

THE WALL STREET JOURNAL.

What's News

Business & Finance

The Bank of England raised interest rates by a half percentage point, the most in more than 25 years, even as it predicted the U.K. economy will fall into recession this year. **A1**

◆ **Warner Bros. Discovery** is exploring launching a free, ad-supported streaming service, the latest effort by a streaming giant to reach a broader audience as competition for users intensifies. **A1**

◆ **The biggest U.S. companies** keep stepping up their spending on capital projects, an encouraging signal to investors in an uncertain economic climate. **A1**

◆ **Musk accused** Twitter of fraud, saying it misrepresented the condition of its business and key metrics about users before he agreed to acquire the company. **B1**

◆ **Major U.S. stock indexes** ended mixed. The Nasdaq gained 0.4%, while the S&P 500 and Dow lost 0.08% and 0.3%, respectively. **B11**

◆ **Amgen agreed** to pay \$3.7 billion to acquire biotech company ChemoCentryx. **B1**

◆ **Alibaba failed** to post revenue growth for the first time since its 2014 listing. **B1**

◆ **Goldman Sachs said** that the CFPB is investigating business practices at its credit-card unit. **B10**

◆ **Toyota's profit** took a hit from rising raw-material costs and production cuts. **B3**

◆ **Atlas Air said** it agreed to be bought by a consortium of investors led by Apollo in a deal with an equity value of \$3.2 billion. **B3**

World-Wide

◆ **China encircled Taiwan** with rocket and ballistic-missile fire while testing the democratic self-governing island's defenses with navy ships and warplanes, as Beijing protested a visit by U.S. House Speaker Nancy Pelosi. **A1, A7**

◆ **The Justice Department** has charged four current and former Louisville, Ky., police officers in connection with the death of Breonna Taylor. **A3**

◆ **Alex Jones was ordered** by a jury to pay \$4.1 million to the parents of a 6-year-old Sandy Hook victim in the first of several trials seeking damages for his public statements suggesting the school massacre was a hoax. **A3**

◆ **U.S. health officials** declared monkeypox a public-health emergency as cases continue to mount across the country, a move aimed at beefing up the federal response to the outbreak. **A3**

◆ **Ukrainian forces struck** a railway bridge in the southern Kherson region, the Ukrainian military said, as it seeks to cut Moscow's supply lines in preparation for a looming counteroffensive. **A6**

◆ **The CIA's killing** of Zawahiri has thrust al Qaeda into a succession contest that will test its ties to its far-flung affiliates and could give Iran a role in the outcome. **A8**

◆ **Former Puerto Rico Gov.** Wanda Vázquez Garced was charged with participating in a bribery scheme to finance her 2020 gubernatorial campaign, the Justice Department said. **A4**

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Russian Court Sentences Griner to Nine Years in Drug Case



HELD: U.S. women's basketball star Brittney Griner, who attended the verdict announcement Thursday in court in Russia, was convicted of bringing marijuana with criminal intent into the country and sentenced to nine years in prison. **A6**

China Begins Live-Fire Drills, Effectively Blockading Taiwan

China encircled Taiwan with rocket and ballistic-missile fire while testing the democratic self-governing island's defenses with navy ships and warplanes, as Beijing protested a visit by U.S. House Speaker Nancy Pelosi.

By Wenxin Fan and Chun Han Wong in Hong Kong and Joyu Wang in Taipei

"The exercises have begun," China's navy said on its official social-media account shortly after midday Thursday.

The show of force in response to Mrs. Pelosi's visit to Taiwan, which Beijing claims as its own territory, disrupted commercial air and sea traffic and raised concerns about further military escalations. Taiwan and the U.S. condemned China's moves, with the White House saying the USS Ronald Reagan aircraft carrier and its accompanying ships would remain in the region "to monitor the situation."

The four-day exercises—which included firing nearly a dozen missiles—are taking place in six zones delineated by the Chinese military. Several face Taiwan's biggest commercial ports and overlap with what the island claims as its territorial waters.

The zones effectively encircle Taiwan in what amounts to a temporary blockade as some ship and air traffic is warned away. Chieh Chung, an associate research fellow with Taiwan's National Policy Foundation, saw the drills as a rehearsal of China's playbook for a confrontation over Taiwan. The proximity of the drills could erode the buffer zone between the island and the mainland and increasing the risk of clashes, he said.

Sinema Deal Moves Bill Forward



Democrats revised their climate and healthcare package, striking a deal with centrist Sen. Kyrsten Sinema to scale back some proposed tax provisions and add a new tax on stock buybacks. **A4**

Companies' Capital Spending Ramps Up, Buoying Investors

The biggest U.S. companies keep stepping up their spending on capital projects, an encouraging signal to investors in an uncertain economic climate. Companies from Google parent Alphabet Inc. to General Motors Co. to PepsiCo Inc. are among those that have increased spending on big-ticket items, such as real estate, equipment or technology, to fuel growth. The investments are generally intended to expand the companies' fast-growing operations or even

optimize their inventory in the midst of a challenging business environment, executives say. Capital expenditures among companies in the S&P 500 have been growing at a faster pace than stock repurchases for the first time since the first quarter of 2021, according to data analyzed by S&P Dow Jones Indices from the second-quarter earnings season.

Based on results from roughly three-quarters of the companies in the index, capital expenditures have risen 21% from a year earlier to \$165.5 billion, roughly in line with the first quarter's growth rate. Meanwhile, share repurchases have climbed 14% to \$175.5 billion and dividends have increased 14% to \$140.6 billion. The spending boom has offered a leg of support to a stock market that has been buffeted by worries about soaring inflation and the pace of the Federal Reserve's campaign to raise interest rates. The S&P 500 has slumped 13% this year but has rebounded 13% from its low in mid-June.

Warner Eyes Streaming With Ads

Warner Bros. Discovery Inc. is exploring launching a free, ad-supported streaming service, its chief executive said, the latest effort by a streaming giant to reach a broader audience as the competition for users intensifies.

The new company, the result of Discovery's merger with AT&T Inc.'s WarnerMedia earlier this year, will first focus on a previously announced plan to combine its two main streaming services, HBO Max and Discovery+, executives said during a call with investors. The combined subscription platform will be rolled out starting in the U.S. next summer, said JB

Perrette, the company's CEO of global streaming. Once that service has been launched, the company sees potential for a free, ad-supported offering, Chief Executive David Zaslav said. That

Gun Trafficking Surges Within U.S.

More firearms are being transported illegally into states with tight restrictions

The tan-and-black pistol sat inside a stack of tires at the end of an alleyway, dropped there, police said, by a teenage gunman as he ran from the scene. Around the corner, 17-year-old Alissa King, a popular youth basketball star, lay on the Boston pavement, dying from a gunshot wound to the neck. Five spent casings from the 9mm pistol littered the street around her that spring afternoon, April 15, 2020. Five months earlier, a factory worker looking to make some extra cash had walked into a pawnshop next to a fried fish restaurant in Tuscaloosa, Ala. He bought three pistols for a group of men traf-

ficking guns up the East Coast. One of the guns was the tan-and-black Taurus G2C that would be used to shoot Ms. King. Amid the rise in homicides across both urban and rural communities, traffickers are bringing a growing percentage of firearms from states with loose gun laws into states with tighter restrictions, according to a Wall Street Journal analysis of federal data going back a decade from 2020. In Massachusetts, which has some of the nation's strictest firearms laws, 79% of guns traced by police in criminal investigations came from out of state in 2020, compared with 63% in 2015, according to data from the Bureau of Alcohol, Tobacco, Firearms and Explosives.

Trouble Flying With Your Dog? Not for the Private-Jet Pet Set

Airport snarls lead strangers to charter planes together; 10 dogs and two cats

LONDON—Hannah Crosby plans to move from Durham, N.C., to London in a few months. Flying there might cost her well over \$10,000. That's because she also needs to relocate her two dogs, Tess, a 10-year-old German shepherd Plott hound mix, and

Agatha, 2, whose lineage is less certain. Commercial air travel is so strained these days that Ms. Crosby, a 31-year-old nurse, plans to split the cost of a chartered flight with a group of strangers from the internet who also are desperate to bring their animal companions into the U.K.

INSIDE



SPORTS
Daniel Vogelbeft adds some needed heft to the New York Mets' playoff push. **A12**

SPORTS
Daniel Vogelbeft adds some needed heft to the New York Mets' playoff push. **A12**

U.S. NEWS

Trade Deficit Shrank 6.2% in June

By YUKA HAYASHI

The U.S. trade deficit narrowed sharply in June to its lowest level in six months as a rise in shipments of energy products pushed up exports, while cooling consumer appetite weighed on imports.

The trade gap in goods and services shrank 6.2% in June to \$79.6 billion after seasonal adjustment, the Commerce Department said Thursday, down from May's revised deficit of \$84.9 billion. That marked the first time the deficit has been below \$80 billion since December 2021.

Exports grew 1.7% to \$261 billion, helped largely by higher shipments of energy and food products. Imports fell 0.3% to \$340 billion, reflecting sizable declines in American purchases of autos and food items.

International trade has been a resilient spot for the U.S. as broader economic growth slowed and inflation soared. The war in Ukraine has caused countries to seek alternatives to Russian energy, pushing up demand and prices for U.S. energy products. U.S. exports of industrial supplies and materials, which include natural gas and

petroleum products, rose 6.5% in June from a month earlier. Also included in the category is gold, whose exports rose by more than \$1 billion to nearly \$5 billion.

Higher oil prices have been a boon for the energy industry, with Exxon Mobil Corp., Chevron Corp. and Shell PLC reporting a record in collective profits in the second quarter.

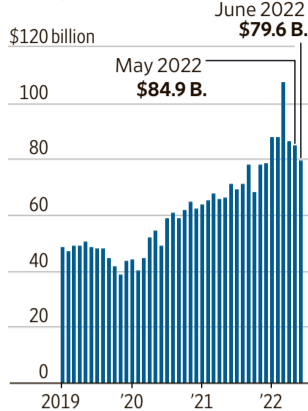
Imports fell in June after rising slightly in May, a trend economists expect to continue in the coming months as U.S. growth decelerates. While consumers have continued to spend at a steady pace even as inflation cut into their purchasing power, their sentiment has deteriorated. A July survey of consumer sentiment from the University of Michigan showed little change from June, when it hit historic lows.

The labor market has also shown several signs of cooling, though businesses have continued to hire.

The International Monetary Fund lowered its forecast for U.S. economic growth for 2022 to 2.3% from its April forecast for 3.7%. The U.S. economy grew 5.7% in 2021.

U.S. gross domestic product

The U.S. trade deficit narrowed for the third month in a row



Note: Seasonally adjusted, goods and services
Source: Census Bureau

fell 0.9% on an annualized basis in the second quarter, following a 1.6% drop in the first quarter, the Commerce Department said last week. Trade contributed to the economy with exports jumping 18% while imports increased 3.1%.

Economists say, however, that trade's contribution to U.S. growth will likely wane as economic woes continue to deepen around the world, cooling demand. The dollar's strength could also weigh on

U.S. exports by making American products more expensive overseas when measured in local currencies.

"With the [Federal Reserve] poised to move policy into restrictive territory in the coming months, and inflation remaining elevated through year-end, we expect the ongoing slowdown in the economy to further arrest trade flows in the second half of 2022," Mahir Rasheed, U.S. economist for Oxford Economics, a London research firm, said in a note.

Oil prices rose sharply in the first half of the year following Russia's invasion of Ukraine. The price of Brent crude hit a high of \$123 a barrel in early June, before retreating to below \$100 by early August.

During the first half of 2022, the U.S.'s petroleum-product exports rose 79% in value and 11% in volume.

Even though the U.S. remained a net importer of crude oil in 2021, higher domestic production and increased exports lowered net oil imports in 2021 to the second-lowest annual level since 1985, according to the U.S. Energy Information Administration. The U.S. is a net exporter of natural gas.

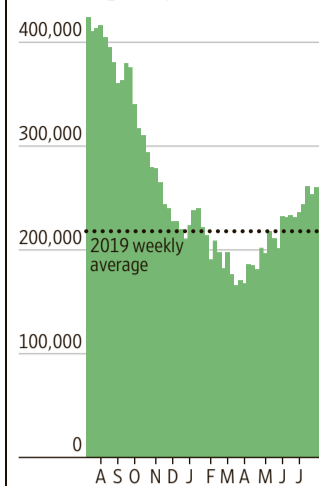
Injecting further uncertainty about international trade is the escalation of tensions between the U.S. and China over Taiwan, the world's predominant supplier of advanced semiconductors, key materials for everything from cellphones and autos to military equipment. Protesting a visit to Taiwan by House Speaker Nancy Pelosi (D., Calif.), China on Thursday started live-fire drills near Taiwan, raising concerns that they could disrupt commercial shipping.

Meanwhile, the U.S.'s trade deficit with China increased 17% from a month earlier to \$36.9 billion in June, as exports fell slightly while imports rose 11% to \$48.6 billion.

Despite the U.S.'s trade restrictions as part of sanctions against Russia, goods continue to flow between the two countries. During the first half of this year, imports from Russia totaled \$11.2 billion, down 21% from a year earlier. Exports fell to \$1.2 billion, a third of the amount a year earlier. In June, the U.S. imported goods worth \$661 million from Russia, led by iron and aluminum products, fertilizers and crabs.

—Anthony DeBarros contributed to this article.

New filings for jobless benefits



Note: Seasonally adjusted
Source: U.S. Employment and Training Administration via St. Louis Fed

Jobless Claims Stay Near 2022 Peak

By BRYAN MENA

Worker filings for unemployment benefits rose last week, holding close to the highest level of the year as the U.S. labor market showed several signs of cooling.

Initial jobless claims, a proxy for layoffs, increased slightly to a seasonally adjusted 260,000 last week from a downwardly revised 254,000 the prior week, the Labor Department said Thursday. The total is close to the 2022 peak set earlier in July of 261,000 and above the 2019 prepandemic weekly average of 218,000, when the labor market also was strong.

Continuing claims, a proxy for the total number of people receiving payments from state unemployment programs, rose by 48,000 to 1.4 million in the week ended July 23. That was the highest level since the spring. Continuing claims are reported with a one-week lag.

"The modest pickup in claims suggests that turnover may be increasing in weaker firms that are struggling with slowing growth," Jefferies economists Thomas Simons and Aneta Markowska wrote in a note.

They added that seasonal adjustments could be playing a role in elevated jobless claims. Typical patterns have been complicated by recent pandemic swings. Nonseasonally adjusted jobless claims fell by about 10,000 to 205,587 last week.

U.S. economic growth has slowed this year, with U.S. gross domestic product contracting in the first two quarters of the year. Despite mounting recession risks, businesses have continued to hire as they try to overcome a shortage of available workers. But layoff announcements and recent declines in job openings show labor demand is starting to cool.

The labor market remains robust, if showing signs of slowing momentum. Employers had 10.7 million job openings in June, a decrease of more than 600,000 from the prior month, the Labor Department reported Tuesday. The level continued to exceed the number of unemployed Americans seeking work.

Average 30-Year Fixed Mortgage Falls to 4.99%

By BEN EISEN

Mortgage rates dropped to their lowest level since April, offering a reprieve to prospective home buyers who have been hit this year with higher rates and surging prices.

The average rate on a 30-year fixed-rate mortgage is 4.99% this week, down from 5.30% a week earlier, according to a survey by mortgage giant Freddie Mac published Thursday. Though rates remain well above their levels from a year ago, they have fallen swiftly in recent weeks from their 13-

year high of 5.81% in June.

Mortgage rates and other measures of the cost of borrowing tend to rise and fall with expectations about the trajectory of the economy. Recently, fears that the U.S. is heading into a downturn have lowered expectations of the pace of rate rises.

Until the past few weeks, rising mortgage rates had been a key factor driving up the cost of home buying this year, adding hundreds of dollars or more to buyers' monthly payments. That, on top of double-digit home-price growth, has

helped drive buyers out of the market in recent months. Sales of previously owned homes fell for a fifth straight month in June, according to the most recent data from the National Association of Realtors.

Elevated mortgage rates are one of the most direct effects on consumers from the Federal Reserve's campaign to combat inflation. The central bank lifted its key policy rate by 0.75 percentage point last month, its second straight increase of that size, putting the benchmark policy rate in a range between 2.25% and 2.5%.

Those rates drive up borrowing costs for both companies and everyday Americans, making the cost of financing big-ticket purchases more expensive. While the Fed's interest-rate increases are aimed in part at capping recent surges in the cost of housing, higher mortgage rates make it unlikely that prospective buyers who are using mortgages will get a bargain.

Mortgage rates are tied closely to the 10-year U.S. Treasury yield, which tends to move in tandem with expectations for the Fed's benchmark

rate. On Monday, the 10-year yield slipped to its lowest level since April. It rose Tuesday and Wednesday.

Still, rapid changes in mortgage rates are likely to continue as economists debate whether to be more concerned about inflation or a recession.

"The high uncertainty surrounding inflation and other factors will likely cause rates to remain variable, especially as the Federal Reserve attempts to navigate the current economic environment," said Sam Khater, Freddie Mac's chief economist.

U.S. WATCH

DALLAS

Conservatives Cheer Hungary's Leader

Hungary's autocratic Prime Minister Viktor Orban urged cheering American conservatives on Thursday to "take back the institutions," stick to hard-line stances on gay rights and immigration and fight for the next U.S. presidential election.

The cheers and standing ovations at the Conservative Political Action Conference for the far-right prime minister, who has been criticized for undermining his own country's democratic institutions, demonstrated the growing embrace between Mr. Orban and Republicans in the U.S.

In a speech he titled "How We Fight," Mr. Orban told the crowd gathered in a Dallas convention ballroom to focus now on the 2024 election. "Victory will never be found by taking the path of least resistance," he said during one of the keynote slots of the three-day CPAC event. "We must take back the institutions in Washington and Brussels. We must find friends and allies in one another."

His entrance drew a bigger welcome than Texas Republican Gov. Greg Abbott received moments earlier on the same stage. From there, the cheers continued as Mr. Orban weaved through attacks on LGBTQ rights, boasted about reducing abortions in Hungary and celebrated hard-line immigration measures back home.

White House National Security Council spokesman John Kirby said Thursday that President Biden had no plans to speak with Mr. Orban while he is in the U.S.

—Associated Press

PENTAGON

New Policy Set After Phone Data Wiped

The Pentagon said it would take new steps to save texts from government phones, after the department said it had wiped the phones of departing Trump administration officials, including from around the time of the Jan. 6, 2021, attack on the U.S. Capitol.

The changes come after the Pentagon and Department of Homeland Security faced scrutiny over their handling of text messages amid inspector general and congressional investigations into



Viktor Orban, prime minister of Hungary, spoke Thursday at the Conservative Political Action Conference in Dallas.

the Capitol attack.

Deputy Secretary of Defense Kathleen Hicks issued a memo that reminds officials they must retain text messages that qualify as federal records, the Pentagon said Thursday.

From now on, data on government phones must be saved after employees return the devices to the department, the memo said.

—Alexa Corse

MISSOURI

Heavy Rains Drench St. Louis Area Again

More than 4 inches of rain hit parts of the St. Louis area Wednesday night and into Thursday morning, after record rainfall pounded the city last week and led to heavy flooding.

St. Louis Lambert International Airport had 4.46 inches of rain overnight through Thursday at around 7 a.m. local time, according to Bob Oravec, lead forecaster for the National Weather Service in College Park, Md.

The rain comes after the city recorded more than 9 inches of rain in one day's time, topping the city's previous 24-hour rainfall record. The flooding caused one death.

—Allison Prang

INDIANA

Police Revise Account Of Walorski Crash

Police changed their description of the crash that killed Indiana U.S. Rep. Jackie Walorski, saying Thursday that it was the SUV in which she was a passenger that crossed a state highway's centerline and caused the head-on collision.

Ms. Walorski and two members of her congressional staff died in the Wednesday afternoon crash in northern Indiana, along with the woman driving the other vehicle, the Elkhart County Sheriff's Office said.

