are investments in a promising prize.

Founded in 2014, Missfresh was the first Chinese e-grocery firm to go public. It raised about \$273 million in an initial public offering on conduct a review of some the Nasdaq Stock Market in June 2021. Missfresh, backed

----- IPO price -----6 2021

by Tiger Global Management and Tencent Holdings Ltd., ran a network of small warehouses in neighborhoods throughout the country's big cities. That enabled groceries and other daily supplies to be delivered as quickly as half an hour from when orders were placed.

Missfresh had spent hundreds of millions of dollars each year to develop order-fulfillment infrastructure and capability, including adding small warehouses. It operated more than 600 such miniwarehouses in 17 Chinese cities in China as of September. The same-day delivery service contributed to about 85% of its revenue for the first nine

months of last year. The company had been reporting losses since 2018. The latest quarterly results it has released were for the July-September 2021 quarter. In April, Missfresh said it couldn't release its 2021 annual report and set up an independent audit committee to transactions. The review concluded in July that certain revenues were recorded inaccurately.

Missfresh posted a loss of more than \$468 million for the first nine months of last year. The company's costs and losses ballooned in the first half of this year, former employees said.

As of September, the company said it had \$479 million in cash and other liquid assets, while its short-term liabilities totaled \$500 million.

Profitability largely depended on the number of orders received by a single miniwarehouse, former employees and industry analysts said. They said most of Missfresh's miniwarehouses didn't get enough orders to break even.

The company didn't respond to a request to comment. Missfresh said in its state-

ment last week that it was temporarily closing its flagship miniwarehouse service. It will still operate three smaller businesses including the nextday delivery service, for which Missfresh commissions JD.com to supply products and deliver orders.

Since late last year, Missfresh has approached companies including JD.com and shareholder Tencent for funding, but most were reluctant to pour in extra investment, having lost confidence in the sustainability of its business, people familiar with the matter said.

JD.com, Tencent and Shihui didn't respond to requests to comments.

More than 99% of Missfresh's market capitalization has evaporated since the company's IPO. American depositary shares of Missfresh have traded below \$1 each since late April. Nasdag has warned the company that it could face delisting in November if its performance fails to improve in the coming months.

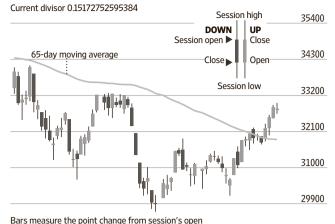
### **MARKETS DIGEST**

**EQUITIES** 

### **Dow Jones Industrial Average**

THE WALL STREET JOURNAL.

**32798.40 \(\bigsigma\)** 46.73, or 0.14% Trailing P/E ratio 19.52 23.51 P/E estimate \* 17.43 19.45 High, low, open and close for each Dividend vield 2.13 1.80 trading day of the past three months. All-time high 36799.65, 01/04/22



.....

July June \*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc; †Based on Nasdaq-100 Index

### S&P 500 Index

**4118.63 1**1.66, or 0.28% Trailing P/E ratio 22.20 33.75 P/E estimate 18.01 22.52 High, low, open and close for each Dividend vield \* 1.59 1.31 trading day of the past three months. All-time high 4796.56, 01/03/22



3600 <u>......</u> Apr. May June July

### **Nasdaq Composite Index**

**12368.98** ▼ 21.71, or 0.18% High, low, open and close for each trading day of the past three months.

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

			1 -44					TO 14/1-		0/	ale or
•	High	Low	Latest Close	Net chg	% ch	ng	High	52-Week — Low	% chg		chg —— 3-yr. ann.
Dow Jones											
Industrial Average	32972.03	32640.79	32798.40	-46.73	-0.14		36799.65	29888.78	-5.9	-9.7	7.3
Transportation Avg	14712.53	14502.46	14634.09	25.09		0.17	17039.38	12868.60	1.8	-11.2	11.9
<b>Utility Average</b>	1025.95	1014.12	1023.91	-0.27	-0.03		1071.75	869.74	12.0	4.4	7.8
Total Stock Market	41651.35	41123.68	41401.21	-97.79	-0.24		48929.18	36759.60	-9.1	-14.9	10.9
Barron's 400	962.74	947.06	958.13	-1.16	-0.12		1127.20	852.16	-6.3	-13.4	12.0
Nasdaq Stock Mark	et										
Nasdaq Composite	12499.72	12271.98	12368.98	-21.71	-0.18		16057.44	10646.10	-15.7	-20.9	15.1
Nasdaq-100	13084.61	12833.16	12940.78	-7.19	-0.06		16573.34	11127.57	-13.5	-20.7	18.4
S&P											
500 Index	4144.95	4096.02	4118.63	-11.66	-0.28		4796.56	3666.77	-6.1	-13.6	11.7
MidCap 400	2522.76	2484.46	2511.74	-0.99	-0.04		2910.70	2200.75	-6.7	-11.6	9.1
SmallCap 600	1250.03	1225.05	1242.57	2.61		0.21	1466.02	1087.48	-6.9	-11.4	9.4
Other Indexes											
Russell 2000	1892.97	1859.88	1883.31	-1.92	-0.10		2442.74	1649.84	-15.0	-16.1	6.7
NYSE Composite	15327.71	15192.31	15286.01	-41.70	-0.27		17353.76	14097.05	-7.8	-10.9	5.8
Value Line	571.84	563.46	570.01	0.07		0.01	696.40	510.18	-13.9	-15.2	2.8
NYSE Arca Biotech	4795.20	4716.34	4727.09	-58.79	-1.23		6019.57	4208.43	-18.3	-14.3	0.3
NYSE Arca Pharma	828.46	820.84	821.64	-6.18	-0.75		887.27	732.23	6.7	-0.7	12.2
KBW Bank	108.33	106.55	108.05	-0.40	-0.37		147.56	98.36	-11.0	-18.3	3.2
PHLX $^\S$ Gold/Silver	109.22	107.13	107.98	-0.75	-0.69		167.76	100.65	-24.0	-18.5	5.6
PHLX <sup>§</sup> Oil Service	66.85	64.86	66.36	-1.79	-2.62		88.37	48.31	21.1	25.9	-4.0
PHLX <sup>§</sup> Semiconductor	3006.73	2929.40	2978.32	11.18		0.38	4039.51	2458.46	-11.8	-24.5	25.4
Cboe Volatility	23.27	22.26	22.84	1.51		7.08	36.45	15.01	17.4	32.6	8.5

### §<sub>Nasdaq</sub> PHLX

Region/Countr	y Index	Close	Net chg	% chg	% chg
World	MSCIACWI	638.40	0.68	0.11	-15.4
	MSCI ACWI ex-USA	287.38	2.00	■ 0.70	-16.5
	MSCI World	2749.26	2.90	0.11	-14.9
	MSCI Emerging Markets	995.04	1.26	0.13	-19.2
Americas	MSCI AC Americas	1566.39	-3.81	-0.24	-14.3
Canada	S&P/TSX Comp	19692.92		Closed	-7.2
Latin Amer.	MSCI EM Latin America	2123.75	-3.46	-0.16	-0.3
Brazil	BOVESPA	102225.08	-939.61	-0.91	-2.5
Chile	S&P IPSA	3240.50	-0.40	-0.01	15.5
Mexico	S&P/BMV IPC	47384.56	-759.77	-1.58	-11.1
EMEA	STOXX Europe 600	437.46	-0.83	-0.19	-10.3
Eurozone	Euro STOXX	409.53	-0.40	-0.10	-14.5
Belgium	Bel-20	3734.45	-62.39	-1.64	-13.4
Denmark	OMX Copenhagen 20	1805.15	-9.58	-0.53	-3.2
France	CAC 40	6436.86	-11.64	-0.18	-10.0
Germany	DAX	13479.63	-4.42	-0.03	-15.1
Israel	Tel Aviv	1941.53	-6.57	-0.34	-1.8
Italy	FTSE MIB	22429.47	23.99	0.11	-18.0
Netherlands	AEX	<b>728.1</b> 8	-1.26	-0.17	-8.7
Russia	RTS Index	1138.79	9.55	■ 0.85	-28.6
South Africa	FTSE/JSE All-Share	68642.59	-291.42	<b>-0.42</b> ▮	-6.9
Spain	IBEX 35	8085.10	-71.10	-0.87	-7.2
Sweden	OMX Stockholm	813.87	-8.84	-1.07	-21.5
	Swiss Market	11145.91		Closed	13.4
Turkey	BIST 100	2656.32	63.94	2.4	12.0
U.K.	FTSE 100	7413.42	-10.01	-0.13	0.4
U.K.	FTSE 250	20079.23	-85.67	-0.42	-14.5
Asia-Pacific	MSCI AC Asia Pacific	161.82	1.48	0.92	-16.2
Australia	S&P/ASX 200	6993.00	47.85	0.69	-6.1
China	Shanghai Composite	3259.96	6.72	0.21	-10.4
Hong Kong	Hang Seng	20165.84	9.33	0.05	-13.8
India	S&P BSE Sensex	58115.50	545.25	0.95	-0.2
Japan	NIKKEI 225	27993.35	191.71	■0.69	-2.8
Singapore	Straits Times	3238.75	27.19	0.85	3.7
South Korea		2452.25	0.75	0.03	-17.6
Taiwan	TAIEX	14981.69	-18.38	-0.12	-17.8
Thailand	SET	1593.24	16.83	1.07	-3.9

### **Late Trading**

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

### Most-active issues in late trading

		volullie			Atter Hour	s <del></del>	
Company	Symbol	(000)	Last	Net chg	After Hour % chg	High	Low
Pinterest	PINS	10,947.5	24.28	4.29	21.46	24.68	17.86
AMTD IDEA Group ADR	AMTD	7,292.2	3.63	1.55	74.52	3.68	2.01
SPDR S&P 500	SPY	7,066.6	410.70	-0.07	-0.02	412.80	406.83
Apple	AAPL	6,626.4	161.62	0.11	0.07	163.56	159.51
Pfizer	PFE	4,239.6	50.50	-0.11	-0.22	50.70	49.53
ATRenew ADR	RERE	4,075.9	2.51		unch.	2.51	2.51
Vanguard Russ 1000 Growth	VONG	3,174.6	64.09	1.21	1.92	64.09	64.09
Annaly Capital Mgmnt	NLY	2,936.4	6.68	-0.22	-3.19	6.91	6.57
Percentage gair	iers						
AMTD IDEA Group ADR	AMTD	7,292.2	3.63	1.55	74.52	3.68	2.01
Pinterest	PINS	10,947.5	24.28	4.29	21.46	24.68	17.86
Consolidated Comm Hldgs	CNSL	62.9	7.69	1.07	16.16	7.89	6.62
ZoomInfo Technologies	ZI	410.5	42.34	4.61	12.22	44.69	37.00
<b>Equitrans Midstream</b>	ETRN	934.9	8.74	0.91	11.62	9.42	7.70
And losers							
Senti Biosciences	SNTI	55.3	2.67	-0.17	-5.99	2.85	2.65
Fidelity National	FIS	64.6	97.47	-5.82	-5.63	103.29	97.47
Helios Technologies	HLIO	70.3	65.08	-3.42	-4.99	68.50	65.08
Eversource Energy	ES	59.5	84.98	-4.23	-4.74	89.21	84.98
<b>Equitable Holdings</b>	EQH	2,436.4	26.94	-1.19	-4.23	28.35	26.94

5.99

479.98 362.17

0.88

### **Trading Diary**

Volume, Advancers, Decliners NYSE NYSE Amer.

860,958,978	10,178,216						
381,643,373	3,793,092						
467,845,178	6,092,990						
3,459	294						
1,766	148						
1,512	134						
181	12						
41	4						
48	8						
1.35	1.63						
4,565	95						
Nasdaq	NYSE Arca						
<b>Total volume</b> *4,383,376,941 256,655,179							
<b>Adv. volume</b> *2,463,821,174 102,663,354							
,863,469,218	151,143,612						
4,989	1,726						
2,243	692						
2,405	1,010						
341	24						
80	8						
118	10						
0.71	0.84						
	381,643,373 467,845,178 3,459 1,766 1,512 181 41 48 1.35 4,565 Nasdaq 1,383,376,941 4,463,821,174 4,863,469,218 4,989 2,243 2,405 341 80 118						

(TRIN) A comparison of the number of advancing and declining issues with the volume of shares rising and falling. An Arms of less than 1 indicates buying demand; above 1 indicates selling pressure.

### **International Stock Indexes** Percentage Gainers...

28800

:hg	YTD % cha				atest Sess			- 52-Weel	
10.00		Company	Symbo	l Close	Net chg	% chg	High	Low	% chg
=	-15.4	Qurate Retail Series B	QRTEE	18.23	13.96	326.93	21.71	3.04	<b>46.</b> 8
-	-16.5	Liberty TripAdvisor B	LTRPB	48.03	31.82	196.30	82.98	8.43	67.4
	-14.9	Virax Biolabs	VRAX	11.85	6.45	119.44	29.00	5.40	
0.13	-19.2	Revion CI A	REV	8.49	4.02	89.93	17.65	1.08	-22.8
	-14.3	AMTD Digital ADR	HKD	742.00	341.75	85.38	767.03	12.05	
sed	-7.2	FAT Brands CI B	FATBB	15.00	6.52	<b>76.9</b> 8	30.66	5.50	
	-0.3	Mediaco Holding	MDIA	3.33	1.28	62.44	12.55	1.49	-48.3
	-2.5	Nanobiotix ADR	NBTX	3.41	1.09	<b>46.9</b> 8	14.56	2.32	-75.8
	15.5	GeoVax Labs	GOVX	3.90	1.17	42.86	7.50	0.55	-11.0
	-11.1	TherapeuticsMD	TXMD	8.51	2.28	36.60	51.00	1.99	-83.1
1	-10.3	MAIA Biotechnology	MAIA	7.80	2.00	34.48	9.64	3.78	
	-14.5	Outset Medical	OM	19.61	4.16	26.93	60.33	13.25	-52.6
i	-13.4	Donegal Group CI B	DGICB	17.74	3.54	24.93	17.75	12.00	14.1
i	-3.2	<b>Better Therapeutics</b>	BTTX	2.77	0.55	24.77	29.40	0.91	-72.1
i	-10.0	EVO Payments CI A	EVOP	33.71	6.37	23.30	33.86	20.07	17.9
	-15.1	<b>Most Active St</b>	ocks						
	-1.8	WIOST ACTIVE ST	.UCKS						
0.11 	-18.0 -8.7	Company	Symbol	Volume (000)	%chg from 65-day av	Latest S g Close	Session % chg	52-W High	eek
0.85	-28.6	ProShares UltraPro QQQ	TQQQ 1	141,899	-21.3	33.31	-0.15	91.68	21.32
1	-6.9	ProSh UltraPro Shrt QQQ	sqqq 1	124,643	1.7	39.89	0.15	67.69	28.15
	-7.2	GeoVax Labs	GOVX 1	113,413	423.4	3.90	42.86	7.50	0.55
	-21.5	Ford Motor	F 1	108,807	75.4	15.34	4.42	25.87	10.61
	-13.4	Advanced Micro Devices	AMD	96,196	-8.3	96.78	2.45	164.46	71.60
2.47	43.0	Amazon.com	AMZN	76,646	-14.5	135.39	0.33	188.11	101.26
I	0.4	Mullen Automotive	MULN	75,806	24.1	0.87	9.36	15.90	0.52

Sources: FactSet; Dow Jones Market Data

Yield to maturity of current bills,

One year ago

3 6 1 2 3 5 7 10 20 30

years

Tradeweb ICE Monday Close

notes and bonds

month(s)

Aethlon Medical

SPDR S&P 500

Apple

**CREDIT MARKETS** 

4.11%

3.00%

3.25%

3.50%

3.75%

3.88%

0.25

0.25

0.52

-0.53

-0.02

1.39

1.33

0.96

-0.21

0.40

5.09

800-644-8261

800-718-2265

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\* Volumes of 100,000 shares or more are rounded to the nearest thousand

AAPL

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**Forex Race** 

2021

Yen, euro vs. dollar; dollar vs.