The department's initial account was that the car driven by Edith Schmucker, 56, of Napanee, Ind., crossed into the SUV's path. But the office released a statement Thursday saying investigators had talked with witnesses and viewed video evidence that their preliminary determination of which direction the vehicles were traveling was incorrect.

Investigators determined that the SUV driven by Zachery Potts, 27, of Mishawaka, Ind., crossed the centerline for unknown reasons in a rural area near the town of Wakarusa. Mr. Potts was Ms. Walorski's district direc-

tor and the Republican chairman for northern Indiana's St. Joseph County. Also killed was Emma Thomson, 28, of Washington, D.C., who was Ms. Walorski's communications director.

—Associated Press

CALIFORNIA

Crews Make Progress On McKinney Fire

California firefighters made gains against the state's deadliest and largest wildfire of the year, but forecasters warned Thursday that spiking temperatures and plunging humidity levels could cre-

ate conditions for further growth.

After five days of no containment, the McKinney Fire in Siskiyou County near the Oregon border was 10% surrounded by Wednesday evening. Bulldozers and hand crews were making progress carving firebreaks around much of the rest of the blaze, fire officials said.

The fire didn't advance much at midweek, following several days of brief but heavy rain from thunderstorms that provided cloudy, damp weather. But as the clouds clear and humidity levels drops in the coming days, the fire could roar again, authorities warned.

—Associated Press

CORRECTIONS & AMPLIFICATIONS

Hubei Xingji Shidai Technology Co. is owned by Eric Li, the founder of Chinese auto maker Zhejiang Geely Holding Group. A July 5 Business News article about Xingji Technology's acquisition of a stake in Chinese smartphone maker Meizu Technology Co. incorrectly said Xingji Technology is a subsidiary of the

auto maker.

The "Ask Ariely" column in the July 23 Review section incorrectly attributed to doctor and medical writer Jerome Groopman a statement that "it is often better for doctors not to like their patients," based on a misinterpretation of his writing.

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

U.S. Charges Four Officers In Taylor Case

BY SADIE GURMAN

The Justice Department charged four current and former Louisville, Ky., police officers in connection with the death of Breonna Taylor, more than two years after she was shot in her home during a botched raid, a case that contributed to nationwide protests over racial injustice and policing.

Federal prosecutors accused the officers of several crimes, including lying to obtain the warrant that was used to search Ms. Taylor's home and then staging a coverup.

"The defendants knew their actions and falsifying the affidavit could create a dangerous situation, and we allege these unlawful acts resulted in Ms. Taylor's death," Attorney General Merrick Garland said in announcing the charges against Joshua Jaynes, Brett Hankison, Kelly Goodlett and Kyle Meany. "Breonna Taylor should be alive today."

Ms. Taylor, a 26-year-old emergency-medical technician in Kentucky's largest city, was asleep with her boyfriend in March 2020 when police, who had secured a no-knock warrant to search her home in connection with a drug case, forced entry into her apartment. Ms. Taylor's boyfriend, who has said he thought the officers were intruders, shot at them. Three Louisville officers, including Mr. Hankison, responded by firing more than 30 bullets. At least six hit Ms. Taylor, one of them fatally, officials have said.

Ms. Taylor's death helped inspire the nationwide racial-justice protests that erupted in the summer of 2020 after George Floyd was killed by Minneapolis police in May.

Mr. Garland said he spoke with Ms. Taylor's relatives earlier Thursday.

"Today was a huge step toward justice," attorneys for Ms. Taylor's family said in a statement.

Messrs. Jaynes and Meany pleaded not guilty during their first court appearances on Thursday. Lawyers for the officers couldn't be reached to comment. An attorney for Ms. Goodlett couldn't be located.

Mr. Hankison was acquitted in March of three state counts of wanton endangerment connected to the raid.

"I can guarantee you that he will be contesting [the new] charges as vigorously as he did in Kentucky," said Stew

Mathews, who represented Mr. Hankison in the state case.

Louisville Metro Police Department Chief Erika Shields on Thursday began termination procedures for Mr. Meany, a sergeant, and Ms. Goodlett, an officer. Messrs. Hankison and Jaynes had been fired previously. "It is critical that any illegal or inappropriate actions by law enforcement be addressed comprehensively in order to continue our efforts to build police-community trust," the department said.

The indictments come as the Biden administration has sought to overhaul local police departments with an emphasis on civil-rights enforcement. The Justice Department last year also launched a civil-rights investigation into the conduct of the Louisville Metro Police Department more broadly, one of several so-called pattern-or-practice probes the Biden administration is conducting.

In the case against the officers, prosecutors said their crimes began before the deadly raid, when Mr. Jaynes, 40, and Mr. Meany, 35, drafted a warrant seeking to search Ms. Taylor's home, knowing it lacked probable cause and contained "stale information" and omissions, according to charging documents. It was one of five search warrants obtained by detectives who were investigating drug trafficking, officials said.

While seeking the warrant, police falsely said a drug suspect had been receiving packages at Ms. Taylor's apartment.

Prosecutors allege Messrs. Jaynes and Meany would have known their flawed warrant would have been executed by armed officers who weren't involved in drafting it, creating a potentially dangerous situation for anyone inside Ms. Taylor's home.

Ms. Goodlett was charged with conspiracy for what prosecutors said was her work with Mr. Jaynes to falsify the warrant and cover it up.

During the raid, prosecutors said, Mr. Hankison allegedly used excessive force when he fired through Ms. Taylor's patio door. Prosecutors said he also deprived her neighbors of their rights, as several of his bullets traveled through Ms. Taylor's wall and into a next-door unit.

An indictment says Mr. Jaynes later conspired with another detective to cover up the false warrant, meeting in a parking garage so they could "get on the same page because they both could go down for putting false information" in the warrant request.

The officers are charged with crimes including civil-rights offenses, unconstitutional use of force, obstruction and conspiracy.

—Zusha Elinson
contributed to this article.

Watch a Video



Scan this code for a video on the charges announced by Garland.



"Breonna Taylor should be alive today," Attorney General Merrick Garland said.

Heat Wave Bakes East Coast, Central U.S.



MARK WANELA/GETTY IMAGES

High temperatures in the Northeast and central U.S. left residents sweltering Thursday.

The National Weather Service issued heat advisories across the Northeast and mid-Atlantic coast, and said temperatures in the regions would be at least 10 degrees higher than average for this time of year.

Record highs in the upper 90s on Thursday afternoon would be less intense by Friday and Satur-

day, the weather service said.

Heat advisories were also in effect for parts of Texas, Oklahoma and Kansas, with highs in the upper 90s and 100s forecast across parts of the central plains.

In eastern Kentucky, a heat advisory was in effect until Thursday evening because of high humidity. Heat index values were forecast to peak at between 95 and 100 degrees, the National Weather Service's Jackson, Ky., of-

ice said. Power outages because of last week's flooding mean that "residents and first responders are particularly vulnerable to high heat index values through this evening," the service warned.

Boston broke a record set in 1928 with a temperature of 97 degrees Thursday, the weather service said on social media.

High heat continued across swaths of the central plains Thursday, with portions of Okla-

homa and northern Texas seeing heat index values of between 100 and 110 degrees.

Lawton, Okla., has reported 39 days this year with highs of 100 degrees or more, while Oklahoma City has seen 20 days and Wichita Falls, Texas, has seen 47, the service said.

Above, people cooled off at Wissahickon Valley Park in Philadelphia.

—Lauryl Azu

Alex Jones Ordered to Pay Parents Of Sandy Hook Victim \$4.1 Million

BY ROB COPELAND
AND JONATHAN RANDES

AUSTIN, Texas—Alex Jones was ordered by a jury to pay \$4.1 million to the parents of a 6-year-old boy killed in the Sandy Hook school shooting in the first of several trials seeking damages for his repeated public statements suggesting the massacre was a hoax.

The award granted to the parents on Thursday was for what are known as actual damages, for the harm suffered directly by the parents of the murdered child.

Lawyers for the plaintiffs had asked for \$150 million. The jury will continue to hear evidence Friday on whether to award further punitive damages, for what the judge in the case earlier termed Mr. Jones' "outrageous" conduct surrounding the shooting.

The total amount awarded against Mr. Jones in his Austin hometown could imperil the popular broadcaster and his Infowars empire, which has sought bankruptcy protection. In testimony this week, Mr. Jones was visibly agitated, interrupting one of the parents on the stand and claiming to be the victim himself of a wider conspiracy.

Mr. Jones and others at Infowars regularly said on air that the 2012 shooting in Newtown, Conn., which killed 20 first-graders and six adults, was staged by actors as part of a wide plot to promote gun control, among other left-leaning aims.

This week, he said under oath that he believed the shooting was "100% real."

Last year, Mr. Jones made the unusual decision not to mount defenses in a string of defamation lawsuits filed by victims' families, which led to a series of default judgments in favor of plaintiffs. Damages have yet to be determined in the other suits.

The trial was the first opportunity for Neil Heslin and Scarlett Lewis, parents of murdered student Jesse Lewis, to face Mr. Jones in public. Ms. Lewis addressed Mr. Jones

for some days of the trial and instead went on his talk radio show to criticize the proceedings and cast himself as the true victim. At one point, he suggested without evidence that the judge was linked to child abusers.

Mr. Jones's attorney, Andino Reynal, made headlines of his own when he gave the middle finger to opposing counsel in the courtroom.

On Wednesday, during the final moments of Mr. Jones's cross examination, the plaintiff's attorney announced that Mr. Jones's legal team had accidentally shared cellphone records that the noted conspiracy theorist had sworn under oath didn't exist, raising the specter of perjury.

The judge in the case, Maya Guerra Gamble, has said that after the verdict she will consider imposing additional punishment against Mr. Jones and his attorney for their courtroom conduct.

The plaintiffs asked for at least \$150 million in damages, which they said amounted to \$1 for each of the 75 million Americans whom surveys indicate believe that the Sandy Hook shooting was a hoax, and \$75 million for damage inflicted on the victim's family, including death threats.

Mr. Jones's attorneys argued that his Sandy Hook programming represented just a fraction of his overall commentary over the years, and that it couldn't be directly linked to the harm imposed on Mr. Heslin and Ms. Lewis. Mr.

Jones cast his yearslong diatribes on the school shooting as merely part of encouraging listeners to be skeptical of official narratives.

"I never intentionally tried to hurt you," Mr. Jones testified, addressing the plaintiffs. "I never even said your name until this case came to court. I didn't even really know who you were."

Mr. Jones, in his testimony, said he would be unable to pay any significant damages award.

Infowars' parent, Free Speech Systems LLC, filed bankruptcy last week—the second time the platform has attempted to enter chapter 11 in recent months.

Lawyers for Sandy Hook families have accused Mr. Jones of diverting money to protect the business from potential judgments, an accusation that Mr. Jones's lawyer denies.

Mr. Jones and his business have spent more than \$15 million on the Sandy Hook lawsuits, according to filings last week. Documents submitted to the bankruptcy court show that Infowars' owners have drawn more than \$62 million out of the business since the start of 2021. An accountant hired by Infowars' parent testified on Wednesday in bankruptcy court that, despite the filings, those draws were taken over 14 years, most were taken before the defamation suits were filed and roughly half the draws were used to pay taxes.

Monkeypox Is Declared a Public-Health Emergency in the U.S.

U.S. health officials declared monkeypox a public-health emergency, as cases continue to mount across the country, a move aimed at beef-

By Dominique Mosbergen, Stephanie Armour and Liz Esesly Whyte

ing up the federal response to the outbreak and speeding up distribution of a vaccine.

The national emergency comes amid criticism of the federal government's response, and as the U.S. caseload for confirmed or suspected monkeypox cases surpassed 6,600, according to Centers for Disease Control and Prevention data. The U.S. has the highest known case count globally.

The World Health Organization declared monkeypox a public-health emergency of international concern on July 23, and New York, California and

Illinois have also declared their own states of emergency.

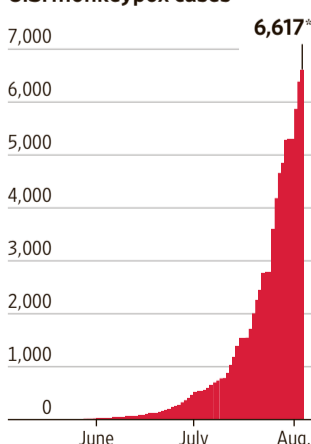
"We're prepared to take our response to the next level," Health and Human Services Secretary Xavier Becerra said at a briefing Thursday.

The public-health emergency would ramp up coordination across federal agencies, increase communication with states and localities and help the administration develop new strategies to distribute vaccines and treatments, said Robert Fenton, the White House's national monkeypox response coordinator. It will also make it easier for public-health agencies to get information from various jurisdictions. Mr. Fenton said testing capacity has expanded from 6,000 tests a week to 80,000 tests a week.

"We do expect cases will continue to rise as we have more access to testing," said CDC Director Rochelle Walensky.

More than 50 jurisdictions

Total number of confirmed U.S. monkeypox cases



*Includes one Florida case diagnosed in the U.K. Note: Through Aug. 3. Source: Centers for Disease Control and Prevention

have now signed agreements with the CDC to provide monkeypox-vaccine data that the agency currently lacks, and the emergency declaration would

enable the agency to put more boots on the ground to help with outreach, said Dr. Walensky. The federal government also plans to provide more technical assistance to states and localities on messaging strategies and contact tracing, said Demetre Daskalakis, the White House's deputy coordinator for monkeypox response.

The declaration also raises awareness about monkeypox and encourages more doctors to test for it, Dr. Walensky said.

To expand access to the vaccine, Food and Drug Administration Commissioner Robert Califf said the agency is considering allowing providers to extract five separate doses from an existing single-dose vial, a strategy known as dose sparing. Each one-fifth dose would be injected intradermally, or shallowly into the skin. He said that the injection method wasn't unusual and that the overall safety and ef-

ficacy of the vaccine wasn't expected to be compromised.

"We've been exploring all scientifically feasible options, and we believe this could be a promising approach," Dr. Califf said.

There is only one FDA-approved vaccine for monkeypox. Known as Jynneos, the vaccine is supplied by a single company, Copenhagen-based Bavarian Nordic A/S.

As the outbreak has grown, demand for the vaccine has far outstripped availability. In cities such as New York, Chicago and San Francisco, thousands of people are on wait lists for the shots, healthcare providers say. The administration has been criticized for not acting quickly enough at the start of the outbreak to stock up on available vaccines.

The federal government said it has allocated 1.1 million vaccine doses and has shipped more than 600,000 doses to local and state partners. An

additional 150,000 doses are expected in September, with additional doses anticipated to arrive later in the year, federal officials said.

Vaccinations will be focused on people most at risk of infection with monkeypox, federal officials said. Cases so far have been heavily concentrated among men who have sex with men. Infectious-disease experts say the viral disease, which was discovered in 1958 in research monkeys, requires close contact to spread and is likely exploiting social and sexual networks among these men.

Dr. Peter Chin-Hong, a professor of medicine at the University of California, San Francisco, said most cases in the U.S. have been mild, though moderate and severe cases have been reported. Some patients have suffered from high fevers and excruciating pain. The quarantine period for those sickened can be up to a month or more.

U.S. NEWS

Democrats, Sinema Agree To Move Forward on Bill

By Andrew Duehren

WASHINGTON—Democrats revised their climate and healthcare package, striking a deal with centrist Sen. Kyrsten Sinema to scale back some tax provisions in the plan and add in a new tax on stock buybacks to try to win her support.

In a brief statement Thursday night, Ms. Sinema (D., Ariz.) said she would “move forward” with the legislation after a review of its provisions by the Senate’s nonpartisan parliamentarian. While Ms. Sinema didn’t outright back the plan, Senate Majority Leader Chuck Schumer (D., N.Y.) said in his own statement that he believed the changes would keep the bill on track in the Senate, which is divided 50-50 between the two parties, in the face of united Republican opposition.

“I am pleased to report that we have reached an agreement on the Inflation Reduction Act that I believe will receive the support of the entire Senate Democratic conference,” he said.

Under the changes negotiated with Ms. Sinema, Democ-

rats will pare back elements of a 15% minimum tax on large, profitable corporations and drop a proposed tax increase on carried-interest income, according to people familiar with the agreement. Democrats will add a 1% tax on stock buybacks to the legislation, as the party aims to still reduce the deficit

Majority Leader Schumer said the changes would keep the measure on track.

by about \$300 billion in the legislation, according to these people.

Whether Ms. Sinema will support the tax increases in the legislation has been among the biggest questions facing Democrats in their effort to turn a sudden agreement with another critical centrist, Sen. Joe Manchin of West Virginia, into law. The legislation would spend roughly \$430 billion on

climate and healthcare programs over a decade.

In her statement, Ms. Sinema said Democrats had changed the legislation to “protect advanced manufacturing and boost our clean energy economy.” Manufacturers had raised concerns that the original corporate minimum tax proposal would negatively impact their businesses by deferring or denying the benefit of accelerated depreciation.

The changed deal would preserve the benefit of accelerated depreciation for at least some manufacturers, according to people familiar with the deal.

Mr. Schumer said earlier Thursday that the Senate would take an initial procedural vote on the package on Saturday afternoon, setting in motion a series of votes that could wrap up within days. If the bill passes the Senate, the House would have to approve it to send it to President Biden’s desk.

“Tonight, we’ve taken another critical step toward reducing inflation and the cost of living for America’s families,” Mr. Biden said about the agree-

ment with Ms. Sinema.

With Ms. Sinema’s show of support for the bill, Democrats will still have to navigate a final set of hurdles before they can pass the legislation through the Senate.

Those include the parliamentarians’ review of whether the bill’s provisions comply with the rules of reconciliation, the special legislative process Democrats are using to pass the bill without GOP support. Under reconciliation, proposals related to the budget can advance with a simple majority, rather than the 60 votes typically required.

Republicans will also have the opportunity to try to complicate the bill’s passage by offering a barrage of amendments to the legislation during a special, marathon process this weekend. Republican senators are set to unanimously oppose the legislation, which they argue will endanger economic growth and do little to fight inflation as the U.S. threatens to enter a recession.

After the revised deal was announced, Sen. Roger Wicker



Sen. Kyrsten Sinema reached a deal with fellow Democrats to pare back some tax provisions in the climate and healthcare package.

(R., Miss.) tweeted that the “so-called ‘Inflation Reduction Act’ would do little to help our current crisis. Instead, it would reduce bottom lines for job creators and hike taxes for Americans across the spectrum.”

Ms. Sinema’s statement broke her near-silence since Messrs. Manchin and Schumer first announced an agreement on a climate and tax package last week, giving Democrats hope that they will weather the final challenges in the process.

Ms. Sinema has repeatedly sought to reshape Democrats’

tax-policy ambitions, forcing the party to abandon plans such as an increase in the corporate tax rate in negotiations last year, and some lawmakers had worried she wouldn’t support this deal.

Democrats have tried for more than a year to reach an agreement on a party-line economic package, struggling to bring together the party’s progressives like Sen. Bernie Sanders (I., Vt.) and centrists like Ms. Sinema and Mr. Manchin.

—Siobhan Hughes, Richard Rubin and Julie Bykowitz contributed to this article.

Car Makers Seek Easier Path on EV Tax Credit

By Mike Colias and Jennifer Hiller

Major auto makers are pressing lawmakers to ease a proposed battery-sourcing requirement for electric-vehicle tax breaks, saying that few, if any, plug-in models on sale today would qualify.

The Senate climate package proposed last week would extend until 2032 a current \$7,500 tax credit for electric-vehicle purchases, a consumer incentive that has been in place for more than a decade.

The bill would enhance the electric-vehicle tax credit in some ways, including making vehicles produced by General Motors Co., Tesla Inc. and Toyota Motor Corp. eligible for the subsidy again.

But the proposal would stiffen the requirements for an electric vehicle to qualify. Only U.S.-built vehicles would be eligible. It also pushes car companies to bring more manufacturing to North America, including setting minimum thresholds for the value of battery components that must be manufactured or assembled in the region. Essentially any EVs with battery components made or processed in China would be ineligible for the subsidy.