WSJ Dollar Index

2022

major U.S. trading partners

6293.6 1.38 **38.00** 

-27.3 410.77 **-0.30** 

-29.4 161.51 **-0.62** 182.94 129.04

All are available free at WSJMarkets.com

### **Percentage Losers**

Company	Symbol	— La Close	itest Sess Net chg		High	52-Wee	ek <del></del> % chg
Kazia Therapeutics ADR	KZIA	1.92	-1.71	-47.11	12.28	1.63	-79.1
Blue Water Vaccines	BWV	2.65	-0.70	-20.90	90.90	1.80	
I-Mab ADR	IMAB	8.53	-1.95	-18.61	81.05	6.52	-89.4
Omega Therapeutics	OMGA	4.25	-0.85	-16.67	31.41	1.98	-74.6
Holley	HLLY	6.67	-1.32	-16.52	14.68	6.32	-42.4
Arcutis Biotherapeutics	ARQT	20.26	-4.00	-16.49	26.13	13.59	-13.0
HilleVax	HLVX	11.37	-2.15	-15.90	20.95	7.90	
Scienjoy Holding CI A	SJ	4.52	-0.79	-14.88	7.30	1.75	-17.8
Tabula Rasa HealthCare	TRHC	3.79	-0.66	-14.83	43.63	2.09	-91.1
JELD-WEN Holding	JELD	15.34	-2.44	-13.72	29.89	12.12	-41.5
Quoin Pharmaceuticals ADR	QNRX	3.85	-0.61	-13.65	444.00	3.58	-98.2
TScan Therapeutics	TCRX	3.80	-0.59	-13.44	14.71	1.60	-62.0
Dingdong (Cayman) ADR	DDL	4.03	-0.62	-13.33	37.37	2.51	-83.6
Revolution Medicines	RVMD	19.82	-2.77	-12.26	34.16	14.08	-32.4
Cardiff Oncology	CRDF	1.94	-0.27	-12.22	8.58	1.13	-64.3

### **Volume Movers** Ranked by change from 65-day average\*

Volume %chafrom —Latest Session— —52-Week

Company	Symbol	(000)	65-day avg	Close	% chg	High	Low			
EVO Payments CI A	EVOP	16,078	5116	33.71	23.30	33.86	20.07			
Liberty TripAdvisor B	LTRPB	424	5088	48.03	196.30	82.98	8.43			
SPDR S&P 400 Mid Cap Gr	MDYG	6,000	4159	68.77	0.10	84.31	58.97			
WT EM Efficient Core	NTSE	244	3406	28.79	0.07	40.84	27.39			
WT Intl Efficient Core Fd	NTSI	908	2792	33.10	0.25	41.98	29.88			
Priveterra Acqn CI A	PMGM	317	2453	9.84	0.00	9.85	9.63			
MainStreet Bancshares	MNSB	269	2371	23.00	-0.61	26.85	20.77			
Population HIth Invt CI A	PHIC	461	2283	9.92	-0.10	9.97	9.68			
FinTech Evolution CI A	FTEV	443	2102	9.83	0.10	10.29	9.60			
Colonnade Acqn II CI A	CLAA	485	1965	9.84	-0.10	9.88	9.61			
* Common stocks priced at \$2 a share or more with an average volume over 65 trading days of at least 5,000 shares † Has traded fewer than 65 days										

### **CURRENCIES & COMMODITIES**

### **Currencies**

U.Sdollar forei	U.Sdollar foreign-exchange rates in late New York trading									
			US\$vs,				US\$ vs,			
		∕lon —	YTD chg			∕lon —	YTD chg			
Country/currency	in US\$	per US\$	(%)	Country/currency	in US\$	per US\$	(%)			
Americas				<b>Vietnam</b> dong	.00004281	23360	2.2			
Argentina peso	.00762	131.8822	28.4	Europe						
Brazil real	.1928	5.1864	-6.9	Czech Rep. koruna	.04167	24.000	9.7			
Canada dollar	.7788	1.2841	1.6	<b>Denmark</b> krone	.1378	7.2554	10.9			
Chile peso	.001121	891.70	4.7	Euro area euro	1.0263	.9744	10.8			
Colombiapeso	.000235	4259.33	4.8	<b>Hungary</b> forint	.002557	391.15	20.5			
Ecuador US dollar	1	1	unch	<b>Iceland</b> krona	.007394	135.24	4.2			
Mexico peso	.0490	20.3909	-0.5	Norway krone	.1038	9.6365	9.4			
<b>Uruguay</b> peso	.02456	40.7150	-8.9	Poland zloty	.2174	4.5991	14.2			
Asia-Pacific				Russia ruble	.01587	63.000				
Australian dollar	.7026	1.4233	3.4	Sweden krona		10.1179	11.8			
China yuan	.1477	6.7688	6.5	Switzerland franc	1.0529	.9498	4.1			
Hong Kong dollar	.1274	7.8502	0.7	Turkey lira		17.9022	34.4			
India rupee	.01267	78.948	6.0	<b>Ukraine</b> hryvnia		36.8500	34.7			
Indonesia rupiah	.0000674		4.1	<b>UK</b> pound	1.2251	.8163	10.4			
<b>Japan</b> yen	.007598	131.61		Middle East/Afri	ica					
Kazakhstan tenge	.002082	480.36	10.4	Bahrain dinar	2.6529	.3770	unch			
Macau pataca	.1236	8.0910	0.7	Egypt pound	.0527	18.9695	20.7			
Malaysia ringgit	.2246	4.4525	6.9	<b>Israel</b> shekel	.2971	3.3659	8.3			
New Zealand dollar	.6334	1.5788	8.0	Kuwait dinar	3.2621	.3066	1.3			
Pakistan rupee	.00418	239.450	35.9	Oman sul rial	2.5973	.3850				
Philippines peso	.0181	55.375	8.6	<b>Qatar</b> rial	.2747	3.641				
Singapore dollar	.7261	1.3773	2.1	Saudi Arabia riyal	.2663					
South Korea won	.0007647		10.0	South Africa rand	.0605	16.5278	3.7			
Sri Lanka rupee	.0027548	363.00			Class N-+	'h 0/ Ch - '	OTD 0/ Ch			
<b>Taiwan</b> dollar	.03318	30.142	8.7	WC I Dallan Indan	Close Net C					
water and the state	007/0	2/120								

Thailand baht .02769 36.120 **8.7** Sources: Tullett Prebon, Dow Jones Market Data

**Commodities** 

### maturity Sources: Tradeweb ICE U.S. Treasury Close; Tullett Prebon; Dow Jones Market Data Cornorate Borrowing Rates and Vields

3.00%

2.40

1.80

1.20

0.60

\_\_\_0.00

corporate bor	1 0 44 11	ig ixc	16636	IIIG	ı ici	13
Bond total return index	Close		l (%) — Week ago	— 52-V High	Veek — Low	Total Return (%) 52-wk 3-yr
U.S. Treasury, Bloomberg	2220.200	2.840	3.020	3.550	0.780	<b>-8.194</b> -0.411
U.S. Treasury Long, Bloomber	g 3700.280	3.060	3.200	3.630	1.720	<b>-17.465</b> -1.977
Aggregate, Bloomberg	2073.660	3.390	3.570	4.140	1.340	<b>-8.668</b> -0.258
Fixed-Rate MBS, Bloomber	g 2080.840	3.350	3.550	4.240	1.590	<b>-6.323</b> -0.516
High Yield 100, ICE BofA	3178.151	7.136	7.504	8.427	3.210	<b>-7.689</b> 0.964
Muni Master, ICE BofA	568.458	2.455	2.593	3.191	0.697	<b>-5.933</b> 0.534
EMBI Global, J.P. Morgan	773.859	7.286	7.648	8.085	4.516	<b>-16.888</b> -3.523
	ources: LD N	Aorgan: P	Ioombora E	ivad Inc	omo Indic	oc: ICE Data Sonvicos

	Close	Net chg	% Chg	High	Low	% Chg	% chg
DJ Commodity	1072.71	-22.21	-2.03	1264.48	853.12	19.03	13.37
Refinitiv/CC CRB Index	286.11	-5.96	-2.04	329.59	206.96	32.62	23.12
Crude oil, \$ per barrel	93.89	-4.73	-4.80	123.70	62.32	31.76	24.84
Natural gas, \$/MMBtu	8.283	0.054	0.66	9.322	3.561	110.50	122.06
Gold, \$ per troy oz.	1769.00	6.10	0.35	2040.10	1699.50	-2.70	-3.20

WSJ Dollar Index 97.24 -0.42-0.43 8.58

### **Consumer Rates and Returns to Investor** Treasury yield curve

Bankrate.com avg†:

Florence, MA

Clinton, MA

Waltham, MA

St. Petersburg, FL

**Clinton Savings Bank** 

Florence Savings Bank

Raymond James Bank, NA

**RTN Federal Credit Union** 

### **Selected rates U.S.** consumer rates Five-year ARM, Rate A consumer rate against its

benchmark over the past year

Sources: FactSet; Dow Jones Market Data



New-car loan, 48-month

### Hanscom Federal Credit Union Hanscom AFB, MA 800-656-4328 52-Week Range (%) — 3-yr chg Low 0 2 4 6 8 High (pct pts) —Yield/Rate (%)— Last (●) Week ago Interest rate Federal-funds rate target **2.25-2.50** 1.50-1.75 2.50 0.00 Prime rate\* 5.50 4.75 3.25 5.50 2.80 2.77 2.81 Libor, 3-month 0.11 0.07 0.13 Money market, annual yield 0.13 0.11 1.67 0.41 1.84 Five-vear CD, annual vield 1.84 30-year mortgage, fixed<sup>†</sup> 5.27 5.73 3.00 6.11 15-year mortgage, fixed 4.95 5.39 2.28 Jumbo mortgages, \$647,200-plus<sup>†</sup> 5.20 5.69 3.03 6.11 Five-year adj mortgage (ARM)† 4.11 4.25 2.82 4.32

### Bankrate.com rates based on survey of over 4,800 online banks. banks.† Excludes closing costs. \*Base rate posted by 70% of the nation's largest Sources: FactSet; Dow Jones Market Data; Bankrate.com

5.09

3.41

### **COMMODITIES**

wsj.com/market-data/commodities

4097.00 **4120.50** -13.00 2,300,477

interest

Source: FactSet

### **Futures Contracts**

Corn (CBT)-5,000 bu.; cents per bu 619.75 621.50 623.75 625.00

 Oats (CBT)-5,000 bu; cents per bu.