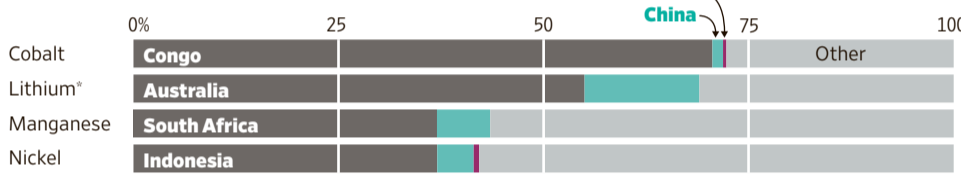
These thresholds also target crucial battery materials, such as lithium and nickel, requiring a certain percentage to be sourced domestically or from the U.S.’s free-trade partners.

Car-industry lobbyists say meeting the new requirements on batteries could take years to achieve. The majority of processing for major battery

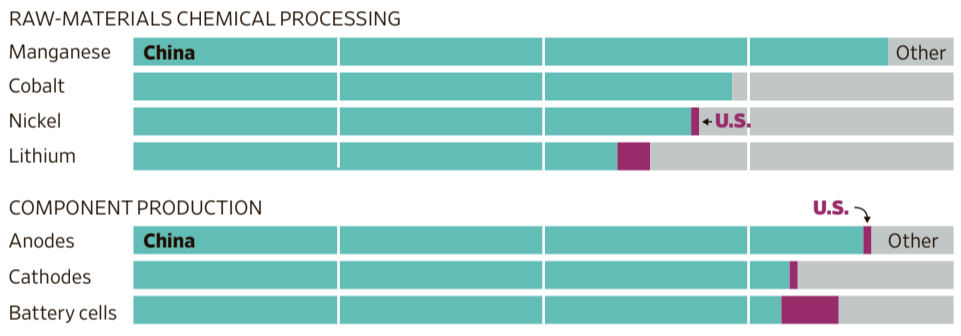
The Power Behind Battery Supplies

While the raw materials used to produce lithium-ion batteries are mined across the world, China dominates the latter stages of the supply chain.

Share of global mine production



Share of global chemical processing and component production



Share of global battery-manufacturing capacity



*Excludes U.S. production. Note: Mine-production data are 2021 estimates. Chemical-processing and component-production data as of 2022. Manufacturing capacity as of 2Q 2022. Sources: U.S. Geological Survey (global mine production); Benchmark Mineral Intelligence (chemical processing and component production); Wood Mackenzie (manufacturing capacity). Nate Rattner/THE WALL STREET JOURNAL

minerals, including lithium, nickel and cobalt, is done in China, according to research firm Benchmark Mineral Intelligence.

Most electric-vehicle models on the market today wouldn’t qualify for the EV tax credit as drafted because they have too much battery content sourced outside North America, the industry lobbyists say.

Instead, GM, Ford Motor Co. and other car companies

are asking for a longer timeline to reach the requirements, and to expand the number of countries from which minerals can be sourced, according to people familiar with their lobbying efforts.

Tesla has been investing in a battery supply chain for longer than traditional auto makers. Still, its vehicles likely wouldn’t qualify for tax credits under the proposed rules, people familiar with the company

said. The company didn’t reply to a request to comment.

Many car manufacturers have said they support the broad goal of developing a domestic battery-supply base and continue to review the specific measures in the legislation.

“We totally support the notion that we have to build supply chains within North America. But that won’t happen overnight,” said John

Bozzella, head of the Alliance for Automotive Innovation, which represents major car companies.

The new eligibility restrictions for the electric-vehicle tax credit are intended to prod auto and battery manufacturers to build out more of a supply base in the region, rather than rely on China for these critical automotive parts.

Car companies and battery manufacturers are in the early stages of developing a North American supply base for electric-vehicle batteries, including billions of dollars earmarked for battery-cell factories in the U.S.

But most projects are years away from coming online. Tesla operates a large facility in Nevada, and GM is opening a battery-cell facility with joint-venture partner LG Energy Solution in Ohio in coming weeks.

The battery-material thresholds are even more difficult because the processing of minerals such as lithium and manganese is so concentrated in China that it could take years of investment in North America before those could be met, auto-industry and electric-vehicle lobbyists say.

The bill through 2023 would require 40% of the battery minerals for electric vehicles to be mined and processed in the U.S. or partner countries or recycled in North America, rising to 80% after 2026. The target for North American battery-component manufacturing and assembly would rise from 50% to 100% after 2028.

—Natalie Andrews contributed to this article.

Former Governor Arrested On Bribery Charges

By Allison Prang

Former Puerto Rico Gov. Wanda Vázquez Garced was arrested Thursday and charged with participating in a bribery scheme to finance her 2020 gubernatorial campaign, the Justice Department said.

Ms. Vázquez Garced was sworn in as governor in August 2019, after a scandal involving the former governor and a constitutional crisis over who would succeed him. She had previously served as the territory’s justice secretary and was governor until the start of 2021.

The scheme detailed Thursday is “yet another example of allegations of corporate corruption aimed at elected officials in the United States,” said Corey Amundson, chief of the public integrity section for the Justice Department. “This is a disturbing national trend that is not limited to Puerto Rico.”

Ignacio Fernandez Lahongraís, a lawyer for Ms. Vázquez Garced, said the former governor was innocent. “She is unequivocally, absolutely and totally innocent of all the charges against her,” he said.

The alleged bribery scheme took place from December 2019 through June 2020 and involved bank executives, a former Federal Bureau of Investigation agent and a political consultant, according to the Justice Department.

The executives, Julio Martin Herrera Velutini and Frances Diaz, are the owner and president of an international bank that operates in San Juan, the Justice Department said. The bank was the subject of an examination by Puerto Rico’s Office of the Commissioner of Financial Institutions starting in 2019, according to the Justice Department.

Mr. Herrera Velutini and his consultant Mark Rossini, a former FBI special agent, allegedly promised to fund Ms. Vázquez Garced’s campaign as long as she fired the commissioner of the financial regulator and allowed Mr. Herrera Velutini to pick the replacement.

The men allegedly paid more than \$300,000 to political consultants to support her campaign, the Justice Department said. Ms. Vázquez Garced then took action to demand the commissioner’s resignation and to appoint a person “personally selected by Herrera Velutini,” according to the department.

Attempts to reach Messrs. Herrera Velutini and Rossini were unsuccessful. Mr. Diaz, the bank president, earlier this year pleaded guilty to conspiring with Mr. Herrera Velutini to bribe Ms. Vázquez Garced’s successor.

Companies Lift Capital Spending

Continued from Page One
ven’t absolutely fallen off a cliff right now is because of that increased capex,” said Ben Silverman, director of research at investment research firm VerityData. “There’s signaling from the executive suite that they’re comfortable spending money instead of hoarding cash.”

The latest round of corporate earnings reports have offered conflicting views about the economy’s trajectory and whether a recession is on the horizon. Inflationary pressures have driven up the costs of everything from food to fuel and raw materials, weighing on corporate profit and weakening consumers’ buying power.

Investors continue to parse mixed data about the health of the economy. Gross domestic product has contracted for two straight quarters, a common definition of a recession. Still, job gains remain strong, and the unemployment rate is

holding steady. Investors are awaiting the latest reading on the labor market with July’s jobs report due on Friday.

Meanwhile, Wall Street sentiment hit its lowest level in more than five years in July, according to Bank of America’s latest reading of sell-side strategists released this week. Extreme bearish sentiment is often a contrarian signal for a potential rally, the bank’s analysts said.

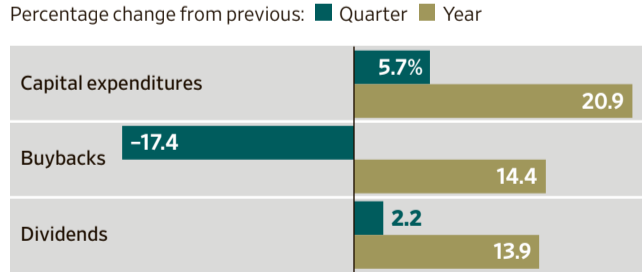
Companies in the information-technology, communications-services and industrials sectors have been the biggest contributors to capital-expenditure growth, according to a Bank of America analysis.

Alphabet, for one, reported last week that its second-quarter capital spending rose to \$6.8 billion, up from \$5.5 billion a year prior. The company said it is spending on technical infrastructure, particularly servers.

“With an uncertain global economic outlook, our strategy to invest in deep technology and computer science to build helpful products for the long term is the right one,” Chief Executive Sundar Pichai said on the company’s earnings call.

Likewise, GM’s capital spending climbed to \$2.1 billion in the second quarter from \$1.5 billion in the same period

Spending reported by S&P 500 companies, second quarter 2022



Note: Issues as of Aug. 4, 2022. Source: S&P Dow Jones Indices

a year before. Chief Financial Officer Paul Jacobson, on GM’s earnings call, highlighted the auto maker’s push to expand its electric-vehicle fleet. “The investments we have made in these vehicles over the last couple of years...provide a strong bridge to our all-electric future,” he said.

PepsiCo finance chief Hugh Johnston pointed to digital investments to ensure stores are stocked with appropriate inventory as the beverage-and-snack company reported \$1.5 billion in capital spending in the 24 weeks ended in mid-June, up from \$1.3 billion during that period a year prior.

“If we have a series of earnings here where capital expenditures continue to be quite strong and companies are willing to spend that capital, that

means they’re giving a pretty optimistic outlook for their business,” said Victoria Fernandez, chief market strategist and portfolio manager at Crossmark Global Investments. Some of the growth in capital spending can be attributed to a restart in typical behavior after companies chose to stockpile cash during the depths of the Covid-19 pandemic.

Companies in the S&P 500 held about \$1.667 trillion in cash and equivalents on their balance sheets at the end of the first quarter, down from \$1.797 trillion at the end of 2021, according to S&P Dow Jones Indices. That figure excludes the financial, real-estate, utilities and transportation sectors because those companies normally maintain high cash reserves.

Other companies are spending to bring production to the U.S. to stem supply-chain challenges that have led to shipping delays and shortages of key products such as chips. Mentions of “reshoring” during earnings conference calls have skyrocketed in 2022, according to Bank of America.

“That’s going to be a longer-term theme that reflects the reality that there’s a compelling opportunity to...manufacture and build in America,” said Rajesh Nakadi, head of investments at BNY Mellon Wealth Management Global Family Office.

Some companies are tightening their belts. Intel Corp. last week cut its capital-spending forecast for the year. The chip maker reported a surprise quarterly loss and its biggest revenue decline in more than a decade, blaming a slump in personal-computer purchases and product delays.

Companies are still keeping plenty of cash on the sidelines, signaling some restraint in capital spending, said Howard Silverblatt, senior index analyst at S&P Dow Jones Indices.

“Is it a record?” asked Mr. Silverblatt of capital expenditures. “No, but they are good numbers. It’s definitely an up quarter despite concerns.”

U.S. NEWS

Democrats Pursue Bills Pre-Empting GOP

By TARINI PARTI

WASHINGTON—Democrats are seeking to pass legislation to block potential Republican policy efforts on a variety of issues ahead of an expected GOP takeover of at least one chamber in November's midterm elections.

Many of the bills relate to passing laws to enshrine rights the Democrats see as put at risk by Justice Clarence Thomas's concurring opinion in the June ruling overturning *Roe v. Wade*. He wrote in his opinion that the same logic the court used to reject the constitutional right to an abortion could be applied to ending other rights granted by the high court, such as access to contraception and same-sex and interracial marriage.

Justice Samuel Alito's majority opinion said explicitly that the ruling applied only to abortion, but many Democrats say the challenge to constitutional privacy that underpins those other decisions needs to be preserved lest a Republican majority or the conservative-



Rep. Kathy Manning (D, N.C.) spoke last month before passage of a bill protecting contraception access.

leaning Supreme Court seek to press ahead with restricting other rights.

Some of the bills have attracted a measure of GOP support, though many Republicans accuse Democrats of

seeking to distract voters from other pressing issues such as inflation.

Nearly 50 House Republicans joined Democrats to pass a bill protecting same-sex marriage and interracial marriage,

and some GOP senators have expressed openness to backing the measure. At least 10 Republicans would have to join with all Democrats for the bill to advance in the Senate. Only eight House Republicans have

backed a measure in the House that would guarantee access to contraception, with many arguing the text was too broad. A Democratic-led effort in the Senate to pass a similar contraception bill by unanimous consent failed.

"I think November is going to be an election about one party who supports those freedoms and is protecting women's right to access full reproductive care, marriage equality, voting rights and one party that is squarely against those things," said Rep. David Cicilline (D, R.I.), chairman of the LGBTQ+ Equality Caucus. Rep. Cathy McMorris Rodgers (R, Wash.), speaking on the House floor, countered that "Democrats are spreading fear and misinformation to score political points."

The effort is being pushed by Democrats in both chambers, but passage of any bills through the Senate will be a much bigger challenge. Democrats likely have a small window to see which bills they can push through before November, when the party is seen

as being at serious risk of losing its House majority, and possibly also its control of the Senate, where Vice President Kamala Harris holds a tie-breaking vote.

"We will not play defense anymore," said Rep. Kathy Manning (D, N.C.), sponsor of a bill on the House floor that would protect access to contraception on a federal level. "This time we're playing offense."

President Biden has also criticized the high court in recent weeks over its decision to overturn *Roe* and said other rights that Justice Thomas mentioned in his opinion are in jeopardy if Democrats don't keep their majorities in November.

Democrats also are aiming to enact stronger job protections for civil servants, after Mr. Trump issued an executive order in 2020—since reversed by Mr. Biden—making it easier to fire large numbers of government workers after moving them into at-will, so-called Schedule F positions. That effort, too, faces roadblocks.

Election Denier Wins GOP Race in Arizona

By ALICIA A. CALDWELL

Kari Lake, a former television news anchor who was endorsed by Donald Trump, has won the state's Republican gubernatorial primary, according to the Associated Press.

Ms. Lake, a political neophyte, has centered much of her campaign on supporting the former president's false claims of widespread fraud in the 2020 election, which he lost to Joe Biden. In the lead-up to Tuesday's primary, Ms. Lake suggested without evidence that fraud was already happening in that contest.

Ms. Lake has called for overhauling state election rules and securing Arizona's border with Mexico by com-

pleting the construction of a wall, a centerpiece of Mr. Trump's immigration policy.

She beat Karrin Taylor Robson, a property developer who had been endorsed by former Vice President Mike Pence and sitting Republican Gov. Doug Ducey. Ms. Taylor Robson has said voter concerns about the 2020 election should be addressed, but focused her campaign on issues including school choice and border security.

With nearly 90% of the vote counted by Thursday night, Ms. Lake had 46.8% to 44% for Ms. Taylor Robson, the AP said.

In November's general election, Ms. Lake will face the state Secretary of State, Democrat Katie Hobbs, who also won her primary race Tuesday.

Prosecutor Suspended for Abortion Stance

By JOSEPH DE AVILA

Florida Gov. Ron DeSantis suspended a state prosecutor Thursday for pledges he made to decline prosecuting cases involving alleged violations related to abortion and gender-transition treatments.

Mr. DeSantis said he suspended Andrew Warren, a Democrat who served as the top prosecutor for the state's 13th judicial circuit in Hillsborough County, which includes Tampa, for neglect of duty. The Republican governor tapped state judge Susan Lopez to serve as state attorney during the suspension.

"State attorneys have a duty to prosecute crimes as defined in Florida law, not to pick and choose which laws to enforce based on his personal agenda,"

Mr. DeSantis said. "It is my duty to hold Florida's elected officials to the highest standards for the people of Florida."

Mr. Warren, who was first elected in 2016 and was re-elected in 2020, said his suspension was a political stunt.

The governor's move is an "illegal overreach that continues a dangerous pattern by Ron DeSantis of using his office to further his own political ambition," Mr. Warren said. "It spits in the face of the voters of Hillsborough County who have twice elected me to serve them, not Ron DeSantis."

Mr. DeSantis said the state constitution gave him authority to suspend state officials for reasons of misfeasance, malfeasance, neglect of duty, drunkenness, incompetence, permanent inability to perform official du-

ties, or commission of a felony.

Florida's constitution gives broad powers to the governor to suspend officers such as state attorneys or county sheriffs for almost any reason, said Robert Jarvis, a professor who teaches

The official said Florida Gov. Ron DeSantis's action was a political stunt.

Florida constitutional law at Nova Southeastern University's Shepard Broad College of Law. Mr. DeSantis suspended former Broward County Sheriff Scott Israel in 2019 because of his department's handling of the Park-

land school shooting. That authority has been challenged many times, but the courts have routinely ruled in favor of the governor, Dr. Jarvis said.

Weeks after the Supreme Court overturned *Roe v. Wade*, Mr. Warren signed a statement, along with other elected prosecutors, regarding the enforcement of state abortion laws. The statement said the prosecutors wouldn't prosecute people who perform abortions. "Enforcing abortion bans runs counter to the obligations and interests we are sworn to uphold," the joint statement said.

Florida passed a law that went into effect in July banning abortions after 15 weeks of pregnancy. It includes exceptions for medical emergencies or "fatal fetal abnormalities," but not for rape or incest.

Free Tier Explored At Warner

Continued from Page One service would cater to cost-conscious consumers and serve "as an entry point to our premium service," he said.

As the number of streaming options has exploded in the past three years, many companies are looking to offer lower-cost versions to their services in an effort to boost their user base. The industry's two biggest players, Netflix Inc. and Walt Disney Co.'s Disney+, are both working on launching lower-priced, ad-supported versions of their platforms.

Exploring a free streaming service is the latest example that new management—led by Mr. Zaslav—is more than willing to depart from the company's approach back when it was controlled by AT&T and led by Jason Kilar.

Mr. Zaslav has acted swiftly since taking over in April. That included pulling the plug on CNN+ days into the job—and just weeks after the streaming service's launch—as well as canceling movies and shows that had been approved by previous leadership.

The company this week decided not to release the superhero movie "Batgirl" despite the fact that it had already been filmed.

"We're not going to put a movie out unless we believe in it," Mr. Zaslav said during the call.

Mr. Zaslav said the company's new approach was to put more emphasis on content quality. "It's not about how much," he said. "It's about how good."

In its first quarterly earnings report as a combined entity, Warner Bros. Discovery—whose properties include the Warner Bros. movie studio and the cable channels TNT, Food Network and HGTV in addition to HBO and CNN—swung to a \$3.42 billion loss in the second quarter, which it said was partly because of charges related to the merger. Revenue came in at roughly \$9.83 billion.



David Zaslav, CEO, shown at the Sun Valley Conference in July, said Warner Bros. Discovery is emphasizing the quality of content.

Chief Financial Officer Gunnar Wiedenfels warned investors that the company was adjusting its financial outlook for both 2022 and 2023 in part due to the macroeconomic environment that is affecting advertising.

"2022 will clearly be a transition year," Mr. Wiedenfels said. The company expects third-quarter global advertising sales to decline "by high single, to low double digits based on current booking trends," he said.

The company's shares were down 12% in after-hours trading on Thursday.

Warner Bros. Discovery said it had 92.1 million subscribers across its streaming platforms, up about 1.7 million from the first quarter. That compares with 220.7 million for Netflix and 205.6 million for Disney, whose services include Disney+, Hulu and ESPN+, according to the companies' most recently released figures.

The streaming landscape has become increasingly fragmented in recent years, giving users an array of options. HBO Max, Discovery+, Disney+, Apple Inc.'s Apple TV+, and Comcast Corp.'s Peacock have entered the field since 2019, while Paramount Global has rebranded and expanded its CBS All Access service, now known as Paramount+.

players including Netflix, Hulu and Amazon.com Inc.'s Prime Video.

Among these services, Peacock already offers a free, ad-supported tier of its platform, competing with a flurry of other players.