 Sept
 448.00

 Dec
 443.00

 443.25

1650.00 1650.00 1477.50 1481.00

Soybean Meal (CBT)-100 tons; \$ per ton. 499.10 501.10 420.50 421.40

Soybean Oil (CBT)-60,000 lbs.; cents per lb. 68.60 65.97

16.92 17.21

Rough Rice (CBT)-2,000 cwt.; \$ per cwt. 16.88 17.19

Nov 17.19 17.21 Wheat (CBT)-5,000 bu; cents per bu. Sept 812.75 820.25 781.25 Dec 831.50 838.25 800.25

878.00 886.50 885.00 893.00

Wheat (KC)-5,000 bu.; cents

Soybeans (CBT)-5,000 bu;

			acts			
	M	etal & F	Petroleum	Future	S	
		Cor	ntract			Open
	Open	High	hi lo Low	Settle	Chg	interest
Copper	-High (C	<b>MX)</b> -25.00	00 lbs.; \$ per lb.			
Aug	3.5805	3.5805	3.5340	3.5520	-0.0320	1,446
Sept	3.5750	3.5970	3.5120	3.5425	-0.0310	110,320
Gold (CI	<b>MX)</b> -100 to	roy oz.; \$ pe	er troy oz.			
Aug	1763.90	1772.50	1755.70	1769.00	6.10	14,456
Sept	1767.70	1777.00	1759.70	1772.70	5.80	3,910
Oct	1772.20	1781.80	1764.10	1777.60	6.10	38,994
Dec	1782.50	1792.50	1774.30	1787.70	5.90	388,333
Feb'23	1793.10	1803.20	1788.00	1799.60	6.10	9,669
April	1801.70	1813.60	1798.80	1810.70	6.20	6,433
Palladi	um (NYM	) - 50 troy	oz.;\$ per troy o	<u>z</u> .		
Aug				2198.60	69.70	
Sept	2123.00	2226.00	2085.50	2199.40	69.70	5,489
Platinu	m (NYM)	-50 troy oz	z.;\$ per troy oz.			
Aug				896.70	11.80	85
Oct	889.10	911.00	883.10	901.60	11.80	66,998
			\$ per troy oz.			
Aug	20.280	20.400	20.250	20.322	0.166	110
Sept	20.335	20.510	20.065	20.362	0.165	105,158
			( <b>NYM)</b> -1,000 bl			
Sept	98.46	98.65	92.42	93.89	-4.73	282,371
Oct	96.44	96.74	90.96	92.39	-4.36	160,709
Nov	95.17	95.20	89.83	91.34	-3.96	94,211
Dec	93.75	93.85	88.66	90.29	-3.58	205,627
June'23	86.86	87.54	83.17	84.99	-2.60	145,764
Dec	82.90	83.50	79.53	81.38	-2.24	126,773
			42,000 gal.; \$ p		1000	70.100
Sept	3.5422	3.5584	3.4017	3.4400	1090	78,183
Dec	3.4177	3.4178	3.2681	3.3089	0943	36,207
	2.1070	3.1133	<b>M)</b> -42,000 gal.; 2.9101	5 per gai. <b>2.9981</b>	1151	00.000
Sept Oct	2.8515	2.8652	2.6856	2.7430		99,990 41,171
			2.0850 O MMBtu.; \$ per		1222	41,1/1
Sept	7.910	8,298	7.753 المالكانات 7.753	8.283	.054	164,285
Oct	7.894	8.276	7.735	8.260	.052	94,875
Nov	7.877	8.346	7.733	8.330	.047	84,811
Jan'23	8.098	8.511	7.025	8.496	.055	73,808
April	4.823	5.014	4.823	4.982	.039	67,823
May	4.750	4.841	4.676	4.809	.029	65,821
ividy	4.700	1.071	4.070	4.007	.027	07,021
		Agric	ulture Fut	ures		
		Agric	arcare r ac	an Go		

597.25

428.00

s per bu. 1577.75

1395.50

481.00 396.60

845.25

852.75

		Co	ntrac	t			Open
	Open	High hi	lo	Low	Settle	Chg	interest
Sept	182.300	183.625		182.100	183.100	1.550	14,023
Cattle	-Live (cm	<b>E)</b> -40,000	lbs.; c	ents per l	b.		
Aug	136.300	137.000		136.275	136.775	.325	25,763
Oct	141.900			141.900	142.625	.400	110,903
Hogs-l	Lean (cmi		bs.;ce				
Aug	120.000			119.350		200	20,966
Oct	96.100	97.000		95.025	96.825	400	90,075
Lumbe	er (CME)-11	10,000 bd. f	t., \$ p	er1,000	bd. ft.		
Sept	529.80	545.20	$\overline{\mathbb{A}}$	514.10	534.20	7.10	1,603
Nov	549.10	564.40	$\overline{\mathbf{w}}$	533.80	557.70	10.30	474
	<b>ME)</b> -200,0		ts pe	r lb.			
July	22.53	22.54		22.52	22.53	.01	4,265
Sept	20.27			20.13	20.50	.19	5,287
	(ICE-US)-1	0 metric to	ns;\$p	er ton.			
Sept	2,328	2,355		2,312	2,339	16	110,406
Dec	2,374	2,410		2,367	2,390	17	92,457
Coffee	(ICE-US)-	37,500 lbs.;	cents	s per lb.			
Sept	217.55	222.20		210.40	213.20	-4.00	83,300
Dec	214.00	218.80		207.25	210.00	-3.80	63,145
Sugar-	-World (10	CE-US)-112	,000	lbs.; cent	s per lb.		
Oct	17.58	17.65	$\overline{\mathbf{w}}$	17.20	17.60	.06	329,125
March'23		17.76	$\overline{\mathbf{w}}$	17.34	17.72	.03	192,934
Sugar-	-Domesti	ic (ICE-US)	<b>)</b> -112,	000 lbs.;	cents per lb		
Sept					33.52		1,092
Cottor	1 (ICE-US)-		; cent	s per lb.			
Oct	102.38	102.38		99.13	100.29	-2.84	129
Dec	96.58	96.76		92.80	94.06	-2.68	108,131
	e Juice (10		11 OOC	bs.; cents			
Sept	171.70	172.30		167.65	170.10	-1.90	7,282
Nov	166.10	166.95		163.65	166.65	10	1,980
		Interes	st R	ate Fu	tures		
Ultra T	reasury	Ronds (C	RT)-	\$100.00	0: nts 32nd	s of 100°	%
Sept	157-060			156-010			1,308,796
Dec	158-060			155-300		1-20.0	7,300,730
	ary Bond						,
Sept	143-180			142-290			1,183,090
Dec	142-270			142-150		22.0	
	ary Notes						720
Sept	121-020	121-190		120-270	121-115		3,528,638
Doc	121-020				121-112		2,220,020 10 E74

						-,
		Intere	st Rate Fu	tures		
Ultra Tr	easury	Bonds (C	<b>BT)</b> - \$100,000	); pts 32nd	ls of 1009	6
Sept	157-060	160-010	156-010	159-300	1-20.0	1,308,796
Dec	158-060	159-200	155-300	159-220	1-20.0	7
Treasu	ry Bond:	<b>S (CBT)</b> -\$1	00,000; pts 32	nds of 100	%	
Sept	143-180	145-000	142-290	144-220	22.0	1,183,090
Dec	142-270		142-150		22.0	928
Treasu	ry Notes	(CBT)-\$10	00,000; pts 32r	nds of 100	%	
Sept	121-020	121-190	120-270			3,528,638
Dec	121-060	121-185	120-275	121-125	8.0	10,576
			<b>T)</b> -\$100,000;			
Sept	113-245					3,939,686
Dec	114-002	114-017	113-230	113-287	3.5	2,788
			<b>T)</b> -\$200,000;			
Sept	105-077					1,992,027
Dec	105-076		105-076		9	264
			<b>BT)</b> -\$5,000,0			
Aug	97.6675	97.6700	97.6650		0025	
Oct	97.0900	97.1050	97.0850		0050	
			<b>ps (CBT)</b> -\$10			
Sept	95-305	96-120	95-140	96-080	16.0	14,074
			<b>E)</b> -\$1,000,000			100.001
June	98.0625					690,931
Dec	96.7250	96.7650	96.7000	96.7400	0050	1,045,083
			00; pts of 100%		0100	104 407
Aug	97.0850		97.0625	97.0725	0100	,,
Sept	96.6850		96.6600	96.6900	0100	
Dec	96.3350		96.3100	96.3550		1,640,423
March'23	96.5200	96.5550	96.4800	96.5150	0150	1,091,660
		C	ones Eutro	***		
		Curr	ency Futu	es		

March 23	96.5200	90.5550	96.4800	90.5150	0150	1,091,000								
	Currency Futures													
Japane	<b>Japanese Yen (CME)-</b> ¥12,500,000; \$ per 100¥													
Aug	.7514	.7606	.7496	.7595	.0087	1,034								
Sept	.7533	.7628	.7514	.7614	.0087	226,674								
Canadia	Canadian Dollar (CME)-CAD 100,000; \$ per CAD													
Aug	.7801	.7832	.7779	.7785	0021	257								
Sept	.7811	.7831	.7777	.7783	0021	134,989								
<b>British</b>	Pound (	<b>ME)</b> -£62,50	00; \$ per £											
Aug	1.2186	1.2296	1.2163	1.2258	.0078	985								

### Cash Prices | wsj.com/market-data/commodities

 Dec
 885.00
 895.00
 Cattle-Feeder (CME)-50,000 lbs; cents per lb.