Beyond exploring a free streaming platform, Warner Bros. Discovery on Thursday said it was looking to raise prices for its subscriptions products and shift away from heavily discounted offerings.

"We're not in the business of trying to pick up every subscriber, we want to make sure we get paid and that we get paid fairly," Mr. Zaslav said. "We want to drive profitability and free cash flow."

The price increases would occur in certain international markets, Mr. Perrette said. "We will also plan for periodic increases as accepted in the marketplace."

Addressing the company's hefty debt load—\$53 billion at the end of the second quarter—remains high among Warner Bros. Discovery's priorities. Mr. Wiedenfels said the company would dedicate all free cash flow it generates to paying down its debt. The company expects to generate \$3 billion in free cash flow in 2022.

"We'll have repaid \$6 billion in debt by the end of August," Mr. Zaslav said during the call.

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WORLD NEWS

Griner Gets 9 Years in Drug Case

The U.S. is pressing Russia to free the WNBA star through a prisoner exchange

By ANN M. SIMMONS
AND LOUISE RADNOFSKY

U.S. women's basketball star Brittney Griner on Thursday was convicted of bringing marijuana with criminal intent into Russia in mid-February and sentenced to nine years in prison, an outcome that is expected to clear the way for negotiations over her release between two countries with frosty relations.

Ms. Griner's sentence—close to the maximum 10-year penalty for the charges of drug possession and smuggling that she faced—was announced by Judge Anna Sotnikova in a courtroom outside Moscow. Prosecutors sought 9½ years.

Ms. Griner immediately will be transferred to a penal colony, the judge said.

The two-time Olympian, who was the No. 1 overall draft pick when she entered American women's professional basketball for the Phoenix Mercury in 2013, isn't certain to serve out her sentence there.

The U.S. has moved with unusual swiftness in declaring her to be wrongfully detained, and



Brittney Griner was convicted of bringing marijuana with criminal intent into Russia in February.

in another rare move, openly pressed Russia to accept what it has characterized as a “substantial proposal” for her release and that of another American also deemed wrongfully held in Russia, former Marine Paul Whelan, who was sentenced to 16 years for espionage in 2020.

People familiar with the matter say the proposal is to exchange the pair for the release of a Russian arms dealer

held in the U.S., Viktor Bout, who has five years remaining on a 25-year sentence he received in 2012.

On Thursday U.S. officials quickly condemned the sentence, and pledged to continue their efforts to bring back Ms. Griner and Mr. Whelan.

U.S. Secretary of State Antony Blinken declared Ms. Griner “a political pawn,” saying: “This step puts a spotlight on

our significant concerns with Russia's legal system and the Russian government's use of wrongful detentions to advance its own agenda.”

President Biden said the sentence is proof that her legal case was influenced by other considerations. “It's unacceptable, and I call on Russia to release her immediately.”

Ms. Griner's Russian defense team asked the court to impose

a minimal sentence, and characterized the verdict as “unreasonable,” noting that defendants typically receive a more lenient penalty for such crimes. Her lawyers said they would file an appeal, and didn't rule out asking Russian President Vladimir Putin to pardon Ms. Griner.

The Kremlin didn't respond to a request to comment.

Russian officials have long indicated that they wouldn't engage in public negotiations, and have criticized Washington for what presidential spokesman Dmitry Peskov described as “megaphone diplomacy.”

Behind the scenes they signaled that a 2-for-1 deal appeared insufficient.

Earlier Thursday, Ms. Griner made an emotional plea for leniency. “I never meant to break any laws here,” she said. “I made an honest mistake.”

Ms. Griner pleaded guilty, but said she had an Arizona doctor's prescription to use marijuana for medical purposes. She was carrying two vape cartridges containing a total of 0.702 gram of hashish oil when she was stopped at Moscow's Sheremetyevo airport in mid-February while traveling back to play for the Russian team where she has long spent the WNBA off-season, UMMC Ekaterinburg.

Ms. Griner's Russian defense team asked the court to impose

a minimal sentence, and characterized the verdict as “unreasonable,” noting that defendants typically receive a more lenient penalty for such crimes. Her lawyers said they would file an appeal, and didn't rule out asking Russian President Vladimir Putin to pardon Ms. Griner.

Ukraine Fires on Bridges, Rail Lines

By ISABEL COLES
AND EVAN GERSHKOVICH

Ukrainian forces struck a railway bridge in the southern Kherson region Thursday, the Ukrainian military said, as it seeks to cut Moscow's supply lines in preparation for a looming counteroffensive.

The Ukrainian military has concentrated fire on crossings over the Dnipro River, last month destroying a road bridge 3½ miles to the east, as well as striking the railway bridge.

Damage to the two bridges—both called Antonivskiy—has forced Moscow to use military ferries to resupply its forces in the city of Kherson and other areas on the western side of the river.

Kherson is the only Ukrainian regional capital that Moscow has captured in the five months since Russian President Vladimir Putin ordered the invasion. The city and the surrounding terrain are Russia's only foothold on the western bank of the Dnipro River, and present a route to the Ukraine's remaining Black Sea shoreline.

To protect the river crossings, Russian forces have “almost certainly” positioned radar reflectors in the water to thwart radar imaging and missile targeting, the U.K.'s Defense Ministry said. “This highlights the threat Russia feels from the increased range and precision of Western-supplied systems.”

In the eastern Donbas region, Russia's Defense Ministry said Thursday that Ukrainian forces were abandoning their positions in the towns of Soledar, Bakhmut and Avdiivka. Russia is seeking to make further advances in the Donetsk area after capturing about two-thirds of the region's territory. Russia last month claimed to have captured the entire Luhansk region, which together with the Donetsk region make up Donbas.

The Russian claim came after the Ukrainian general staff said Ukrainian forces repelled Russian advances in some of the same towns and at other points on the Donbas front.

Officials in the southern Mykolaiv region, which is held by the Ukrainians but borders the Kherson front, said it came under fire early Thursday. The head of the regional administration, Vitaliy Kim, said the shelling hit residential buildings, smashing windows and roofs.

Eight people were killed Thursday when Russian shells landed near a bus stop in the town of Toretsk in the Donetsk region, said Pavlo Kyrylenko, head of military administration.

Russia's Defense Ministry didn't respond to a request for comment.

In the Russian-held city of Donetsk, Russian-installed officials said Thursday that Ukrainian forces shelled the center of the city, killing six people and wounding seven. Videos shared by Russian state media showed a damaged hotel with blown-out windows.

Also Thursday, human-rights group Amnesty International criticized Ukrainian forces for endangering civilians by launching attacks from populated areas, including setting up military bases at schools and hospitals, while condemning what it called indiscriminate attacks by Russian forces.

Ukrainian leaders criticized the Amnesty report, “which unfortunately tries to amnesty the terrorist state and shift the responsibility from the aggressor to the victim,” said Ukrainian President Volodymyr Zelensky.

Kyiv Gears Up for Push to Retake South

By YAROSLAV TROFIMOV

KYSELIVKA, Ukraine—When Ukrainian troops deployed in Kyselivka on the Kherson front line in April, the village's empty homes provided some protection from relentless Russian shelling.

“Now, there aren't many places left to hide,” said a soldier, pointing to a landscape of craters and twisted trees. “Most houses have burned down from incendiary shells, and the church is gone, too.”

No civilians live in the village anymore. Russian drones with motion detectors frequently hover over the spot from which Kulak observes Russian movements about a mile away and directs artillery strikes.

The unit's mission, he said, is to hold firm. “The Russians shoot left and right, into the steppe, anywhere,” he said. “We have to economize the ammunition, so we only fire according to precise coordinates.”

The situation is similar across the Kherson front line that stretches for more than 100 miles. This strategic terrain represents Russia's only foothold on the western bank of the Dnipro River and a potential avenue of advance on to the ports of Mykolaiv, Odessa and the rest of Ukraine's remaining Black Sea shoreline.

“Neither side has the forces or the equipment to begin a decisive offensive here, and so both are preparing for positional warfare,” said Maj. Roman Kovalyov, the executive officer of a Ukrainian battalion in another part of the Kherson region. Much of the front line in Kherson runs along the Inhulets River that, while relatively shallow, has turned out to be a significant obstacle for major troop movements, he said.

“The Russians are like locusts. We keep killing them and they just keep sending more, with no end,” said one of the battalion's artillery commanders.

A region roughly the size of Belgium, Kherson is one place in Ukraine where Moscow's initial assumptions of a lightning conquest proved correct. Russian forces overran most of the region in the first two days of the war in February, as many local security officials fled or



Few civilians live in the villages along Ukraine's Kherson front line with Russia. A Ukrainian soldier walks through a ravaged area.

conspired with the invaders. Retaking Kherson, or at least the western bank of Dnipro that includes its capital, has become Kyiv's critical priority.

“Kherson has a huge strategic importance, politically because it is the only regional capital taken by Russia, and militarily because if the Russians solidify their control there, they will certainly use it to try to move ahead and take our entire coast,” said Andriy Zagorodnyuk, a former Ukrainian minister of defense who advises the government.

Time is a factor. Moscow-appointed authorities are planning a mid-September referendum on annexing Kherson and other parts of occupied southern Ukraine to Russia, a move that would formalize a land bridge from the Russian border to the Crimean Peninsula that Russia absorbed in 2014. “The referendum represents a big threat,” said Serhiy Khlan, a member of the Kherson regional legislature who escaped to Kyiv-controlled areas and serves in the military.

While the bulk of the fighting

during the past three months occurred in Ukraine's eastern Donbas areas, Kyiv has conducted operations in Kherson, retaking a handful of villages.

Now, the focus of the war is increasingly shifting to the south. Russia has begun transferring some of its best units from Donbas to Kherson. Ukraine, meanwhile, is busy training new brigades that

If Moscow solidifies control in Kherson, it likely would take over the coast, key ports.

would bolster existing forces and provide the manpower for the planned offensive.

Ukraine's General Staff is keeping a tight lid on its plans for Kherson, where the open terrain makes surprise crucial to the success of any offensive. Kyiv's strategy so far has focused on slowly choking off the Russian contingent on the

western bank of the Dnipro.

The question for Ukrainian leaders is whether the timing of Kyiv's Kherson offensive should take into account the political calendar imposed by Russia. In the five months since capturing Kherson, Moscow has recruited a relatively prominent cohort of local collaborators.

They include the former mayor of Kherson, Vladimir Saldo, who leads the region's Russian-appointed administration that has plastered the city with billboards proclaiming “Kherson, with Russia Forever.” He says Kherson should be used as a springboard for liberating what he calls the “historically Russian” cities of Mykolaiv and Odessa. Russia has distributed thousands of passports in Kherson, introduced the Russian ruble, opened branches of Russian banks and set up its own mobile-phone network after taking down Ukrainian carriers.

For now, most people in Kherson refuse to work with the Russians. In the city of Nova Kakhovka, the region's second-largest, only one out of 14 school directors are cooper-

ating with the new administration, which plans to reopen schools under the Russian curriculum on Sept. 1, said Mayor Volodymyr Kovalenko. “People are awaiting liberation,” he said. “The absolute majority doesn't even think of collaborating.”

Allowing Russia to carry out the referendum could change that, a senior Ukrainian law-enforcement official warned.

“Right now, most people in the occupied areas are sitting on the fence and waiting to see which side will win,” the official warned. “But if we don't retake Kherson before it is annexed by Russia, the annexation will make them choose the Russian camp and we will lose these people forever.”

Russian intelligence services have detained hundreds of people suspected of sympathizing with Ukraine in Kherson, including the city's mayor Ihor Kolykhaev, taken in custody in June. Appearing nearly every day on Russian TV as the face of the new regime in Kherson is the deputy head of the occupation administration, Kiril Stremousov, an ex-antivaccine blogger.

First Grain Shipment Hailed, but Few Expect Return to Prewar Exports

By MATTHEW LUXMOORE
AND WILL HORNER

KYIV, Ukraine—Ukraine said its first grain shipment since the start of Russia's invasion was a success and could lead to a surge in exports to prewar levels within two months, but industry players warned that hurdles remain.

Oleksandr Kubrakov, Ukraine's infrastructure minister, said 17 vessels loaded with grain were ready to depart the three Ukrainian Black Sea ports operating under a recent deal.

He said two or three ships will soon begin leaving daily, with a view to reaching 100 outgoing vessels each month.

Ukraine could return to exports of 3 million metric tons of grain monthly by mid-to-late September, bringing about \$1 billion into an economy decimated by the war, he said.

Getting shipments flowing again from Ukraine, one of the world's largest grain producers, is critical to alleviating global food shortages and bolstering the country's finances. While Ukrainian farmers,

grain traders and shipping companies have cheered the first shipment, which is expected to arrive at a port in Lebanon in the coming days, few expect a return to normality soon.

It couldn't be determined how many shipping companies are prepared to take the risk of going into Ukrainian ports while the war continues, and whether insurance for such trips would prove prohibitive.

Ukraine had a backlog of 16 million metric tons of grain in storage from before the invasion, and a further 13 million

metric tons of barley and wheat have been harvested so far this summer, said Ukraine's Ministry of Agrarian Policy and Food.

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, and this season's harvests are already coming into overcrowded storage. The U.S. Agriculture Department predicts Ukraine will export 30.6 mil-

lion metric tons of grains and seeds during the 2022-23 season, nearly half the tonnage of the previous season.

Mr. Kubrakov pointed to comments by Ukrainian President Volodymyr Zelensky, who on Wednesday played down the significance of the first shipment, and described it as merely a fraction of what Kyiv must sell to boost its shattered economy. “The idea is just to prove that this initiative can work for now—this was important,” Mr. Kubrakov said.

Traders and shipping firms

have been following the Razoni's voyage closely as a trial run. Gaurav Srivastava, chairman of Harvest Commodities SA, is awaiting the green light for his cargo of 50,000 metric tons of feed corn, aboard a ship in Odessa, to set sail.

He hopes to send fresh vessels to Ukrainian ports to ship more grain if the passage of this first cargo proves successful. “The issue is that there are very few ships that are willing to go into those territories and the insurance is fairly complicated,” he said.

WORLD NEWS

Drills Hint At Beijing's Strategy

By CHARLES HUTZLER

China's live-fire exercises around Taiwan this week are simulating the steps it might take to seal off the island with a blockade, previewing the kind of coercive tactics Chinese leaders may employ in a future conflict.

The four-day exercises protest the visit to Taipei by House Speaker Nancy Pelosi.

Beijing sees Taiwan as Chinese territory to be taken by force if necessary. Many military analysts and China specialists think Beijing lacks capabilities to launch an outright invasion. Instead, in a crisis, they think China would try to squeeze rather than flatten Taiwan into submission.

When the exercises conclude, military analysts and China specialists said they would watch to see if Chinese forces linger or if drills close to Taiwan become routine. If so, such exercises could become a tool to intermittently disrupt Taiwan's economy and its ties with the world in an attempt to erode popular support for the government and resistance to Beijing, the analysts said.

"China probably doesn't

want to go to war to achieve its ends," said Bradley Martin, a retired Navy officer and researcher at Rand Corp. "What we see as more likely is to exert a level of force below the level of outright conflict."

That below-threshold type of conflict, sometimes called "gray-zone" warfare by some experts, is part of China's playbook with Taiwan and countries in the region with which it has territorial disputes.

China's fishing fleet, sometimes backed by China's coast guard or navy, has swarmed ships of neighboring countries in contested waters. Cyberattacks frequently have targeted Taiwan. China also has turned to forms of economic coercion such as import bans in disagreements with Australia, Canada and others.

A full naval blockade banning all ship traffic would be considered an act of war. China is much more likely to launch a selective quarantine, Dr. Martin said. That would give Chinese authorities the option to interdict some vessels while allowing supplies of food, for example, to go through.

That approach places the



Chinese military helicopters participate in live-fire exercises around Taiwan to protest House Speaker Nancy Pelosi's visit to Taipei.

HECTOR RETAMAL/AGENCE FRANCE-PRESSE/GETTY IMAGES

burden of escalation on the incoming ships, which must decide whether to cooperate or resist, said a research paper on the use of coercive quarantines that Dr. Martin co-wrote at Rand.

China has invested heavily in its navy, outnumbering the U.S. in ships, and has made advances in anti-submarine warfare. Faced with a Chinese cordon, the U.S. might have to decide whether to risk a shooting exchange or capitulate, the Rand paper said.

"Inaction is tantamount to accepting the PRC's actions," the paper said, using the initials for the People's Republic of China.

A Taiwan quarantine is the kind of low-intensity challenge that the U.S. might find tricky to manage, analysts said. The U.S. is bound by law to ensure Taiwan can defend itself. Beyond that, Washington has maintained a policy called strategic ambiguity which raises the prospect of but doesn't explicitly promise U.S. intervention in hopes of keeping both Beijing and Taipei from resorting to force. President Biden has promised the U.S. would come to Taiwan's defense if China attacks, though analysts said the ambiguity remains in other scenarios.

A blockade or a quarantine are scenarios that the national-security establishment and some members of Congress say the U.S. military and Taiwan's forces aren't ready for. They have called on the U.S. to build a bigger Navy and invest in bases to disperse military assets in the Asia-Pacific region.

If a Chinese quarantine squeezed world supplies of semiconductors, support for Taiwan in Europe and other advanced economies could crumble, raising the stakes for the U.S., the Rand paper said.

Concerns that Taiwan may be vulnerable to Chinese invasion

or other coercion is one reason the U.S. enacted recent legislation providing tens of billions of dollars in subsidies to encourage the semiconductor industry to produce more chips in the U.S.

Early this year, U.S. Rep. Mike Gallagher, a Republican from Wisconsin who served in the Marines, warned that the U.S.-China balance of military power over Taiwan is shifting in favor of Beijing. A plan he released, Battle Force 2025, called on the U.S. to steel Taiwan for any blockade. That means the U.S. must ensure Taiwan has adequate supplies of food and water, he said.

South Korean Leader Skips Pelosi Visit

By DASL YOON AND TIMOTHY W. MARTIN

SEOUL—South Korea's president, in the middle of his summer vacation in Seoul, didn't meet face-to-face with visiting House Speaker Nancy Pelosi, becoming the only Asian leader on the U.S. lawmaker's trip to miss a get-together.

Mrs. Pelosi (D, Calif.) met this week with the prime ministers of Singapore and Malaysia. On Wednesday, she sat down with Taiwan President Tsai Ing-wen. The trip concluded in Tokyo, where Mrs. Pelosi had breakfast Friday with Japanese Prime Minister Fumio Kishida.

South Korea's conservative leader, Yoon Suk-yeol, was the exception.

Skipping an in-person meeting with Mrs. Pelosi was a decision made "considering the overall national interest" of South Korea, a spokesman for Mr. Yoon said Thursday, without elaborating.

Instead, Mr. Yoon and Mrs. Pelosi spoke over the phone for about 40 minutes Thursday. Mr. Yoon said Mrs. Pelosi's visit was a "sign of deterrence" against North Korea by the U.S. and South Korea, and suggested discussing strengthening their alliance the next time he is in Washington.

Mr. Yoon's decision comes as U.S.-China relations are freshly aggravated, following Mrs. Pelosi's trip to Taiwan.

Taiwan didn't come up in the call between Mr. Yoon and Mrs. Pelosi, according to South Korea's presidential office.



House Speaker Nancy Pelosi visits the demilitarized zone that separates North and South Korea.

SPEAKERS OFFICE/AGENCE FRANCE-PRESSE/GETTY IMAGES

South Korea must carefully navigate a rise in tensions between the U.S. and China. The country is a longtime U.S. ally and home to America's largest overseas military base. But China is South Korea's largest trading partner.

On the campaign trail last year, Mr. Yoon criticized then-President Moon Jae-in, of the left-leaning Democratic Party, for trying to act as a middleman between the U.S. and China, resulting in "skewed policies" and "bad relations" with Beijing. Mr. Yoon took office in May.

Mr. Yoon's decision not to hold an in-person meeting with Mrs. Pelosi won rare applause from the opposition party. A meeting with Mrs. Pelosi would have been "jumping into the fire of the U.S.-China conflict," said Kim Eui-kyeom, of

the Democratic Party, in a Facebook post Thursday.