 Aug
 179.450
 180.325
 179.125
 179.650
 1.075

Monday, August 1, 2022

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.

**607.00** -9.25 336,488 **609.75** -10.25 621,720

**1406.00** -62.50 320,749

-8.30

**399.30** -19.20 182,262

-.23

-7.50

-2.40 132,991

-6.75 91,548

**440.50** -7.50 **435.25** -7.75

**1594.25** -42.75

487.00

16.97

866.50

874.00

	Monday		Monday		Monday
Energy		Iron Ore, 62% Fe CFR China-s Shredded Scrap, US Midwest-s,m	112.9 n.a.	Wheat, Spring14%-pro Mnpls-u Wheat, No.2 soft red, St. Louis-u	10.0750 8.2175
Coal,C.Aplc.,12500Btu,1.2SO2-r,w	176.150	Steel, HRC USA, FOB Midwest Mill-s	840	Wheat - Hard - KC (USDA) \$ per bu-u Wheat,No.1soft white,PortId,OR-u	9.3150 9.1250
Coal,PwdrRvrBsn,8800Btu,0.8SO2-r,w	16.350	Battery/EV metals			9.1250
Metals		BMI Lithium Carbonate, EXW China, =99.2%-v,w BMI Lithium Hydroxide, EXW China, =56.5%-v,w	69700 69925	Food	
Gold, per troy oz		BMI Cobalt sulphate, EXW China, >20.5% -v,m	9909	Beef,carcass equiv.index	
Engelhard industrial	1774.00	BMI Nickel Sulphate, EXW China, >22%-v,m	5364	choice 1-3,600-900 lbsu	233.34
Handy & Harman base	1772.40	BMI Flake Graphite, FOB China, -100 Mesh, 94-95% -v,m	795	select 1-3,600-900 lbsu	207.13
Handy & Harman fabricated	1967.36	Fibers and Textiles		Broilers, National comp wtd. avgu,w	1.4322
LBMA Gold Price AM	*1758.90	ribers and rextiles		Butter,AA Chicago-d Cheddar cheese,bbl,Chicago-d	2.9875 188.00
LBMA Gold Price PM	*1753.40	Burlap,10-oz,40-inch NY yd-n,w	0.7825	Cheddar cheese,blk,Chicago-d	184.75
Krugerrand,wholesale-e	1836.69	Cotton,11/16 std lw-mdMphs-u	1.0929	Milk,Nonfat dry,Chicago lbd	164.00
Maple Leaf-e	1854.35	Cotlook'A' Index-t	*131.40	Coffee,Brazilian,Comp-y	2.1406
American Eagle-e	1854.35	Hides,hvy native steers piece fob-u	n.a.	Coffee,Colombian, NY-v	2.8776
Mexican peso-e Austria crown-e	2137.33 1734.08	Wool,64s,staple,Terr del-u,w	n.a.	Eggs,large white,Chicago-u	3.1350
Austria crown-e Austria phil-e	1854.35	Grains and Feeds		Flour,hard winter KC-p	21.85
	1034.33			Hams,17-20 lbs,Mid-US fob-u	1.22
Silver, troy oz.	20.4000	Barley,top-quality Mnpls-u	n.a.	Hogs,lowa-So. Minnesota-u	113.50
Engelhard industrial Handy & Harman base	20.4000	Bran,wheat middlings, KC-u	199	Pork bellies,12-14 lb MidUS-u	n.a.
Handy & Harman fabricated	25.4440	Corn,No. 2 yellow,Cent IL-bp,u	6.5600 192.0	Pork loins,13-19 lb MidUS-u	1.3450
LBMA spot price	*£16.4700	Corn gluten feed,Midwest-u,w Corn gluten meal,Midwest-u,w	660.0	Steers,TexOkla. Choice-u	n.a.
(U.S.\$ equivalent)	*20.0650	Cottonseed meal-u,w	388	Steers,feeder,Okla. City-u,w	186.50
Coins.wholesale \$1,000 face-a	19261	Hominy feed.Cent IL-u,w	185	Fats and Oils	
Other metals	17201	Meat-bonemeal,50% pro Mnpls-u,w	425	Degummed corn oil, crude wtd. avgu,w	63.0000
LBMA Platinum Price PM	*889.0	Oats,No.2 milling,Mnpls-u	4.8250	Grease,choice white,Chicago-h	0.7400
Platinum, Engelhard industrial	911.0	Rice, Long Grain Milled, No. 2 AR-u,w	33.00	Lard,Chicago-u	n.a.
Palladium,Engelhard industrial	2200.0	Sorghum.(Milo) No.2 Gulf-u	n.a.	Soybean oil.crude:Centl IL-u.w	0.7160
Aluminum, LME, \$ per metric ton	*2452.0	SoybeanMeal,Cent IL,rail,ton48%-u,w	502.30	Tallow,bleach;Chicago-h	0.8100
Copper,Comex spot	3.5520	Soybeans,No.1 yllw IL-bp,u	15.0300	Tallow,edible,Chicago-u	n.a.

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=Sosland Publishing; R=SNL Energy; S=Platts-TSI; T=Cotlook Limited; U=USDA; V=Benchmark Mineral Intelligence; W=weekly; Y=International Coffee Organization; Z=not quoted. \*Data as of 7/29

Source: Dow Jones Market Data

### Borrowing Benchmarks | wsj.com/market-data/bonds/benchmarks **Money Rates**

August 1, 2022

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.

	Infl	ation							-WEEK—
						Late	est ago	High	Low
	June ir		Chg Froi						
	le	vel	May '22	June '21	Policy Rate	es			
		: d			Euro zone	0.50	0.00	0.50	0.00
U.S. cons	umer pri	ce ina	ex		Switzerland	0.25	0.25	0.25	0.00
Allitems	296	.311	1.37	9.1	Britain	1.25	1.25	1.25	0.10
Core	294	.680	0.74	5.9	Australia	1.35	1.35	1.35	0.10
	nternati	onalı	rates		Overnight	repurc	hase		
_	licernac	Onan	ates		U.S.	2.30	1.55	2.31	0.01
	Latest	Week ago	−52 High	-Week <sup>—</sup> Low	U.S.	gover	nmen	trates	
Prime rat	tes				Discount				
U.S.	5.50	4.75	5.50	3.25		2.50	1.75	2.50	0.25
Canada	4.70	4.70	4.70	2.45	Federal fu	nds			
Japan	1.475	1.475	1.475	1.475	Effective rate	2.3400	1.5900	2.3400	0.0700

Kev	<b>Interest Rates</b>	,

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.

	Wee	k Ended	— 52-W	eek —		Week Ended — 52-Week			eek —
	Jul 29	Jul 22	High	Low		Jul 29	Jul 22	High	Low
Federal fun	ds (eff	ective)			6-month	2.96	3.02	3.02	0.05
reactarrain				0.00	1-year	3.01	3.12	3.12	0.07
	1.58	1.58	1.58	0.08	2-year	2.94	3.14	3.27	0.19
Commercia	l paper				3-year	2.91	3.12	3.44	0.36
					5-year	2.80	3.05	3.45	0.69
Nonfinancial	2 27	2.04	2 27	0.05	7-year	2.80	3.03	3.44	0.99
1-month 2-month	2.27 2.27	2.04 2.28	2.27 2.28	0.05	10-year	2.75	2.94	3.36	1.22
3-month	2.46	2.47	2.47	0.05 0.05	20-year	3.25	3.36	3.64	1.78
	2,40	2.47	2.4/	0.07					
Financial	2.25	2 20	2.25	0.06	Treasury yie	e <b>lds</b> (s	econda	ry mark	(et)
1-month 2-month	2.25	2.20	2.25	0.06	1-month	2.12	1.97	2.12	0.02
3-month	n.a. 2.60	n.a. 2.63	n.a. 2.63	n.a. 0.09	3-month	2.42	2.43	2.43	0.03
					6-month	2.86	2.91	2.91	0.05
Discount wi	indow <sub>l</sub>	orimar	y credi	t	TIPS				
	2.50	1.75	2.50	0.25	5-year	0.17	0.43	0.52	-1.88
Trescurio	alda at	const			7-year	0.17	0.43	0.52	-1.47
Treasury yie maturities	eius at	CONST	mı		10-vear	0.23	0.58	0.02	-1.14
	2 17	2.02	2 17	0.02	20-year	0.60	0.78	0.71	-0.72
1-month	2.17 2.49	2.02 2.50	2.17 2.50	0.03		0.00		1.13	-0.72
3-month	2.49	2.20	2.20	0.03	Long-term avg	0.72	1.06	1.15	-0.00

Notes on data:

Federal-funds rate is an average for the seven days ended Wednesday, weighted according to rateson 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** average is indexed and is based on the unweighted average bid yields for all TIPS with remaining terms to maturity of 10 years or more;

Sources: Federal Reserve; for additional information on these rate data and their derivation, please see, https://www.federalreserve.gov/datadownload/Build.aspx?rel=H15

		Week	( <del>–</del> 52	-WEEK—						
	Late	est ago	Hig	n Low						
High	2.4500	1.7000	2.4500	0.0900						
Low	2.3000	1.5500	2.3000	0.0200						
Bid	2.3300	1.5800	2.3300	0.0500						
Offer	2.3500	1.6000	2.3500	0.0600						
Treasury bill auction										

Treasury bill auction											
4 weeks	2.140	2.120	2.140	0.020							
13 weeks	2.490	2.520	2.520	0.035							
26 weeks	2.850	2.920	2.920	0.045							
Secondary market											

Fannie Mae

su-year mortgag	je yieias									
30 days	4.460	4.839	5.434	2.216						
60 days	4.510	5.002	5.526	2.261						
Other short-term rates										
	Latest \	Week ago	– 52-V high	veek — low						

Call mone	ey .			
	4.25	3.50	4.25	2.00
Commerc	ial paper (	AA fin	ancial	)
90 days	2.75	n.a.	2.77	0.08
Libor				
One month	2.36686	2.29971	2.37314	0.07525
Three month	2.80214	2.76929	2.80586	0.11413
Six month	3.37614	3.28529	3.38129	0.14663
One year	3.74214	3.77529	3.97829	0.21950

Secured Overnight Financing Rate 2.27 1.52 2.28 0.03 Value – 52-Week – Traded High Low

Royal Caribbean

DTCC GCF Repo Index **2.308** 45.450 2.308 0.015 Treasury MBS **2.329** 49.150 2.333 0.018

Notes on data: **U.S. prime rate** is the base rate on corporate loans posted by at least 70% of the 10 largest U.S. banks, and is effective July 28, 2022. **Other prime rates** aren't directly comparable; lending practices vary widely by location; **Discount rate** is effective July 28, 2022. **Secured Overnight** Financing Rate is as of July 29, 2022. DTCC GCF Repo Index is Depository Trust & Clearing Corp.'s weighted average for overnight trades in applicable CUSIPs. Value traded is in billions of U.S. dollars. **Federal-funds rates** are Tullett Prebon rates as of 5:30 p.m. ET. Sources: Federal Reserve; Bureau of Labor Statistics; DTCC; FactSet; Tullett Prebon Information, Ltd.

		Contrac	t.			Open			Con
	Open	High hilo	Low	Settle	Chg	interest		0pen	High hile
Sept	1.2188	1.2306	1.2168	1.2266	.0078	220,872	Mini S	&P 500 (	<b>:ME)</b> -\$50 x
swiss F	ranc (cM	E)-CHF 125,00	0; \$ per C	HF			Sept	4137.50	4147.25
Sept	1.0541	1.0585	1.0523	1.0559	.0016	44,595	Dec	4151.00	4163.50
Dec	1.0614	1.0662	1.0610	1.0642	.0018	272	Mini S	&P Midca	ip 400 (cr
Austral	ian Dolla	Ar (CME)-AUD	100.000:	\$ per AUD			Sept	2514.50	2524.50
Aua	.6982	.7049	.6971	.7023	.0026	133	Dec		
Sept	.6995	.7052	.6973	.7026	.0026	164,987	Mini N	lasdaq 10	O (CME)-\$2
	n Peso (	<b>ME)</b> -MXN 500	0.000:\$p	er MXN		,	Sept	12981.00	13108.75
Aua	•		, , , ,	.04899		10	Dec	13010.00	
Sept	.04862	.04897	.04850	.04867		198,256	Mini R	Russell 20	00 (CME)-
		000;\$per€				_,_,_,	Sept	1888.00	1897.10
Aug	1.0220	1.0285	1.0217	1.0264	.0033	2,027	Dec	1877.70	1902.10
Sept	1.0258	1.0310	1.0240	1.0288	.0033	661,393	Mini R	Russell 10	00 (CME)-:
, cpc	1.0250	1.0510	1.02.10	2.0200	.0055	001/575	Sept	2254.60	2277.20
		Index	Future	20			U.S. D	ollar Inde	X (ICE-US)-
	_						Sept	105.73	105.92
Mini DJ	Industri	al Average	(CBT)-\$5	x index			Dec	105.40	105.41
Sept	32827	32938	32602	32767	-58	73,666			
Dec	32793	33019	32700	32849	-57	454			

Dec	4151.00	4163.50	4114.50	4137.50	-13.00	32,360
Mini S	&P Midca	ap 400 (c	ME)-\$100 x in	ıdex		
Sept	2514.50	2524.50	2483.70	2513.90	50	53,587
Dec				2519.70	80	1
Mini N	lasdaq 10	O (CME)-\$	20 x index			
Sept	12981.00	13108.75	12851.75	12962.50	-9.00	257,012
Dec	13010.00	13177.75	12929.00	13036.25	-8.75	3,597
Mini R	Russell 20	00 (CME)	-\$50 x index			
Sept	1888.00	1897.10	1854.80	1885.40	.10	560,706
Dec	1877.70	1902.10	1861.50	1892.10	.80	3,991
Mini R	Russell 10	00 (CME)	-\$50 x index			
Sept	2254.60	2277.20	2249.60	2264.10	-4.80	14,279
U.S. D	ollar Inde	X (ICE-US)	-\$1,000 x inde	2X		
Sept	105.73	105.92	105.11	105.34	44	57,794
Dec	105.40	105.41	104.83	105.02	46	764