The Yoon administration has shown deep commitment to strengthening ties with the U.S. But it has little to gain by angering China, which could risk trade retaliation and complicate Seoul's efforts to seek cooperation on relations with North Korea, said Choi Jin, head of the Seoul-based Institute of Presidential Leadership think tank. "It's still early on in his presidency and Yoon has to walk a fine line," he said.

Mr. Yoon, a 61-year-old career prosecutor, began a five-day summer vacation Monday. His original plans were to travel outside the South Korean capital. But, due to what his aides referred to as domestic political turmoil, he opted

to take his holiday in Seoul.

Around the time Mrs. Pelosi arrived in the country on Wednesday evening, Mr. Yoon attended a theater performance in northern Seoul. Later, he had dinner with the actors.

Mrs. Pelosi met with the speaker of South Korea's National Assembly and other senior lawmakers, discussing regional security, economic cooperation and other issues.

They also voiced concerns about North Korea's heightened level of threat to the region, and agreed to support efforts for denuclearization through diplomatic dialogue.

Afterward, Mrs. Pelosi visited the Panmunjom truce village in the demilitarized zone that divides the two Koreas. She then left for Tokyo, arriving Thursday evening.

Trip Triggers Online Frustration for Chinese

By SHA HUA

SINGAPORE—As House Speaker Nancy Pelosi traveled to Taiwan in defiance of Beijing's warnings, Chinese social media was awash with calls for strong action, some of which later curdled into discontent at the perceived meekness of Beijing's response.

Expectations for a pushback had been stoked in the run-up to Mrs. Pelosi's planned trip by commentators such as Hu Xijin, former editor in chief of state-run tabloid Global Times and one of China's most prominent nationalist voices.

Mrs. Pelosi's decision to proceed with her Taiwan visit despite Beijing's warnings should make China "give up any illusions and prepare to use military countermeasures," he wrote Monday on China's Twitter-like social-media platform Weibo, echoing official government warnings of unspecified countermeasures.

Days earlier, Mr. Hu said he had been blocked from accessing Twitter after he published a tweet saying it would be permissible to shoot down Mrs. Pelosi's aircraft if it was escorted to Taiwan by U.S. military jets. Mr. Hu deleted the tweet to regain control of his Twitter account, he later said on Weibo.

Even so, Chinese nationalists flocked to Mr. Hu's Weibo account, some of whom egged him on to get on a plane and shoot her down himself. Oth-

ers warned that inaction now would only embolden other Western politicians.

Mrs. Pelosi arrived on the self-ruled island, which China's Communist Party claims as part of its territory, Tuesday, one day after the anniversary of the founding of the People's Liberation Army. That day is traditionally marked with martial messages meant to showcase the strength of China's military.

On Monday, before Mrs. Pelosi's office confirmed her Taiwan visit, the PLA's Eastern Command Theater released an anniversary video vowing to "bury any invading army."

After the big buildup, it came as a letdown for some when Mrs. Pelosi was able to land in Taipei, showered with little more than a flurry of stern missives from government officials and state media outlets.

Over the course of her roughly 19-hour stay in Taiwan, Beijing unleashed sanctions on imports of fruit from Taiwan and exports of natural sand from China, while announcing military drills that are set to run through Sunday.

Some internet users expressed disappointment at what they perceived to be Mrs. Pelosi's impunity for her open defiance of Beijing's warnings.

"It's not like I want war. But they are getting off too easy," read one popular comment on Weibo. "For days we shouted about countermeasures, what kind of countermeasure is this?"

China Flexes Its Muscles

Continued from Page One

Many military analysts and China specialists say they think the exercises indicate a plan to squeeze rather than flatten Taiwan into submission.

"They are amassing forces to look like a blockade to show that they can do it," said Bryan Clark, a senior fellow at the Hudson Institute, a conservative think tank in Washington. "It's a signaling exercise."

The targets are the closest ever to Taiwan's main island, Maj. Gen. Meng Xiangqing, a professor at the People's Liberation Army National Defense University, told China's state broadcaster Thursday morning. Some of the designated live-fire zones reach into waters within 12 miles of the Taiwanese coastline.

"This establishes an encirclement of Taiwan island," Gen. Meng said. "This creates very good conditions for reshaping

the strategic situation in a way that benefits unification."

After the day's drills, Gen. Meng told state television that the PLA launched missiles over the island of Taiwan, the first time the military has done so. He said the arc passed over an area where Taiwan stations Patriot missile batteries and which is monitored by the U.S. Navy.

At the White House, John Kirby, the National Security Council coordinator for strategic communications, criticized the Chinese drills and blamed Beijing for escalating tensions unnecessarily.

"China has chosen to overreact and use the speaker's visit as a pretext to increase provocative military activity in and around the Taiwan Strait," he said, adding that U.S. policy regarding Taiwan hadn't changed.

He said Beijing's actions wouldn't deter the U.S. from its security commitments in the region and that the U.S. military would conduct standard air and maritime transits through the Taiwan Strait in the next few weeks in line with longstanding operations.

The Biden administration on Thursday postponed a routine test launch of an Air Force Minuteman III intercontinental bal-

listic missile from Vandenberg Air Force Base in California to avoid further inflaming tensions with China and to reduce the risk of a miscalculation.



Thursday afternoon, Taiwan's Defense Ministry said China had fired multiple Dongfeng ballistic missiles at 1:56 p.m. into northeastern and southwestern waters claimed by the island. Units from the PLA's Eastern Theater Command "conducted live-fire training with long-range firepower in the Taiwan Strait" at around 1 p.m. local

time, the command said on its social-media account. The firing was directed toward designated areas in the eastern stretches of the Taiwan Strait close to Taiwan's main island and achieved "anticipated effects," it said.

Later in the afternoon, the command said it had launched conventional missiles in a designated zone east of the island, "successfully completing" a live-fire operation. The area is again open to traffic, it said.

Five missiles China fired landed within Japan's exclusive economic zone, the first time

this has happened, Japanese Defense Minister Nobuo Kishi said. "This is a grave problem affecting the safety of our people," he said. "I strongly protest."

China state broadcaster CGTN aired a video of missiles launching from unknown mountainous areas, saying they all hit targets precisely.

Taiwan's Foreign Ministry condemned the missile launches, likening Beijing to North Korea.

CGTN's prime-time evening news reported Thursday's drills reached "an unprecedented scale" for a military operation targeted at Taiwan. In addition to missiles and long-range weapons, up to 100 jet fighters and bombers were deployed near the island, while more than 10 warships patrolled in the waters close by in a joint blockade operation.

China's central government warned ships to avoid the areas of the exercises. Fujian, the Chinese province along the Taiwan Strait, warned ships and planes from entering the area during the drills.

Taiwan's maritime and port bureau has urged ships to find alternative routes to and from the island's seven big ports

during the exercises. The ports are open and operating normally, a spokeswoman for the bureau said on Thursday.

More than 70 international flights to and from Taipei were rerouted on Thursday, Taiwan's Ministry of Transportation and Communications said. The ministry said a total of 35 ships detoured to avoid the drills, but no vessels were blocked in ports.

Earlier Thursday, the Taiwanese military said it fired flares to warn off drones that flew near Kinmen and Beiding, two small islands just miles off the Chinese mainland that are controlled by Taiwan.

China's navy had already maneuvered into position and training operations have been continuing near Taiwan since Mrs. Pelosi's visit began.

Joanne Ou, a spokeswoman for Taiwan's Foreign Ministry, on Thursday said large-scale cyberattacks that crippled Taiwan government websites on Tuesday evening were traced to China and Russia, calling them a "deliberate attempt to paralyze" the websites.

—Costas Paris, Jiyoun Sohn, Michael R. Gordon and Chieko Tsuneoka contributed to this article.

WORLD NEWS



Saif al-Adel, above, likely is in line to replace Ayman al-Zawahiri, at right, seen with Osama bin Laden, far right.



Ex-Egyptian Soldier Is Eyed To Lead Terror Organization

BY JESSICA DONATI AND ALAN CULLISON

WASHINGTON—The Central Intelligence Agency's killing of al Qaeda leader Ayman al-Zawahiri has thrust the global terrorist group into a succession contest that will test its ties to far-flung affiliates and could give Iran a role in the outcome.

The candidate seemingly in line to lead al Qaeda is an Egyptian former special-forces soldier, Saif al-Adel, who has served as second-in-command at the group since 2020. He is among its few leaders with a decadeslong history in the organization and seen as having the potential to serve as a figurehead for al Qaeda affiliates that stretch far beyond Afghanistan to Syria, Iraq and Africa.

Yet Mr. Adel, who is wanted by the Federal Bureau of Investigation in connection with the 1998 bombings of two U.S. embassies in East Africa, is believed by counterterrorism specialists to be living under Iran's watch, and they say it is unclear whether he could relocate to Afghanistan or whether he could gain legitimacy as al Qaeda's leader from Iran.

The alternative—choosing a successor from one of al

Qaeda's local affiliates or another candidate—could accelerate a process of decentralization that started with the branches doing their own fundraising, operations and propaganda. It could also foster discontent among different factions a time when the group is seeking to restore its role as the global leader for a brand of terrorism that made its mark with high-profile plots against Western targets, such as the 9/11 attacks.

Al Qaeda's succession challenges come as the group began to benefit from the Taliban's return to power in Afghanistan.

The killing of Zawahiri, in the heart of Afghanistan's capital, undermined the Taliban's pledge to prevent Afghanistan from being used as a base that foreign terrorist organizations could use to attack the West. The Taliban sought to update their 1990s image of protectors of al Qaeda founder Osama bin Laden to gain broader recognition as the legitimate government of Afghanistan, a shift it hopes will unlock foreign aid frozen after militants ousted the country's previous leaders.

On Wednesday, the Taliban broke its silence on Zawahiri and denied it had any knowledge of his whereabouts, or

even whether in fact he was killed. That runs counter to White House claims that Afghanistan's interior minister, Sirajuddin Haqqani of the Taliban, knew of his location and dispatched a team to clear up evidence of the strike and move his family to a new location.

"Investigation is under way now to find out about veracity of the claim," Suhail Shaheen, a

Saif al-Adel could replace Ayman al-Zawahiri as the head of al Qaeda.

Taliban spokesman who heads the group's political office in Doha, said when referring to claims that the Haqqanis, a branch of the Taliban, were safeguarding the al Qaeda leader and that the strike killed him.

Still, Zawahiri's death is unlikely to trigger any change in relations between al Qaeda and the Taliban, whose operations merged in the 20-year struggle against U.S. forces and the U.S.-backed government, say analysts who track

extremist groups. Afghanistan remains vital territory for al Qaeda because hundreds of its members have embedded with the Taliban over the years and remain loyal to one another.

Whether Mr. Adel can take the reins of the organization—and from where—are key questions of the al Qaeda succession process. He was one of the al Qaeda leaders who decamped to Iran for safety after 2001 when U.S. forces invaded Afghanistan.

An Egyptian national who was born in the 1960s, Mr. Adel went from soldier to antigovernment militant, later joining al Qaeda and rising through the ranks. He is believed to have first traveled to Afghanistan in 1989, after being arrested for his role in an attempted assassination of the Egyptian interior minister.

His elevation, should it occur, could give Tehran an unexpected hand in the organization's future. Iran might not tolerate one of al Qaeda's leaders operating from its soil, but it might tacitly allow Mr. Adel to move to Afghanistan, say former counterterrorism officials. Iranian officials, through their representatives at the United Nations in New York, didn't respond to requests to comment.

French Lawmakers Approve Measures To Fight Inflation

BY SAM SCHECHNER

French President Emmanuel Macron secured passage of measures to help strengthen household finances—a boost for the French leader as the country copes with high inflation.

French lawmakers on Thursday gave final approval for the second of two bills that include more than €20 billion, equivalent to about \$20.4 billion, in new measures aimed at helping French people cope with fast-rising prices—including an increase in pensions, rebates at the gas pump and an elimination of France's yearly public-television levy.

After three weeks of horse-trading between members of Mr. Macron's party and opposition legislators in both houses of Parliament, the first bill was passed with broad approval Wednesday. A supplemental budget bill including the remaining measures was approved in each house Thursday.

"The daily lives of many fellow citizens will be improved," Mr. Macron said on Twitter.

The package will help win Mr. Macron breathing room as France endures growing inflationary pressure stemming in part from the war in Ukraine. Paris has backed Kyiv, sending arms to Ukraine and supporting several rounds of European Union sanctions against Moscow. But French residents are seeing price rises from increased shipping costs and the energy crisis caused by Russia's squeezing of Europe's gas supply.

Consumer prices in France rose 6.1% last month compared with a year earlier, according to preliminary figures published last week by French statistics agency Insee. Food prices were up 6.7% and energy prices rose 28%. To make it through the winter without major price shocks or blackouts, the French government is

storing more natural gas than usual and, like other European countries, banking on companies and households to cut back on their energy consumption—with a "sobriety plan" being prepared for the fall.

Mr. Macron pushed through the package of anti-inflation measures without a majority at France's National Assembly, a victory for his effort to wheel and deal after his party stumbled in June's legislative elections. In that vote, rising energy and food prices exacted a toll on the French leader, who has faced criticism that he is out of touch with the everyday hardships of working-class and middle-class people.

In part, Mr. Macron was able to pass the bills by turning to legislators from the center-right party Les Républicains, integrating some of their proposals—such as a larger gas rebate for drivers and the ability to cash in certain unused vacation days—into the final laws.

Still, Les Républicains have said their support shouldn't be taken for granted. Lawmakers said they didn't want to stand in the way of measures that, while insufficient, could improve people's purchasing power. Negotiations on Mr. Macron's proposed measures on pensions, immigration and unemployment insurance could prove more difficult.

This legislation, aimed at helping voters' pocketbooks at a time of rampant inflation, also benefited from its focus on one of the easiest topics around which to build consensus in France.

A survey published last month by polling house Elabe showed that purchasing power was the top preoccupation of 61% of French voters. By contrast, the war in Ukraine was the priority for 10%.

—Noemie Bisserbe contributed to this article.

Bank of England Lifts Rates

Continued from Page One

warning about the fragility of the U.K. economy and stagflation—the toxic combination of no economic growth and inflation—took markets aback. The British pound fell against the dollar after the announcement before paring its losses and the yield on the U.K.'s benchmark 10-year bond fell. In the U.S., the yield on 10-year Treasury notes fell to 2.674% from 2.747% Wednesday, a decline that accelerated after the Bank of England's forecast of a prolonged recession in the U.K.

"I think it was the monetary policy equivalent of a horror show," said Elliot Hentov, head of macro policy research at State Street Global Advisors. "It is all-round bad: High inflation, deep recession, long recession, cuts to real income, a loss of purchasing power, wealth and prosperity and they are probably right too."

Sharply raising borrowing costs amid a looming recession will do more damage to the economy short term. But many central banks are betting that bigger rate increases now, while price shocks like higher energy prices from the Ukraine war are relatively recent, will help prevent inflationary expectations from taking root among businesses and consumers, and avoid a longer period of damaging rate increases later.

The trade-off is one that central bankers are struggling

with around the world. Global inflation is the highest since the early 1980s, a product of an end to Covid-19 lockdowns, supply-chain issues and soaring energy and food prices.

The price shocks ended a sustained period of ultralow rates that followed the 2008 financial crisis, causing banks from Mexico to Malaysia to rush to increase borrowing costs. Brazil's central bank jacked up its key rate to 13.25% from a low of 2% in 2021.

Eight out of nine Bank of England officials voted for the larger-than-usual increase. The bank increased borrowing costs at six straight meetings of its monetary-policy committee, its longest such streak since the late 1990s.

The hawkish view on inflation is shared by the Fed, which last week undertook its second consecutive 0.75-percentage-point rate rise, increasing its benchmark federal-funds rate to a range between 2.25% and 2.5%.

Fed Chairman Jerome Powell acknowledged the possibility this summer that rate increases could drive the U.S. economy into recession, calling it "absolutely essential" that the U.S. central bank rein in inflation. But Fed officials weren't predicting a recession as of their latest round of economic projections.

"Frontloading" rate increases helped engineer an economic soft landing more often than a slower approach to rate increases, according to a recent study of some 70 episodes of rate increases over the past three decades by the Bank for International Settlements, an international financial institution owned by central banks that fosters

cooperation among them.

But the past shows that tightening too quickly can backfire, especially in economies where housing prices climbed quickly and households took enough debt that a large increase in rates could cause defaults and stress in banking systems, wrote Jennifer McKeown, head of the global economics service at Capital Economics in London, in a note to clients on Thursday. She said Canada, Australia and New Zealand are particularly vulnerable.

Perhaps nowhere is this trade-off between controlling inflation and damaging the economy more stark than in the U.K., whose economy has struggled to grow faster since the financial crisis. Productivity growth has lagged and Brexit has lowered U.K. export levels.

Until Thursday's decision, the BOE stuck to small, steady incremental increases in its benchmark rate, though it was one of the earliest major central banks to act. The U.K. central bank began tightening monetary policy in December.

In changing course, bank officials said a larger rate rise was necessary to bring inflation back to its 2% target as rising consumer prices intensified since its last meeting. Russia's tightening of its gas supplies to Europe, and the subsequent rise in gas prices, was by far the largest contribution to inflation in the U.K., the bank's governor, Andrew Bailey, said.

Recent figures showed the U.K.'s pace of inflation quickened in June to 9.4%, its highest reading in 40 years. Still, core inflation—which strips out volatile food and energy prices—has shown signs of cooling. The BOE said it expects inflation to peak at 13.2% in the fourth quarter.

The central bank also outlined plans to sell some of the bonds it acquired during its quantitative-easing programs.

The BOE started to reduce its stock of government bonds in March, a policy known as quantitative tightening that is intended to help contain inflation. Like the Fed, it has so far done that by letting bonds it owns mature without buying new ones. In a first for a major central bank, the BOE proposed a plan to start selling bonds that have yet to mature as soon as September. Combined with maturing bonds, that is expected to total £80 billion, equivalent to \$97 billion, over a year.

WORLD WATCH



FALLOUT: A large block of Beirut's giant port grain silos, shredded by a blast that killed more than 200 people two years ago, collapsed on Thursday as hundreds marched in the Lebanese capital to mark the anniversary of the explosion of hundreds of tons of ammonium nitrate in a warehouse.

CHINA

Propaganda Sought To Discredit Critic

A pro-Beijing online propaganda campaign has used phony websites and social-media posts to try to discredit a prominent German anthropologist who has investigated China's crackdown on Muslims, according to cybersecurity researchers.

The activity, which dates to last year and continues, is part of a complex effort to push pro-China narratives using more than 70 suspected inauthentic news websites in 11 languages, all tied to a Chinese public-relations firm, according to a new report made public Thursday by the U.S.-based cybersecurity firm Mandiant Inc.

There is no evidence linking the activity to the Chinese government, Mandiant said, but the firm advertised its services as "positive energy packages." State media in China have used the term "positive energy" to refer to the dissemination through social media of messages that promote Beijing's views and policies. The effort targeted anthropologist Adrian Zenz, who has sifted through large numbers of Chinese government documents to illuminate the mass detention and policing of Turkic Muslims in Xinjiang.

—Newley Purnell

INDIA

Suspected Gas Leak Sickens 100 Workers

Authorities in a southern Indian state are investigating safety conditions at a factory in an apparel manufacturing hub that supplies clothes to global clothing brands after more than 100 workers were hospitalized because of a suspected gas leak.

The incident took place at a factory inside Brandix India Apparel City, a special economic zone located near the port city of Visakhapatnam in the state of Andhra Pradesh. Manufacturers located there supply to brands including Victoria's Secret & Co., H&M Hennes & Mauritz AB and Gap Inc., according to information on BIAC's website.

Seeds Intimate Apparel India Pvt. Ltd., a manufacturer of bras that ran the factory, said some of its workers at its facility on Tuesday evening "complained of an unpleasant odor in the atmosphere." Gudivada Amarnath, the state's industry minister, wrote on Twitter on Wednesday after meeting sick workers at a nearby public hospital that the government would take strict action against those responsible for this week's safety lapse. The state government on Wednesday also said the factory would be closed until the cause of the incident is known.

—Krishna Pokharel

IRAN

Tehran Expands Nuclear Enrichment

Negotiators from Iran, the U.S. and the European Union resumed monthslong, indirect talks over Tehran's tattered nuclear deal Thursday, as international inspectors reported that the Islamic Republic is expanding its uranium enrichment.

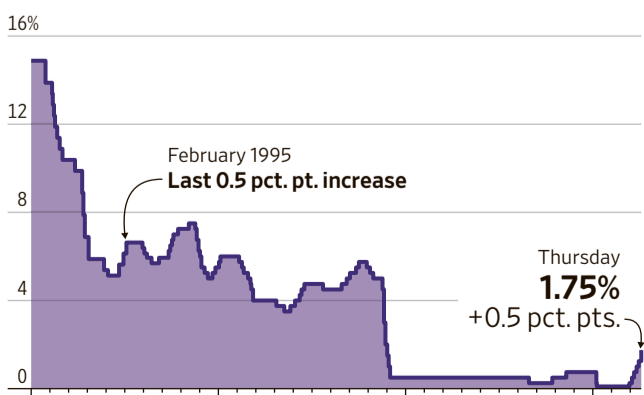
The resumption of the Vienna talks, suddenly called Wednesday, appeared not to include high-level representation from all the countries that were part of Iran's 2015 deal with world powers. The negotiations come as Western officials express growing skepticism over the prospects for a deal to restore the accord.

As of the last public International Atomic Energy Agency count, Iran has a stockpile of some 8,370 pounds of enriched uranium. More worrying for non-proliferation experts, Iran now enriches uranium up to 60% purity—a level it had never reached before. That is a short, technical step away from weapons-grade levels of 90%.

Those experts warn Iran has enough 60% enriched uranium to reprocess into fuel for at least one bomb. However, Iran still would need to design a bomb and a delivery system for it, likely a monthslong project.

—Associated Press

Bank of England's key interest rate



Source: Bank of England

FROM PAGE ONE



Left: A photo of Alissa King around the corner from where she was fatally shot in Boston. Right: Wade's Jewelry & Pawn in Tuscaloosa, Ala., where the gun that killed her was purchased.



Gun Trafficking Surges

Continued from Page One

sives. California, which also has stringent firearms rules, saw a jump to 45% from 30% over the same period.

As disparities between local gun laws widen, the surge in guns trafficked between states is being fueled by schemes involving straw buyers, according to law enforcement. The crime is simple, but difficult to thwart: People who can clear a background check and are willing to do a quick job for a little money buy the guns for traffickers. The traffickers pay them and drive the weapons across state lines. They then sell them to gang members, people barred from owning firearms and others who want to avoid background checks in places where it is harder to buy guns.

People purchasing guns must fill out a form affirming that they are buying the firearm for themselves. Straw purchasers caught lying typically get probation. Traffickers convicted of dealing guns without a license or selling to prohibited people usually receive prison time, but often not more than a couple of years.

Measures signed in June by President Biden after the Uvalde, Texas, school shooting include tougher penalties of 15 years in prison for straw purchasers and gun traffickers. Attorney General Merrick Garland said at a recent news conference that teams of federal agents formed last year to stymie gun trafficking were making progress.

Such efforts are unlikely to stop the deluge of guns moving from state to state, law-enforcement officials and prosecutors say, so long as demand exists and regulations vary significantly.

The flow of firearms has grown along with the recent rise in murders in the U.S. Gun homicides in 2020 rose to their highest levels in 26 years, according to the Centers for Disease Control and Prevention. The increase continued in 2021, based on preliminary data, according to CDC officials.

A sheriff's deputy in Sacramento, Calif., was killed last year with a Glock pistol trafficked from Arizona, the leading source for out-of-state guns in California, federal prosecutors say.

After one person was killed and seven wounded in a shooting at a party in Chicago last March, police found five handguns at the scene that had been trafficked into the city from the

Clarksville, Tenn., area. Prosecutors say they were among at least 90 firearms purchased and brought to Chicago by three Army soldiers stationed along the Kentucky-Tennessee border. The soldiers have pleaded not guilty.

A 21-year-old college student was killed in Washington, D.C., last year with a handgun purchased at a Virginia gun store 48 hours earlier by a woman who had bought it for an acquaintance. The woman told an ATF agent she had needed money because her car had broken down.

The gun used to kill Alissa King—serial number TMB41870—began its journey some 1,200 miles away from where she died.

Out of Alabama

Alongside the gold necklaces, electronics and lawn equipment that Wade's Jewelry & Pawn sells is an extensive array of guns, including AR-15s, shotguns and low-priced pistols.

From November 2019 through March 2020, a man named Demarcus Walker purchased 30 handguns from Wade's, according to court filings.

Mr. Walker, 25, grew up about an hour away in Uniontown. With mounting child-support payments, Mr. Walker needed extra money, according to court documents and his interviews with law enforcement. He told investigators he agreed to help out a group of men from his hometown.

The group, led by Freddie Ward, a 23-year-old former Uniontown high-school football standout, and another man who had moved to Massachusetts, devised a plan to take guns to Boston and sell them for a sizable markup, authorities said. But the person they were using to buy the guns in Tuscaloosa backed out.

That person introduced Mr. Walker to the group, according to a federal agent. They offered to pay him \$25 to \$50 for each gun he purchased for them. Attorneys for Mr. Walker and Mr. Ward declined to comment on the case.

Massachusetts has among the toughest gun laws in the country, requiring anyone buying a gun to have a license that can take weeks to obtain, along with an expansive background check system.

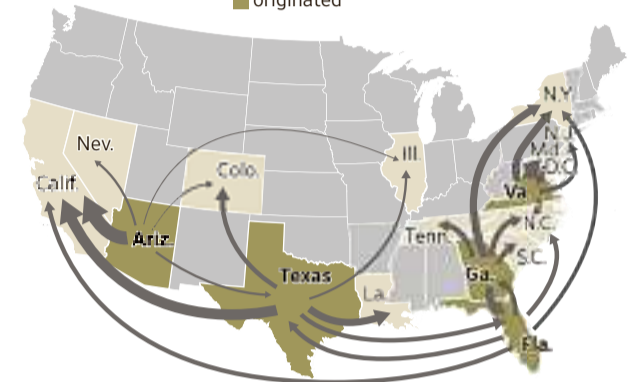
Alabama has some of the loosest. No licenses are required to buy guns and there are no waiting periods.

One of the men involved in the trafficking operation said that the group knew "it is easy to buy a gun in Alabama, as opposed to Massachusetts," according to court filings.

In 2020, 1,043 of the 1,324 guns traced in criminal investi-

States that contributed the most guns linked to crimes in other states, 2020

Number of guns recovered from state



State	Number of guns
Georgia	5,904 guns originated
Texas	4,993
Arizona	4,790
Virginia	4,690
Florida	4,270

Percentage of guns recovered by police in criminal investigations originating from out-of-state, 2020

State	Percentage
District of Columbia	96.3%
New Jersey	82.6
New York	81.4
Massachusetts	78.8
Connecticut	58.3

Source: Bureau of Alcohol, Tobacco, Firearms and Explosives

gations in Massachusetts came from other states, according to the ATF.

Nearly 90% of 76 guns traced to shootings in Boston in 2021 were bought outside of Massachusetts, according to the Suffolk County District Attorney's office.

"To say it's frustrating is an understatement," said Suffolk County District Attorney Kevin Hayden, who launched an effort this year with local law enforcement and the ATF's national gun tracing system to curb gun trafficking.

On the West Coast, more than 5,000 guns traced in criminal investigations in California came from Arizona and Nevada in 2020, double the number from 2015.

Mr. Walker, who had no criminal record, first bought two handguns at Wade's on Nov. 14, 2019 after receiving a shopping list over Facebook Messenger from Mr. Ward, according to investigators. Four days later, he filled another order, buying three guns at Wade's for \$571.97. One of them was the tan-and-black Taurus, brand new and still in the box, for \$199.

To get the guns to Boston, Mr. Ward sometimes used rental cars, law-enforcement officials suspect, or took a Greyhound bus, placing a suitcase stuffed with firearms in the luggage compartment.

Investigators aren't certain how the group sold their firearms once they reached Massachusetts.

Guns trafficked into cities like

Boston can be sold for twice the purchase price. In one recent case, a \$500 gun bought in Alabama was sold for \$1,300 in Chicago before it was used in a homicide there, according to federal authorities.

Sometime after Mr. Walker's Nov. 18 purchases, the guns from Alabama disappeared into the Boston streets, including the Taurus.

In March 2020, Kris Brantley, an ATF agent in Alabama, noticed two unusual gun purchases—nine handguns on March 7 and five more on March 9 at Wade's Jewelry & Pawn. The buyer was Demarcus Walker.

Under federal law, the ATF gets notified by dealers anytime someone buys two or more



ATF agent Kris Brantley at his desk in Birmingham, Ala.

handguns within five days. Most don't warrant follow-ups. But Mr. Walker's transactions didn't look like a typical purchase by a gun collector, which usually includes high-end firearms, Mr. Brantley said. Mr. Walker had only bought low-price pistols, including four Taurus .380s and two Taurus 9mms.

"These weren't really collectible guns, so to me that's odd," said Mr. Brantley, 36.

Mr. Brantley visited Wade's, where, he said, employees recounted how Mr. Walker told them he had just received his tax refund.

Wade Warbington, the shop's owner, didn't respond to requests for comment.

A few days later, Mr. Brantley got a call from an ATF agent in South Carolina. A state trooper had pulled over a 1999 Acura on the interstate for a lane violation and found 19 handguns in the trunk.

Fourteen of them traced back to Mr. Walker's purchases on March 7 and 9, the agent told Mr. Brantley.

He began probing what looked like a larger gun trafficking operation. In May, he received a message from an ATF gun tracing center.

The tan-and-black Taurus that Mr. Walker purchased in November had shown up at a homicide scene in Boston.

Five shots

Anthony Kelley bought the Taurus sometime between November and April, stashing the cardboard box it came in downstairs in the basement, according to a police report.

Barely 18, he lived with his grandmother in Boston's Dorchester neighborhood in a sea-green, three-story building. Mr. Kelley said a friend had been murdered and he bought the gun from someone out of state for protection, according to law-enforcement records. His lawyers declined to comment.

Under federal law, Mr. Kelley was barred from purchasing a handgun from a licensed dealer until he turned 21. Under Massachusetts law, he couldn't buy one through a private sale either until he turned 21. Massachusetts gun owners need a permit to carry firearms in public.

In Alabama, an 18-year-old can buy a handgun through a private sale and no permit is needed to carry a firearm in public.

Prosecutors say that on the afternoon of April 15, Mr. Kelley had the Taurus in his pants pocket while walking near his home. In a police interview, Mr. Kelley said he noticed Ms. King walking nearby.

Ms. King was a talented point guard who took care of her friends in the neighborhood like a mother, said Leroy Peoples Jr., a youth mentor who does gang

intervention work in Dorchester and knew her.

"Alissa was so nurturing to her friends. They all gravitated towards her," said Mr. Peoples, recalling how happy Ms. King was after he helped her get a job at a supermarket.

Mr. Kelley and Ms. King knew each other from the neighborhood. Mr. Kelley told police that she was friends with his enemies and that he was concerned she was following him. He turned toward her and fired multiple times, according to his interview with police.

A single bullet struck Ms. King in the neck. She died on the street.

After a brief chase, police arrested Mr. Kelley and found the gun, they said.

Mr. Kelley is being held without bail on charges of murder, illegal possession of a firearm and possession of fentanyl, which police found while searching his room. He has pleaded not guilty.

'My heart is broken'

Boston Mayor Marty Walsh and Police Commissioner William Gross rushed to the scene of the shooting. So did Mr. Peoples. He couldn't bring himself to look at Ms. King's body. Her mother, Alana Farrell, pleaded with him over the phone to tell her what had happened to her daughter.

In the weeks following Ms. King's killing, Mr. Brantley questioned Mr. Walker at his Tuscaloosa apartment. Mr. Walker was polite and friendly, the ATF agent said.

Most straw purchasers haven't gotten in trouble before, Mr. Brantley said. "Generally speaking, they're remorseful, they're sorry, they're like, 'That was a really dumb thing to do. I needed the money,'" he said.

Mr. Walker, Mr. Ward and several other men were indicted last year. Mr. Walker pleaded guilty to giving a false statement during the purchase of a firearm. He's awaiting sentencing. Another straw purchaser in the case received probation.

Mr. Ward received a 15-month prison sentence after pleading guilty to the same charge as Mr. Walker.

Feet away from where Alissa King was shot, wilted balloons hang from a lamppost wrapped in red tape. Someone scrawled "Alissa" in giant red letters on the street. Ms. King's mother said she visits the makeshift memorial every night. She posts constant tributes to her only child on Facebook.

"I know you can feel my tears this morning and don't want me to cry, yet my heart is broken because I still can't understand why he took your life," she wrote on the second anniversary of her daughter's death.

—Jon Kamp contributed to this article.

Private Jets Get Hired For Pets

Continued from Page One

As flying becomes more chaotic and expensive for humans, it is becoming positively beastly for their four-legged friends. A confluence of Covid-era factors, including canceled flights, staff shortages at airports and a pandemic pet boom, have made overseas pet transport more complicated and stress-inducing than ever.

Ms. Crosby first considered flying her dogs in cargo on a commercial flight, but the quotes she got were about \$4,000 per pup. The only

trans-Atlantic ocean cruise with kennel space was booked at least 18 months in advance. "Chartering seems the only way," she says.

Last year, Amy Heath and her husband planned a move from Texas to the U.K. Their predicament was their beloved boxer, Zoe.

Because pet arrival slots at the Animal Reception Centre at London's Heathrow Airport were fully booked for months, their pet-relocation company paused services to the U.K. So Ms. Heath organized a charter flight from Teterboro Airport in New Jersey to London Biggin Hill Airport for her family and some other frustrated pet owners. The cost worked out to \$7,700 a seat.

The best part was her dog didn't have to fly in the cargo hold. The charter crew provided toys, blankets and treats

for all the dogs, and Chinese food and Champagne for the humans. "If I had to do it all over again, I wouldn't consider any other way of flying our little girl," she says of her pup.

Two private Facebook groups, both formed during the pandemic and collectively boasting more than 16,000 members, allow pet owners to connect and divvy up the cost of chartered flights overseas.

One, Chartered Air Travel With Pets, advises pet parents to expect to spend between \$7,000 and \$10,000 for a "luxury human seat" and a spot for one large dog or up to two small or medium-size dogs on a flight for about a dozen people between New York and Lisbon. Longer flights cost more.

Katy Prochaska, 64, began the Facebook group in 2021 after retiring as a cardiac nurse and planning to move from

California to Portugal, with her four dogs and two cats.

Unwilling to allow her precious beasts to fly cargo, Ms. Prochaska found eight strangers online who were interested in splitting the cost of a private flight. They devised a system that allowed for payments down to a quarter of a seat.

After months of planning, Ms. Prochaska and her son flew with their six pets and other travelers on a 14-seat chartered flight from New York to Lisbon. Her share came to \$22,000.

The final manifest included 10 humans, 10 dogs and two cats.

When J.T. Pauley, a microbiologist, accepted a job last summer in Geelong, Australia, he and his wife, Susan, "told our kids we would not leave our dogs behind," Mr. Pauley recalls.

The logistics to transport Oliver, a 9-year-old husky golden retriever mix, and Norman, a 2-year-old dachshund beagle, into Australia looked daunting. They hired Starwood Animal Transport, a pet-moving company, part of a growing industry of high-end pet couriers.

It took nearly a year to pull off Oliver and Norman's relocation, which included a six-month waiting period to get into Australia. The Pauleys had to move ahead of the dogs, who stayed behind in Tennessee with their human grandparents until they could be put on a plane.

Australia requires pets to be quarantined for 10 days upon arrival. Oliver and Norman—longtime pals—had to be separated. The Pauleys were able to drop off roasted chickens for their dogs to eat, but the

reunion didn't come until the quarantine ended.

"They went crazy when we got them back," Mr. Pauley recalls. "The little one was kind of screaming and yelling with excitement."

Starwood, which helps relocate pets to and from the U.S., most of Europe, Australia, New Zealand and South Africa, projects its international relocations to increase by about one-third this year.

Ms. Prochaska, who launched the pet charter-flight Facebook group, says she hopes it will send a message to commercial airlines that they need to offer more pet-friendly travel options. She estimates that the two Facebook groups have brokered a couple of dozen flights.

"Airlines need to hear," she says, "that people will pay big money to fly their pets."

ARTS IN REVIEW



Brad Pitt and Aaron Taylor-Johnson, left; Bryan Tyree Henry, below left; Mr. Pitt and Sandra Bullock, below right

not one, but three renditions of “I’m Forever Blowing Bubbles,” done in snide punk, ominous doo-wop and loungey Engelbert Humperdinck. Mr. Leitch’s frantic distractions aren’t those of a magician building toward a grand moment of prestige. He’s simply a juggler trying to throw as many balls as possible in the air; his act is all momentum. Ironically, the former stunt coordinator is in such a rush to amuse that he kneecaps the fight choreography, which should be his greatest strength. Instead of designing centerpiece kinetic sequences, Mr. Leitch inserts seconds-long clips of brawls not seen in full, and when the passengers’ fists begin to fly, he leans on Three Stooges-style antics—face-slams, groin hits, seatbelt strangulations—that, while edited with wit by Elisabet Ronaldsdóttir, are underwhelming compared to the masterly long takes in “Atomic Blonde,” his solo debut.

Often, the film’s simplicity is a breezy relief. While the brutes’ various backstories are, as ever, chock-a-block with dead wives (three) and tykes-in-peril (two), these factory-issued traumas are treated like mechanical necessities. They’re all given flashbacks, of course—but so is a water bottle that’s rewarded with its own montage to explain how it, too, happened to roll on-screen at precisely the right moment. And while Mr. Pitt’s Ladybug grouches about his karma (“My bad luck is biblical!”), the character is too clownish to wallow inside a cloud of gloom. He reacts petulantly, like a teenager caught napping in detention. And when he starts boring the others with chatter about his spiritual growth, composer Dominic Lewis cues a sarcastically trilling bamboo flute.

Rumpled, hangdog and literally kicked around, Mr. Pitt wears indignities the way Marilyn Monroe sported a potato sack; he’s delighted to make a joke of his appeal. With him as his canvas, Mr. Leitch elevates visual whims into art. A quick image of Mr. Pitt pretzeled into contortions is as punchy as a Picasso; later, a slow-motion sequence where Mr. Pitt hovers in the air, mouth goofily agape, is presented with the reverence of the Sistine Chapel. Though the ensemble is smartly cast and terrifically capable, Mr. Pitt’s best scene partner proves to be a high-tech toilet. He’s enchanted by the device, admiring its geysers and beaming as its breeze ruffles his hair.

“Bullet Train” feels most rickety when it tries to justify its own rattle-brained existence. The film natters on about fate, hoping to convince us that there’s a deeper meaning to the mayhem. Better just to punch one’s ticket and enjoy the bumpy ride.

Ms. Nicholson is a film critic in Los Angeles and host of the podcast “Unspooled.”

FILM REVIEW

‘Bullet Train’: A Rowdy Ride

Killers violently clash when they meet on the Shinkansen from Tokyo to Kyoto

By Amy Nicholson

Brad Pitt doesn’t need to borrow another movie star’s entrance, yet here he struts, shoes-first, into the breakneck caper “Bullet Train,” grooving to a Japanese cover of “Staying Alive” as though he fancies himself the Tony Manero of Tokyo, another likable bum looking to better himself a smidge. This cheeky theft of “Saturday Night Fever” is the director David Leitch’s so-sue-me admission that he’s a cultural magpie. Working off Kōtarō Isaka’s 2010 thriller novel, Mr. Leitch poaches bits of other genre action flicks—katana slice-em-ups, gun-packing British comedies, sun-baked cartel melodramas—and welds them together for a careening contraption that attempts to vault over every gap in its tracks.