Bonds | wsj.com/market-data/bonds/benchmarks

### **Tracking Bond Benchmarks**

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

Total					Total				
return close	YTD total return (%)	Index	— Yield (% Latest Low		return close	YTD total return (%)	Index	— Yield ( Latest Lov	
ciose	return(%)	index	Latest Low	підіі					v nigii
Broad N	<b>Narket</b> Bloombe	erg Fixed Income Indice	S		Mortga	ge-Backed Blod	mberg Fixed Income In	idices	
2073.66	-7.7	U.S. Aggregate	<b>3.390</b> 1.340	4.140	2080.84	-5.5	Mortgage-Backed	<b>3.350</b> 1.590	4.240
U.S. Cor	porate Indexe	s Bloomberg Fixed Inco	me Indices		2043.44	-4.5	Ginnie Mae (GNMA)	<b>3.370</b> 1.610	4.250
3033.39	-11.1	U.S. Corporate	<b>4.280</b> 1.910	4.990	1226.37	-5.6	Fannie mae (FNMA)	<b>3.340</b> 1.580	4.240
2870.60	-6.6	Intermediate	<b>4.040</b> 1.260	4.820	1879.18	-5.9	Freddie Mac (FHLMC)	<b>3.340</b> 1.570	4.240
4196.67	-17.9	Long term	<b>4.690</b> 2.900	5.310	568.46	-5.6	Muni Master	<b>2.455</b> 0.697	3.191
605.18	-10.9	Double-A-rated	<b>3.630</b> 1.650	4.370	403.09	-5.2	7-12 year	<b>2.372</b> 0.699	3.237
800.80	-11.8	Triple-B-rated	<b>4.620</b> 2.110	5.320	454.39	-7.6	12-22 year	<b>3.032</b> 1.030	3.753
High Yie	eld Bonds ICE B	ofA			433.48	-10.7	22-plus year	<b>3.745</b> 1.488	4.342
476.73	-8.6	High Yield Constrained	<b>7.695</b> 3.830	8.931	Global G	Government J.P	. Morgan†		
438.77	-12.9	Triple-C-rated	<b>13.751</b> 6.893	15.197	560.02	-6.6	Global Government	<b>2.010</b> 0.720	2.560
3178.15	-8.5	High Yield 100	<b>7.136</b> 3.210	8.427	784.78	-6.4	Canada	<b>2.730</b> 1.230	3.500
411.25	-10.6	Global High Yield Constraine	d <b>7.923</b> 4.019	9.062	373.49	-8.0	EMU§	<b>1.594</b> 0.163	2.562
312.23	-10.5	Europe High Yield Constraine	d <b>6.258</b> 2.304	7.457	699.31	-8.0	France	<b>1.410</b> 0.080	2.330
U.S Age	<b>ncy</b> Bloomberg	Fixed Income Indices			500.74	-6.7	Germany	<b>0.780</b> -0.410	1.740
1748.52	-4.8	U.S Agency	<b>3.060</b> 0.640	3.670	286.93	-2.6	Japan	<b>0.630</b> 0.260	0.710
1538.18	-4.0	10-20 years	<b>3.020</b> 0.520	3.630	545.86	-8.4	Netherlands	<b>1.080</b> -0.290	2.030
3632.39	-13.4	20-plus years	<b>3.600</b> 1.890	4.190	922.28	-11.1	U.K.	<b>2.110</b> 0.720	2.740
2632.77	-8.8	Yankee	<b>3.980</b> 1.510	4.610	773.86	-15.8	Emerging Markets **	<b>7.286</b> 4.516	8.085
*Constrai	ned indexes limit ir	ndividual issuer concentrati	ions to 2%; the	High Yie	ld 100 are th	ne 100 largest bon	ds † In local curren	cy § Euro-zo	ne bonds
** EMBI G	lobal Index				Source	ces: ICE Data Servi	ces; Bloomberg Fixed Incor	ne Indices; J.	P.Morgan

### **Global Government Bonds: Mapping Yields**

Yields and spreads over or under U.S. Treasurys 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

(augan (%)	Country/		2 1	0	1 2	- Yiel	ld (%) ——— 4 Previous	Month see	V	Spread Under/Over U.S. 1		
3.000	Maturity, in years <b>U.S.</b> 2	Latest(●)-	2 -1	0	1 2	-	2.897	Month ago 2.843	Year ago 0.188	Latest	Prev	Year ago
2.875		2.605 ▼			Ш,		2.642	2.901	1.239			
				+	-	-					44.4	1//
2.750	<b>Australia</b> 2	2.440			•	•	2.440	2.508	0.022	-47.2	-44.4	-16.6
1.250	10	3.069				•	3.069	3.604	1.191	46.0	41.8	-3.7
0.000	France 2	0.169 ▼					0.195	0.451	-0.713	-274.3	-268.8	-90.0
2.000	10	1.329 ▼			•		1.389	1.797	-0.101	<b>-128</b> .	-126.3	-132.9
0.200	Germany 2	0.261 🛦		•			0.260	0.510	-0.757	-265.1	-262.4	-94.4
1.700	10	0.777 ▼		•			0.814	1.233	-0.459	-183.2	-183.7	-168.7
0.000	Italy 2	1.222 ▼			•		1.403	1.010	-0.452	-169.0	-148.1	-64.0
0.950	10	2.869 ▼				•	3.050	3.099	0.628	<b>26.0</b>	39.8	-60.0
0.005	Japan 2	-0.085 ▼		•			-0.082	-0.066	-0.125	-299.7	-296.6	-31.3
0.200	10	0.186		•			0.183	0.221	0.020	-242.3	-246.8	-120.8
0.000	Spain 2	0.487 ▼		•			0.534	0.765	-0.585	-242.5	-235.0	-77.3
2.550	10	1.862 ▼			•		1.928	2.268	0.270	-74.7	-72.3	-95.8
0.125	<b>U.K.</b> 2	1.672 ▼			•		1.713	1.674	0.061	-124.	-117.1	-12.7
4.250	10	1.809 ▼			•		1.861	2.087	0.568	-80.0	-79.0	-66.0

Source: Tullett Prebon, Tradeweb ICE U.S. Treasury Close

Spread\*, in basis points

Bond Price as % of face value

-0.69

103.625

79.250

103.500

76.500

### **Corporate Debt**

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

Investment-grade spreads that tightened the most...

Issuer	Symbol	Coupon (%)	Yield (%)	Maturity	Current	One-day change	Last week
Morgan Stanley	MS	4.000	3.46	July 23, '25	65	-14	87
Kraft Heinz	КНС	6.500	5.39	Feb. 9, '40	227	-13	n.a.
Royal Bank of Canada	RY	3.625	3.70	May 4, '27	103	-12	123
Sumitomo Mitsui Financial	SUMIBK	3.364	3.98	July 12, '27	132	-12	n.a.
Dominion Energy South Carolina		5.250	4.60	March 1, '35	202	-11	n.a.
ING Groep	INTNED	4.625	4.14	Jan. 6, '26	148	-9	150
Altria	мо	5.375	6.12	Jan. 31, '44	293	-9	309
Pacific Gas and Electric	PCG	3.150	5.30	Jan. 1, '26	259	-9	n.a.
And spreads that wide	ned the n	nost					
Credit Agricole	ACAFP	4.375	4.86	March 17, '25	205	19	n.a.
Deutsche Bank	DB	4.162	4.12	May 13, '25	130	13	n.a.
UBS	UBS	4.125	4.06	Sept. 24, '25	124	13	117
Peachtree Corners Funding Trust		3.976	3.96	Feb. 15, '25	114	10	n.a.
Apple	AAPL	4.375	4.03	May 13, '45	92	9	85
Athene Global Funding		3.205	5.03	March 8, ′27	237	8	236
Credit Suisse	cs	4.550	5.07	April 17, '26	240	8	245
HSBC Holdings	HSBC	3.900	4.07	May 25, '26	140	8	131

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

Issuer	Symbol	Coupon (%)	Yield (%)	Maturity	Current	One-day change	Last week
Navient	NAVI	6.750	7.73	June 15, '26	96.780	1.53	92.755
Teva Pharmaceutical Finance		6.150	7.02	Feb. 1, '36	92.500	1.00	84.072
Telecom Italia	TITIM	5.303	6.21	May 30, '24	98.443	0.94	97.150
Intesa Sanpaolo	ISPIM	5.710	6.31	Jan. 15, '26	98.150	0.92	95.682
FirstEnergy	FE	7.375	4.98	Nov. 15, '31	117.614	0.81	114.829
Lumen Technologies	LUMN	7.650	10.16	March 15, '42	78.800	0.80	78.000
Hat Holdings I		3.750	7.48	Sept. 15, '30	77.627	0.78	76.977
Ford Motor	F	7.450	6.02	July 16, '31	109.750	0.75	107.250
And with the biggest pr	ice decr	eases					
Nokia Oyj	NOKIA	4.375	4.49	June 12, '27	99.500	-1.69	n.a.
Embarq		7.995	10.65	June 1, '36	81.000	-1.53	80.150
Belo		7.250	7.57	Sept. 15, '27	98.650	-1.45	99.750
United Airlines Holdings	UAL	4.875	6.90	Jan. 15, '25	95.500	-0.95	95.710
Ford Motor Credit		4.134	4.93	Aug. 4, '25	97.813	-0.81	96.259
Dish DBS		7.750	13.67	July 1, '26	82.500	-0.78	82.000

Note: Data are for the most active issue of bonds with maturities of two years or more Source: MarketAxess

4.50

13.12

Sept. 15, '23

Oct. 15, '27

7.875

7.500

RCL

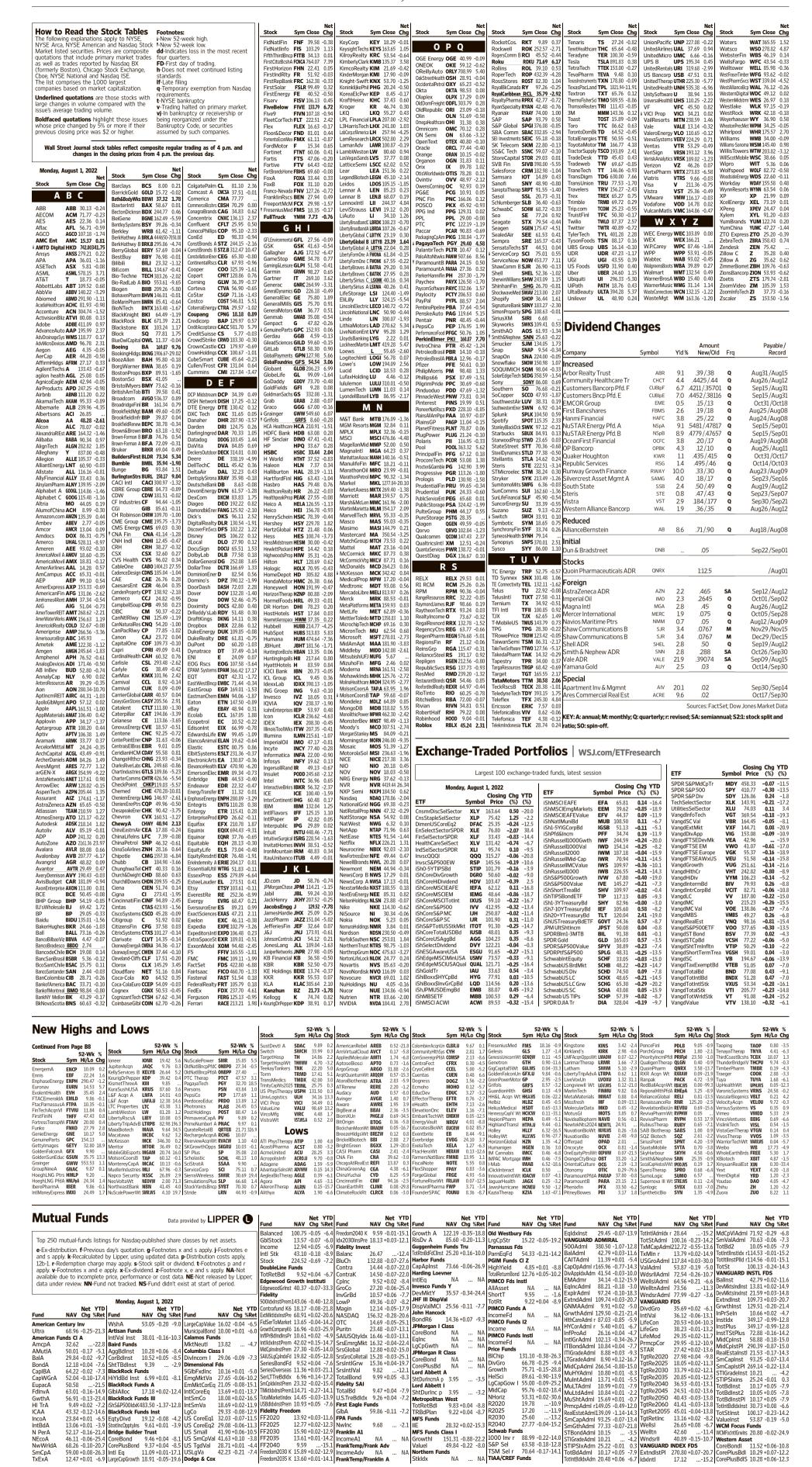
New Highs and Lows													52-Wk	%	I		52-Wk	%
14044	9	IG LOW		Stock		Hi/Lo		Stock		Hi/Lo								
										_	AmalgamFin	AMAL	23.80	1.6	CVB Fin	CVBF	26.95	0.3
The following explanations apply to the New York Stock Exchange, NYSE Arca, NYSE											Apexigen	APGN	31.35	-6.0	CapitalCityBank	CCBG	33.15	2.2
American and Nasdag Stock Market stocks that hit a new 52-week intraday high or low									N	ArdmoreShipping	ASC	8.77		CECO Env	CECE	7.91	1.9	
in the latest session. <b>% CHG-</b> Daily percentage change from the previous trading session.											AthlonAcqnA	SWET	9.88		CityHolding	CHCO	87.47	-0.1
		AtlStreetAcqn	ASAQ	9.95		Clearfield	CLFD	99.58	-2.1									
			Monday, A	uauet	1 2023	,					BancFirst	BANF	109.98	1.8	Coca-Cola Femsa	KOF	61.40	8.0
			Williay, A	-			_				BelFuse A	BELFA	30.39	-0.5	ComfortSystems	FIX	106.79	-0.2
		52-Wk %			52-Wk				52-Wk		BlockHR	HRB	40.24	-1.0	ConstBrands B	STZ.B	312.47	3.5
Stock	Sym	Hi/Lo Chg	Stock	Sym	Hi/Lo	Chg	Stock	Sym	Hi/Lo	Chg	BlueWorldA	BWAQ	9.98	0.4	Digilntl	DGII	29.58	3.7
			A SPAC I Acqn	ACCAL	10.20	2.4	Albanvinti	AIN	92.88		BoozAllen	BAH	97.93	-0.2	DonegalGroup B	<b>DGICB</b>	17.75	24.9
										4.7	CBIZ	CBZ	46.42	0.7	EQ Health A	<b>EQHA</b>	9.87	
			AxiosSustGrwA				AllianceResource		23.36			CFFE	10.15	0.1	EVO Payments	EVOP	33.86	23.3
Adtran	ADTN	24.90 2.2	AdaraAcqnA	ADRA	9.96		AlphaCapAcqn	ASPCU	10.55	-0.9	CovaAcqna	COVA	9.88	0.1	EastRscsAcqnA	ERES	10.09	0.2
AAATD DILLIA	HIVD	7/7 02 05 4	AcroustoThoras	AVTE	24 12	2.0	AlphaCap A	ASDC	11 2/	E 4	CCC Customs	cccc	// F0	0.4	Conti		D	

TgtRetInc

| MFS Funds | R2030 | 25.00 | 27.77 - 0.04-15.2 | SmCapAdmi | 93.25 - 0.07-13.4 | IRLE | 15.16 +0.02 - 8.2 | Valuel | 8.2 | 8.2 + 0.02 - 15.8 | R2040 | 27.77 - 0.04-15.2 | SmCapAdmi | 93.25 - 0.07-13.4 | IRLE | 15.16 +0.02 - 8.2 | Valuel | 8.2 + 0.02 - 15.2 | Schwab Funds | Schwab Funds | SmCapAdmi | 10.15 | 0.7-21.8 | Welth | 42.60 | 0..-11.4 | Wolffortiffswitz | 20.80 - 0.02-24.9 | Welth | 40.89 - 0.15-10.7 | Western Asset | Valuel | 49.84 - 0.22 - 8.0 | SGP | Sel | 63.58 - 0.18-12.8 | SFIDSHAdm | 10.21 | 0..-4.2 | STIPSHAdm | 25.22 - 0.01 | 0.3 | STIPS

13.16 +0.02 -8.2

### **BIGGEST 1,000 STOCKS**



IntRdA

**B10** | Tuesday, August 2, 2022

# **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 dis-

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 prov-

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 officer 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, saving 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 core assets that included a 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 aggres-

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 Evergrande 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

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

By Josh Mitchell AND ELAINE YU

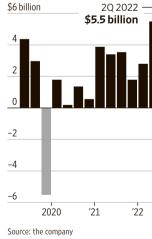
Global banking giant **HSBC** Holdings PLC said it would resume paying full dividends to investors as early as next year and warned that its top shareholder's push to split up the company would jeopardize profit and growth.

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.

said thev Executives 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 dupli-

cate 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





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 pay-

ing 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.

The bank said higher interest rates helped lift its secondquarter 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 income—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

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 acauisitions.

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 wellconnected 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 Coin-MarketCap. 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 down-

"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-

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

backed debt and collateralized 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 man-

agement 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-fundprompted liquidity squeeze in

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.

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# 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, 0.3%, to

**MONDAY'S MARKETS** 

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.

4118.63.

The

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. MacCowatt, 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 Index performance Monday 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.

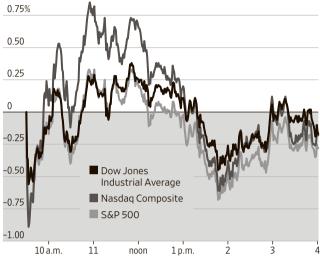
Strong employment is the remaining pillar propping up consumer sentiment and stopping the economy from seeing a "full-blown recession," said Aoifinn Devitt, chief investment officer of Moneta.

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

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-



ket remains in a "very tenuous spot."

Source: FactSet

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 September, 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, unending 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 ven'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 depositary 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

**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 privateequity firm New Mountain Capital for \$2.45 billion.

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

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.

\$150,495,507,800 \$128,732,595,800 Applications Accepted bids
"noncomp
"foreign noncomp \$62,447,681,800, \$48,570,665,400 \$1 303 219 000 \$1 509 721 20 Auction price (rate) 912796N96 912796XT1

Both issues are dated Aug. 4, 2022. The 13-week bills 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

'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."

ming 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 to FactSet.

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

lysts 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

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

Analysts have been trim-

projections for 10.2% growth at the end of June, according Given current earnings expectations and the stock-price declines this year, many investors say the market looks fairly valued after a period of

its average over the past 10 years, FactSet data show. But others worry that ana-

"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."



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 assets 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 Janu-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

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 You-Tube 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.