As for Mr. Pitt, he’s playing a goon named Ladybug who moves unburdened from the weight of thinking for himself. His handler, Maria (Sandra Bullock), issues his orders through an earpiece: pick up weapons from a station locker, board the Shinkansen to Kyoto,



steal a stranger’s briefcase, and exit at the first station. In response, he parrots koans from his therapist, Barry (a nod to the eldest Bee Gee), whom he hopes will make him a mellow man. “You put peace out into the world, you get peace back,” Ladybug says with a grin. This will not turn out to be true.

Also aboard the train are a half-dozen killers including the bickering assassins Lemon (Brian Tyree Henry) and Tangerine (Aaron Taylor-Johnson), a vengeful father (Andrew Koji), a knife-wielding widower still wearing his blood-

stained wedding suit (Benito A Martínez Ocasio, better known as the reggaeton musician and rapper Bad Bunny), a viperous schoolgirl (Joey King), and an actual viper, the Boomslang, whose bite makes victims weep blood until their merciful death. Each human murderer believes he or she is on an independent mission. But they’re doomed to intersect—and crash—with grisly casualties.

The basic skeleton is Mr. Isaka’s book, though Mr. Leitch and the screenwriter Zak Olkewicz freely tinker with the meat. They’ve

changed a chunk of the characters from Yakuza to Russian Bratva and rearranged the Japanese topography to suit their needs. If Mr. Leitch and cinematographer Jonathan Sela want dramatic fog in only one scene, they’ll add it. If they want the roughly 2 1/4-hour trek from Tokyo to Kyoto to last from sunset to sunrise, it does.

Meanwhile, Mr. Leitch brandishes any gag that might get a laugh, including an invented anime mascot named Momonaga, tedious dissections of the cartoon “Thomas the Tank Engine,” and

get back to the Land of Luck, where Sam decides to follow. There, matters grow enormously more confusing en route to a massive crisis in the universe of good and bad luck and a Sam-powered resolution of same. Humans aren’t allowed in the Land of Luck, and Sam becomes a liability to Bob, and a target of suspicion for the security chief known as The Captain (Whoopi Goldberg). Being from the outside world, she’s also an object of intense curiosity for the better-natured little people, one of whom, Gerry (Colin O’Donoghue), is awed. And has a question: “Have you ever tried . . . grilled cheese?” It’s the funniest line in the film, which may be saying something.

A number of familiar names bring their voices to “Luck,” including Jane Fonda as the Dragon who rules the realm of good fortune; and John Ratzenberger as Rootie, bartender to the “roots and goblins” who create bad luck. Also in the voice cast are Lil Rel Howery as Marv, the storeowner who gives Sam her first job, and Flula Borg as Jeff the Unicorn, whose real name is Heimdall and who sounds like a Teutonic Paul Lynde. He’s funny, too, but finding genuine mirth in “Luck” is really a chance encounter.

Luck
Friday, Apple TV+

TELEVISION REVIEW | JOHN ANDERSON

Animated By Misfortune

The better animated films with which producer/director John Lasseter has been involved have been based on fairly simple ideas: A boy’s story (“Toy Story”); outlawed superheroes save the world (“The Incredibles”); a rat becomes a chef (“Ratatouille”). The “elevator pitch” for each would take a floor and a half. To sell someone on “Luck,” the elevator would require a passport, a security screening and a change of flight.

The idea that luck—serendipity, prosperity, fortuity—would be con-

A-list voice actors tell the story of an orphan who is transported to the world of leprechauns.

nected to Ireland, a land whose history spells anything but, is just one of the tired ideas permeating an overlong animated feature that suggests the style of Pixar, which Mr. Lasseter departed several years ago. (In 2019, he took the helm at Skydance Animation, which made

this film with Mr. Lasseter as a producer.) The bigger problem is there are too many ideas, and fantastical solutions to manufactured problems, most of which feel as if they’re being made up as the movie goes along. This is largely the fault of screenwriters Kiel Murray, Glenn Berger and Jonathan Aibel, but they didn’t conjure up the movie by themselves. (The director is Peggy Holmes, who has made several entries in the “Disney Fairies” series.)

In “Luck,” a chronically unfortunate young woman named Sam Greenfield (voice of Eva Noblezada) travels through a shamrock-shaped portal to the Land of Luck, which looks like an overly ambitious Apple store and features magical pigs creating the crystals that become the lucky pennies that bestow good luck upon humanity—but not before they go through the “Randomizer” that scatters the good luck, at random, throughout the world. So life is a crapshoot? Or not? Never mind. What’s more off-putting than the convolutions of plot and the oppressive nature of the film’s security leprechauns is the plight of Sam,

and her rather depressing and casually clueless backstory.

When we meet her, she’s just turned 18. Which means she’s aged out of the Summerland Home for Girls—an orphanage—after a lifetime of disappointments, canceled visits with prospective new parents, and not being adopted. “I guess we weren’t lucky enough to find you that forever family,” says her forever social worker, and the situation—given the realities of foster care and adoption—is slightly ridiculous. Did she create mayhem at every home she visited? (She does have an uncanny gift for dropping the toast jelly side down.) Did the

prospects think that her chronic bad luck was contagious? We don’t know, so we’re left to blame a child’s lifetime alone on a crazy roll of the cosmic dice, which seems cruel even to an animated character.

It all begins to change when Sam feeds a stray cat, who turns out to be Bob (Simon Pegg), a Scots-accented emissary from the L of L whose lost lucky penny suddenly changes everything for Sam, including her toast. (There’s a joke in there about “sticking the landing,” but why digress?) She wants to give the penny to Hazel (Adelynn Spoon), the little girl she left back at Summerland, but Bob needs it to



The Dragon (voiced by Jane Fonda) and Sam Greenfield (voiced by Eva Noblezada)

ARTS IN REVIEW

THEATER REVIEW | CHARLES ISHERWOOD

'The Butcher Boy': A Troubled Life

In an adaptation of Patrick McCabe's 1992 novel, a young Irishman descends into disrepute, violence and crime

As Francie Brady, the incorrigible protagonist of the musical "The Butcher Boy," Nicholas Barasch radiates such energy—thanks to his smiling, mischievous eyes, his bouncing movement and his shock of red hair, which seems to turn into a halo of neon when the light hits it—that you almost expect him to leap off the stage and race around the theater like a hamster unloosed from its cage.

The musical, with book, music and lyrics by the precociously talented Asher Muldoon (also an actor and comedian, he will enter his senior year at Princeton University in the fall), is based on the acclaimed 1992 novel by Patrick McCabe. Set in the 1960s in a small town in Ireland, the book is written in the first person, and gushes along in a James Joyce-influenced rush of almost punctuation-free prose. Its propulsive and sometimes hallucinatory style poses challenges for Mr. Muldoon, as does the sometimes bleak subject matter.

But while Mr. Muldoon's version departs from the novel in some respects, concentrating in the first act on Francie's more lighthearted capers and his indomitable if gleefully malicious spirit, the musical captures the woolly nature of the story, and ultimately its descent into darkness. The plot concentrates on Francie's enmity for the comparatively posh Phillip Nugent (a convincingly snooty but nonetheless delightful Daniel Marconi) and his more snobbish mother (a pinched Michele Ragusa), who exudes a disdain for Francie and his family that she clearly relishes, until Francie's antics begin wreaking havoc on her life.

Francie's campaign of harassment begins harmlessly enough, with the theft of Phillip's comic



CAROL ROSEGG (2)

books. Later, reacting to Mrs. Nugent's scornful suggestion that Francie's family lives like pigs, Francie plants himself in her path and demands a "Pig Toll Tax" to let her pass. But as Francie's home life becomes more chaotic—his glumly alcoholic father (Scott Stangland) treats Francie and his melancholic wife (Andrea Lynn Green) with a casual brutality—Francie begins to lash out in more destructive ways.

Mr. Muldoon's nicely varied score draws only lightly on Irish musical styles and is at its best in the high-spirited songs, which include more than one from a chorus of pigs who represent Francie's frequent flights into fantasy, fed as he is on a diet of movie westerns and comic books. (Charlie Corcoran's terrific set features a looming TV screen.) Mr. Muldoon's lyrics in these porcine choruses are among the more clever: I presume "abattoir" and "boudin noir" have never been rhymed before in a stage musical.

There is also a lovely, lyrical duet for Francie's uncle Alo (Joe Cassidy) and his youthful love, Mary (Kerry Conte). The irksome Phillip has a charming music-hall-style turn in which Barry McNabb's choreography plays a nimble part. Mr. Muldoon has clearly been an astute student of musical theater, and while his score carries echoes of masters like Stephen Sondheim, it never dissolves into the derivative. That Mr. Muldoon has created a buoyantly engaging musical from seemingly intractable material would be impressive at any age,

The book, music and lyrics are by Asher Muldoon, who is only 23 years old.

but coming from someone who's just 23, it seems almost miraculous.

Mr. Muldoon has elided one dark aspect of the story, the priest who becomes sexually infatuated with Francie. (Thank goodness.) And the ugliness of Francie's home life, which ends in tragedy, is only lightly sketched in.

He has added a modestly romantic interlude, when Francie, after his latest transgression, flees town and makes his way to Dublin, where he finds himself welcomed by a family who takes him in after hearing his grim (fake) story. Francie had swiped the money from the cash register of the fish-and-chips shop where the daughter of the family, Mary (Ms. Conte, excellent playing three Marys, including the Virgin), works, but she still finds herself drawn to Francie, while maintaining a wary eye.

Mr. Muldoon does not shy away from depicting the act of violence that an increasingly confused and distraught Francie finally commits. Coming after what has been a gen-

erally spirited, occasionally sentimentally musical, this conclusion is slightly jarring. Reconciling the humor, pathos and darkness of Francie's story in the scope of a musical might be impossible, but credit Mr. Muldoon for giving it a fine college try—in this case perhaps a literal one.

The director, Ciarán O'Reilly, keeps a smooth hand on the tiller, guiding the cast through the show's roller coaster of tonal shifts. And the cast, many of whom play multiple roles, is first-rate, with Christian Strange providing a warm, anchoring presence as Francie's best pal (until he isn't), Joe Purcell.

Appropriately, the musical concentrates on the galvanizing character of Francie, and Mr. Barasch does not disappoint. Bursting with impish spirits and exuding natural warmth, but gradually becoming more unhinged as his world seems to close in on him, Mr. Barasch's Francie is painfully irresistible. Like Mr. Muldoon—and in sad contrast to the character he plays—Mr. Barasch is a young talent with a formidably bright future.

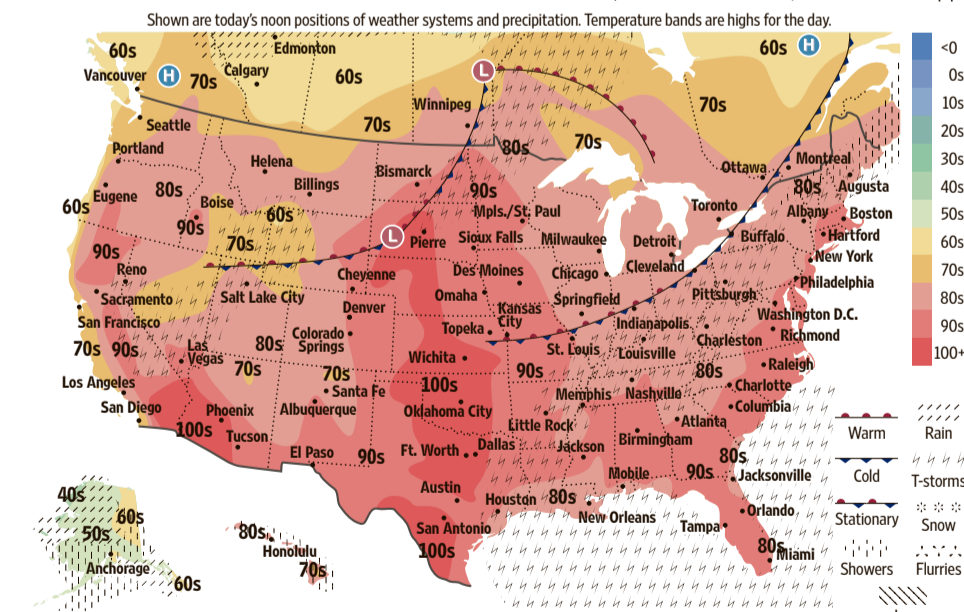
The Butcher Boy Irish Repertory Theatre, 132 W. 22nd St., New York, \$50-\$70, 212-727-2737, closes Sept. 11

Mr. Isherwood is the Journal's theater critic.



Nicholas Barasch and Kerry Conte, above; Mr. Barasch and Andrea Lynn Green, top

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U.S. Forecasts

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

Table with 3 columns: City, Today (Hi, Lo, W), Tomorrow (Hi, Lo, W). Lists major cities like Anchorage, Atlanta, Austin, Baltimore, Boise, Boston, Burlington, Charlotte, Chicago, Cleveland, Dallas, Denver, Detroit, Honolulu, Houston, Indianapolis, Kansas City, Las Vegas, Little Rock, Los Angeles, Miami, Milwaukee, Minneapolis, Nashville, New Orleans, New York City, Oklahoma City.

International

Table with 3 columns: City, Today (Hi, Lo, W), Tomorrow (Hi, Lo, W). Lists cities like Amsterdam, Athens, Baghdad, Bangkok, Beijing, Berlin, Brussels, Buenos Aires, Dubai, Dublin, Edinburgh.

Today Tomorrow

Table with 3 columns: City, Today (Hi, Lo, W), Tomorrow (Hi, Lo, W). Lists cities like Frankfurt, Geneva, Havana, Hong Kong, Istanbul, Jakarta, Jerusalem, Johannesburg, London, Madrid, Manila, Melbourne, Mexico City, Milan, Moscow, Mumbai, Paris, Rio de Janeiro, Riyadh, Rome, San Juan, Seoul, Shanghai, Singapore, Sydney, Taipei, Tokyo, Toronto, Vancouver, Warsaw, Zurich.

The WSJ Daily Crossword | Edited by Mike Shenk

A crossword puzzle grid with numbers 1 through 67. The grid is partially filled with black squares.

POWER PLAY | By Mike Shenk

The answer to this week's contest crossword is a four-letter word.

- Across: 1 Brand once sold in watermelon, blue cream and luau flavors; 5 RPM gauges; 10 Major vein; 14 Bus. sch. study; 15 Concert hall; 16 Openly confess; 17 Question from a recalcitrant child; 19 It requires taking turns. Down: 20 Hepburn's "The Lion in Winter" co-star; 21 They hold your horses; 23 Parthenon is spelled with two; 24 AOL mailings, once; 25 Fan's gauges; 27 Pat's offering; 28 Like some floors; 29 Elegantly simple; 30 30-ton computer; 31 Upper house of le Parlement français; 32 Towel label; 35 "Go, team!"; 37 Polyphonic composition; 39 Primary care physician, at times; 42 Outfielder with a record 7,095 putouts; 46 Backs with backs; 47 Take off; 48 Come into view; 51 Home of the Crimson Tide; 52 "Ex Machina" director Garland; 53 Classroom drudgery; 54 Blue hue; 55 One of a dodecahedron's dozen; 56 Warty creature; 57 House event; 60 Cologne conjunction; 61 Bill in a till.



Previous Puzzle's Solution

A crossword puzzle grid with the solution words filled in. The words include SMARTIS, ENTERED, ANYTIDEA, REDTIDE, RHONE, BIE, SIGELL, TORO, OCA, SAVE, ARA, SWELL, MAT, BALLOT, OFFICE, LITTEB, FULL, TRUCKS, ANS, SLITBY, HIP, BAUM, NOR, SALE, OWNUP, GPA, APPLE, REAREND, IGNITED, SOMALIA, DINNERS, FILLTHY, SINEERS.

SPORTS

Premier League Braces for Split Season

Clubs are preparing for a year with an abrupt November break for the World Cup

By JOSHUA ROBINSON

If the recent history of the English Premier League is anything to go by, Manchester City and Liverpool don't have a lot to worry about this year besides each other.

In three of the past four seasons, the gap between them and the nearest chaser was at least 15 points. That meant that it became mathematically impossible for anyone to so much as enter their atmosphere roughly a month before the final game was played.

But even in the era of their duopoly, the 2022-23 season, which begins on Friday, is unlike any in the history of English soccer. Not only has it seen major turnover at nearly all of the top clubs in the Premier League—including significant changes to the Liverpool and Man City rosters—this one also has a World Cup crammed into the middle of it.

"Really strange," said Liverpool manager Jürgen Klopp, who finished second to City last spring. "Normally, our preseason is the basis for the rest of the season. This time, we have the first part of the season, then it's interrupted."

Like the rest of the world game, the league will grind to a halt the weekend of Nov. 12 after the 16th round of games, at which point players will be released to join their national teams at the tournament in Qatar. After the World Cup final on Dec. 18, the league plans to resume matches on Boxing Day.

Since every other World Cup has been played in the summer offseason, it's safe to say that not a single Premier League manager has ever seen anything like it. And for teams loaded with national-team players, figuring out how to operate around a six-week interruption is an unprecedented challenge—at least when that interruption isn't caused by a global pandemic.

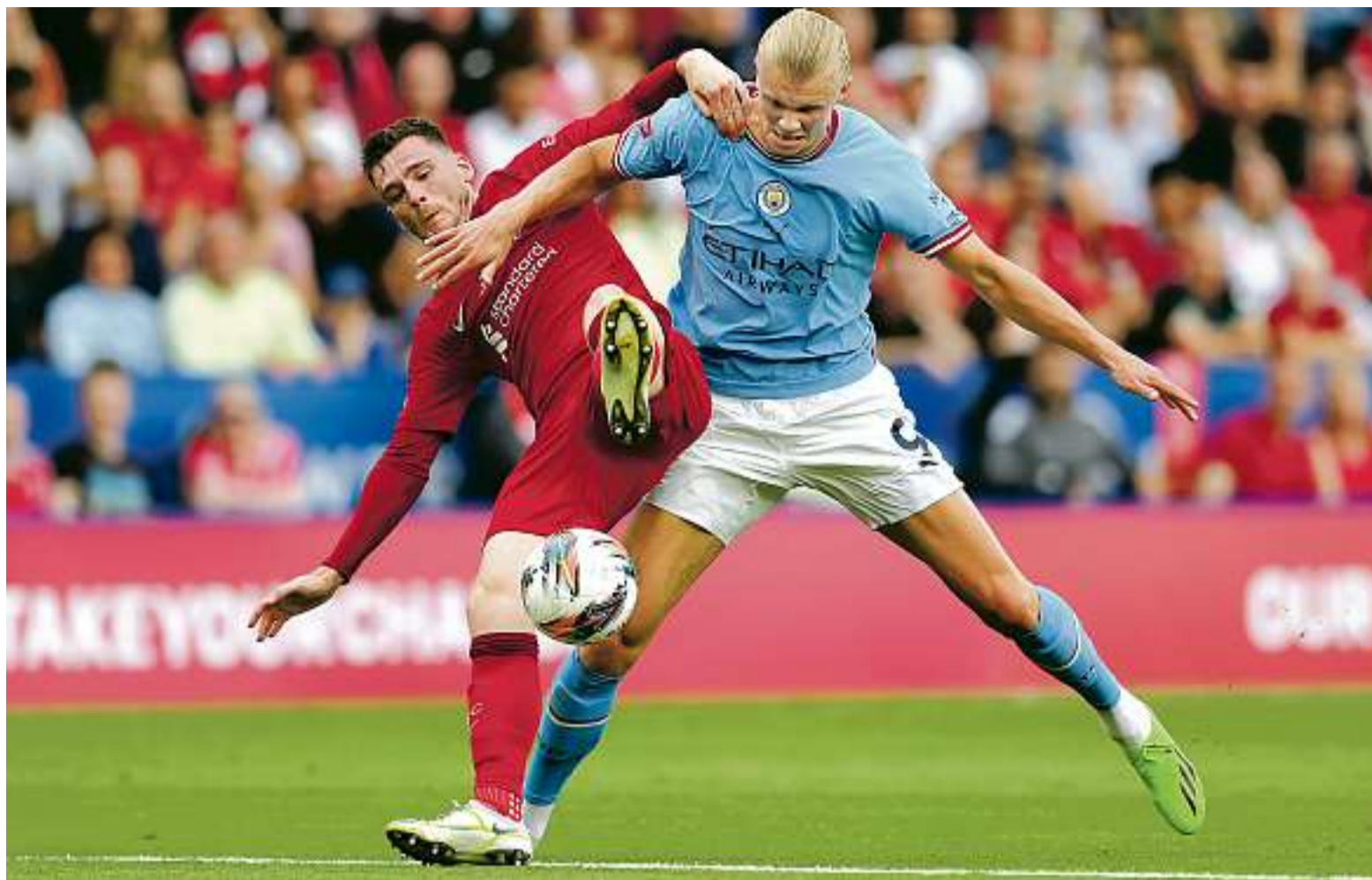
"The World Cup is such a high. It drains you physically and mentally, which is fine when it's not in the middle of a season," says Tim Howard, the former Manchester United goalkeeper and current NBC Sports analyst. "So how do these managers manage World Cup fatigue, which we know is a real thing?"

Klopp remains baffled by the prospect of having to restart at high intensity just eight days after the end of the tournament, even if plenty of his players will be home long before the final.

"Obviously the guys in the Premier League like the spectacle," he said. "We've said it now often enough, nobody really cares about the players in these moments, but it's how it is."

The added hurdle of preparing a squad to start, stop, and restart at the highest level made it only that much more important for the top teams shore up their depth. And despite a few quiet transfer windows during the first year of the pandemic, the Premier League's elite hasn't been shy about spending.

City and Liverpool have both undertaken dramatic overhauls of their attacks. In Manchester, the club finally added a full-time center-forward in Erling Haaland, the



Above, Liverpool's Andy Robertson, left, defends Erling Haaland of Manchester City. Right, Cristiano Ronaldo may want out at Manchester United.

6-foot-5 wunderkind from Norway who tore up the German Bundesliga with Borussia Dortmund. It also picked up Argentine forward Julian Alvarez to replace some of the production it lost in Raheem Sterling's move to Chelsea.

Liverpool, meanwhile, bid farewell to its Senegalese star Sadio Mané and added Uruguay's Darwin Núñez. The change means that of the three forwards who led Klopp's team to the title in 2020, only Mohamed Salah remains as a regular starter.

"Can anyone catch Manchester City and Liverpool? I don't know,"

After the World Cup final on Dec. 18, the league plans to resume matches on Boxing Day.

said Howard. "But I do know that the Big Six is back."

Howard was referring to the sextet of clubs that has shaped the past 20 years of the Premier League, including last year's top two, plus Arsenal, Chelsea, Manchester United, and Tottenham. Over the past two seasons, several of those teams have looked little more than average. But none of them has stood pat this offseason.

Chelsea is entering its first season since the forced sale of the

club by its longtime owner, the Russian oligarch Roman Abramovich. The team is now controlled by a consortium led by American Todd Boehly, one of the Los Angeles Dodgers' owners, which shelled out \$5.3 billion in May. Though he likely won't spend as freely as his predecessor, Boehly has been itching to make a signature acquisition beyond Sterling.

Chelsea's London rival Arsenal has had a little more success in landing its targets and has already spent more than \$130 million to improve a squad that fell apart down the home stretch of last season. Tottenham appears more stable after adding the Brazilian striker Richarlison to its already devastating pairing of Harry Kane and Son Heung-min. The club is betting on manager Antonio Conte, the Italian taskmaster, to find the right balance in his first full season in charge. As Spurs will remind you, Conte was the last manager not named Jürgen Klopp or [Man City manager] Pep Guardiola to win the title.

Nowhere is the uncertainty greater than at Manchester United. Now in what amounts to its fifth reboot since the departure of coaching legend Alex Ferguson in 2013, the club doesn't know if its top scorer will be around for more than a few games. Cristiano Ronaldo, who led United with 18 league goals, hasn't been shy about expressing his desire to leave to play for a club that quali-



fied for the Champions League. (Man United missed out by slumping to sixth last season.)

There's only one problem: no one in the Champions League seems to want Ronaldo. His agent, Jorge Mendes, has shopped him around Europe for weeks, only to come up dry. Ronaldo, now 37, may have no choice but to play out the season in Manchester as time ticks down on his career.

New manager Erik ten Hag, freshly arrived from Ajax Amsterdam, has said that Ronaldo is in his plans for this year, though the relationship is tense. Ten Hag substituted him at halftime of last Sunday's exhibition of Rayo Vallecano and Ronaldo responded by simply leaving the stadium, along with several other players who

were out of the game.

"We are a team and that means you stay until the end," he said. "This is unacceptable, for all those involved."

Whichever way the Ronaldo situation breaks, United believes that ten Hag gives the club its best shot in a long time to build a stable foundation. It's now his job to capitalize on the most uncertain season in years and rattle the top two—not that Manchester City across town is worried just yet.

"There is no reason not to be confident," Guardiola said. "No reason. What these guys have done, not just in the Premier League but the cups and Europe... I don't know what will happen this season but I'm sure I know these guys."

The Mets' Big Strategy to Win the World Series

By ANDREW BEATON
AND JOSHUA ROBINSON

THE GAG AROUND the Citi Field clubhouse these days is that the New York Mets' recent acquisition Daniel Vogelbach is secretly a slap hitter. That's because most of the time he's been on base for his new club, he reached on a walk or a single. One look at his jersey size tells you how preposterous that is.

The extra-large Vogelbach has the Ruthian physique of a slugger if ever there was one. And his heft has made him a cult hero as he has bounced around the big leagues. At 6 feet and 270 pounds, he'd fit right in during offensive line drills with the New York Jets.

In 2022, Vogelbach represents something far larger than his uniform: the Mets' strategy to win the World Series. Despite having one of the best records in baseball this season, the club watched the trade deadline come and go without making a big-time splash. Yet they still made a series of deals based on a clear vision. The Mets are all in on platoons.

Vogelbach and his fellow new Mets, Darin Ruf and Tyler Naquin, are not stars. They're each half of one. They're superb against either lefties or righties, but not both. And they combine with current players on the roster to give manager Buck Showalter, one of the game's most revered tacticians, the ability to mix-and-match his lineups. One of baseball's most detail-oriented tinkers can now put out elite bats no matter which



Daniel Vogelbach is a key piece for the Mets, who invested in platoon players to boost them down the stretch.

hand the opposing pitcher throws with.

"If you look at their track record and why they were acquired, it's pretty obvious what we expect," Showalter said of his specialized reinforcements.

Vogelbach, who entered the league as a Seattle Mariner in 2016 and hit 30 homers there in 2019, is an extreme example. He has a career .135 batting average against lefties, which isn't miles away from the numbers pitchers

posted at the plate back when they actually got at-bats. Unlike flailing pitchers, however, Vogelbach absolutely mashes right-handers. His on-base plus slugging against righties this season is the 11th best in baseball among players with at

least 200 plate appearances.

More recently, the team acquired Ruf from the San Francisco Giants, and the best way to understand Ruf is that he's the anti-Vogelbach. Ruf has performed as one of the best hitters in baseball throughout his career against southpaws, though he performs poorly versus righties.

Along with Naquin, an outfielder the Mets plucked from Cincinnati, these are the types of players who neatly fit on a club with a manager who's known for savvy maneuvering. The Mets' strongest lineup, which will always include the likes of Pete Alonso and Francisco Lindor, is now partly contingent on their opponent on the mound.

But none of these platoon players have endeared themselves to the fans at Citi Field residents quite as quickly as Vogelbach—and not just because he could easily pass for another hot-dog munching fan in the stands.

In his nine games with the Mets entering Thursday, he's batting .308 and reached base safely a whopping 47% of the time. He solidified his fan-favorite status with a grand slam this week, a swat that proved to be the difference in a victory over the Washington Nationals.

For Mets fans of a certain age, this is a welcome sight. In seasons like 1969 and 1986, the club relied heavily on platoons and players who shared positions. Those also happen to be the two years the Mets won the World Series.

OPINION

Whom Does AARP Serve?



POTOMAC WATCH
By Kimberley A. Strassel

It's been a decade since that infamous liberal ad showing then vice-presidential nominee Paul Ryan pushing a granny off a cliff. Don't expect a similar accusation today against the conflict-of-interest known as the AARP, no matter that the seniors' group deserves it.

The AARP, which claims to advocate policies that serve the interests of tens of millions of retirees, has gone all in for the giant tax-and-spend deal announced last week by Sen. Joe Manchin and Majority Leader Chuck Schumer. The group's particular focus is the provision that would allow the federal government to "negotiate" Medicare drug prices and cap annual increases to inflation—though it is more than happy to also swallow the legislation's tax hikes and climate spending.

The lobby has fanned out across Washington to pressure Congress for passage and called on its members to blitz their representatives and senators. It's been running expensive ads that defend Mr. Manchin and demagogue the drug industry, which just worked miracles in the pandemic. "Congress has a historic opportunity to deliver relief" from "inflation" and "Big Pharma," one spot says. By negotiating prices it will "put money back in the pockets of seniors."

Left unsaid is that it may also put money in the pocket of AARP. Ask yourself why a group that claims to represent older Americans is plumping for a provision that will take the greatest toll on seniors. The bill would empower the secretary of health and human services to single out 10 to 20 of Medicare's priciest drugs each year and to penalize any pharmaceutical company that doesn't accept the government's proposed price. That's not a "negotiation"; it's a gun to the head. The proper term is "price controls."

A University of Chicago study late last year analyzed a House price-control plan and found it would reduce research dollars by \$663 billion over the next 17 years, resulting in 135 fewer drugs. It estimates a loss of 331 million years of life—31 times the hit from Covid at the time of the study. A newer study from consultancy Vital Transformation finds that if this scheme had been in effect over the past decade, only six of 110 currently approved therapies would have made it to market.

Most devastated would be the people AARP claims to represent. Nearly 90% of adults 65 and older take at least one prescription medication. More than half report taking four or more. The AARP's price controls would mean horrific hits to research in cancer, Alzheimer's, Parkinson's, you name it. This isn't the Inflation Reduction Act. It's the Lowering Life Expectancy Act.

The AARP and Democrats are bragging that "negotiations" will result in \$288 billion in "savings"—another brazen bit of deceptive language. The money won't be "saved" but rather siphoned from drug research and used to cover other spending in the bill. That includes climate dollars, but also \$64 billion to extend ObamaCare insurance-premium subsidies.

That's a huge boost for insurers, including UnitedHealth Group, for which AARP is now essentially a marketing arm.

The group advances its own interests by backing the Schumer-Manchin bill.

The seniors group for years has been selling AARP-branded Medicare Advantage and Medigap plans, for which they get royalty payouts. According to public filings, AARP took in more than \$1 billion from royalty payments in 2020, and past disclosures suggest at least 65% of that comes from its United Health relationship. These royalty amounts now significantly dwarf what AARP receives from membership dues.

To the extent inflation price caps on drugs pad insurers' profits, that's a win for UnitedHealthcare. To the extent ObamaCare subsidies keep those insurance plans rolling, that's a win for UnitedHealthcare. To the extent

the drug companies are taking a hit, thereby sparing for some further time funding decreases to Medicare Advantage, that's a win for UnitedHealthcare. Anything that's a win for UnitedHealthcare is good for its partner, AARP.

AARP will insist it is working purely for its members' interests, but this conflict makes it impossible to know its true motives. That conflict is front and center every single time the lobby engages in a Washington healthcare fight. Yet the media uniformly closes its eyes to the problem, and treats the AARP's endorsement of legislation as a gold seal of approval.

Add in that it's increasingly unclear how motivated the group is by partisan politics. AARP was caught a decade ago operating as an extension of the Obama White House, toiling to help pass ObamaCare over the opposition of most members. Now it's laboring to land the country with another inflationary spending blowout, paid for by research dollars tapped from future medicines for those same senior citizens. Is this for the benefit of older Americans? Or for the benefit of Democrats?

AARP may be too attached to its royalty dollars to give up its financial conflict. But its refusal to do so strips it of any authority on the question of what is best for seniors. Keep that in mind next time one of those pricey AARP ads pops up on the television. Write to kim@wsj.com.

BOOKSHELF | By Marc Weingarten

The Price of Water In New York City

Nineteen Reservoirs

By Lucy Sante

(The Experiment, 195 pages, \$24.95)

As an author, essayist and historian of the urban demimonde, Lucy Sante is a cultural rover of the old school. Across the Belgium native's four-decade career, nothing, it seems, has escaped her purview: the French Surrealists and 1960s garage rock, street photography and early New Orleans jazz, Victor Hugo and David Wojnarowicz. Ms. Sante has written some of the most elegantly incisive cultural essays to be found in glossy magazines and literary quarterlies alike. She is an endlessly curious writer with a sharp wit and an elegant prose style.

So it only follows that her latest effort, "Nineteen Reservoirs: On Their Creation and the Promise of Water for New York City"—which tells the tangled history of the waterworks that continue to provide New York with its potable supply—would be an ideal fit for a writer who has an abiding interest in the built environment and how it



influences our daily lives. Alas, "Nineteen Reservoirs" feels half-cocked. Which is a shame, as the subject matter is rich and fascinating. It's also timely, given that huge swaths of the country are presently grasping for water that isn't there, and reservoirs in the West and elsewhere have approached dead-pool level.

New York's water supply is spread across a vascular network of aqueducts, tunnels and reservoirs throughout the state, marvels of civil engineering that

took considerable time, money and coercion to construct. Like those panjandrums of other metropolises on the make at the turn of the 20th century, the power brokers of New York quickly surmised that their city's explosive population growth would eventually outpace its water supply. And so they looked to the sparsely populated farm towns upstate, where vast rivers and lakes beckoned, and began a decadeslong process of land reclamation, as well as the damming, storage and distribution of water from as far away as 100 miles north of Times Square.

The contours of Ms. Sante's narrative are similar to the origin stories of other major cities that muscled their way into rural outposts, only to pay too little for the vast land holdings they needed to build their waterworks. (Roman Polanski's 1974 film, "Chinatown," transformed Los Angeles's water wars into national myth.) In Westchester, Ulster and Esopus counties, loggers and cattle farmers had to take their business elsewhere for the sake of a city that might as well have been on the moon. Towns and hamlets were flooded to create massive drainage basins; houses were razed, graveyards excavated. A three-man board was tasked with cutting checks to landowners. Suffice it to say, they didn't overpay for anything.

In Ms. Sante's earlier books, she sniffed out hidden culverts that funneled their way into mainstream American and European culture. In "Low Life" (1991), writing as Luc Sante, the author burrowed into New York's first migrant wave of the 1800s and discovered the stirrings of a new kind of city—dense, foreboding, frenetic. In "The Other Paris" (2015), a sort of companion piece to "Low Life," readers were pulled into the pulsating street life and shabby bohemian swirl of the French capital during the fin-de-siècle. In "Nineteen Reservoirs," Ms. Sante sets the stage for a similar exploration of the wrenching transformations that helped form a great city, but the result is less a gripping narrative than a historical survey that lacks the rich characterization and poetic flair of Ms. Sante's best work.

Towns and hamlets were flooded, houses razed, graveyards excavated. All to quench the thirst of a burgeoning metropolis. Was it worth it?

Each chapter of "Nineteen Reservoirs" is devoted to a different component of New York's water system, and the expropriation and displacement that cleared the way for construction. The usual suspects are all here: rapacious politicians and a corrupt Board of Water Supply that strong-armed humble laborers and short-changed landowners for the sake of New York City's economic growth. "The moral justification for the seizure of water," Ms. Sante writes, "was invariably that the needs of the many overrode the rights of the few." Having justified their strategy, the big, bad city leaders came to be an "occupying power," according to Ms. Sante, employing a kind of urban colonialist mindset to usurp rural land and establish its dominion over all riparian rights.

But was it colonialism or merely pragmatism? Could it be that this new source of water was essential for the long-term health of a major city, however distasteful the tactics in obtaining it? The author doesn't allow for that possibility.

In "Nineteen Reservoirs," Ms. Sante will occasionally drop in an aside that feels more like conjecture. Granted, there was "relentless lowballing" and "dismissals of many claims for damages and loss of business" as the water board went about its business. But we are left to wonder whether these claims were legitimate or frivolous. Ms. Sante confirms that there were "no accounts of illnesses or deaths, emotional crises or suicides" following the land seizures, but then speculates that "such sufferings must surely have been common." Perhaps so, but the author provides scant documentary evidence.

As a physical object, the book is a stunner, loaded with maps, archival stills of the construction process, vintage postcards and ads warning New Yorkers to check their plumbing and "stop that leak!" Accompanying Ms. Sante's epilogue are Tim Davis's photographs of the reservoir towns today, as picturesque as ever. Despite the visual evidence and some fascinating historical data, "Nineteen Reservoirs" feels like a larger story trapped inside a small one.

Mr. Weingarten is the author of "Thirsty: William Mulholland, California Water, and the Real Chinatown."

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Open Mecca, Crown Prince Mohammed

HOUSES OF WORSHIP
By Daniel Pipes

I imagine that, on conquering Jerusalem in 1967, Israel's government blocked non-Jews from visiting the Temple Mount. Then imagine that a Saudi Muslim sneaked onto the mount, claiming to be a Jewish American, and broadcast his visit on Saudi television. He would surely find global support for defying Israel's "apartheid" regime.

That's roughly what happened in reverse on July 18 when Gil Tamary—a Jewish Israeli television journalist who holds a U.S. passport—broadcast himself on Israeli television cruising around Mecca, the most sacred city of Islam, which is forbidden to non-Muslims. The 10-minute program featured Mr. Tamary driving by the Great Mosque, passing through Mina, a site on the annual pilgrimage, and climbing Mount Arafat.

Mr. Tamary's employer, Channel 13, celebrated the visit as "an important journalistic accomplishment." The response elsewhere has been fiercely critical, and not only among Muslims. The Saudi authorities led the pack, referring Mr. Tamary to the public prosecutor for criminal offense. Pro-Israel Saudi blogger Mohammed Saud castigated

Mr. Tamary for having "hurt the religion of Islam." Israel's regional cooperation minister deemed it "a stupid thing to do"; an unnamed senior U.S. official described it as "really reckless and disrespectful"; and Times of London columnist Melanie Phillips, author of "Londonistan: How Britain Is Creating a Terror State Within" (2006), wrote that she found it "hard to overstate the stupidity, arrogance and irresponsibility" of Mr. Tamary's visit.

Mr. Tamary pleaded for forgiveness. "If anyone takes offense to this video, I deeply apologize," he tweeted in English. "The purpose of this entire endeavor was to showcase the importance of Mecca and the beauty of the religion, and in doing so foster more religious tolerance and inclusion."

Though the condemnation—and the apology—were predictable, both are misguided. Yes, Mr. Tamary's visit could inspire jihadist violence against Jews and the Jewish state. Yes, it could disrupt the cautious, semisecret and important dance that's paving the way to an Israeli-Saudi entente. Yes, it could hamper the modernization efforts initiated by Crown Prince Mohammed bin Salman. Each of these things *could* happen—but any damage caused by his adventure is likely to be minimal.

Consider instead its extraordinarily positive potential. Mr. Tamary joined the small group of non-Muslims who, since Islam's founding 1,400 years ago, have defied the exclusion of infidels from its holy precincts. In 1951 the Lebanese-American historian Philip Hitti wrote that "no more than fifteen Christian-born Europeans have thus far succeeded in seeing the two holy cities"—Mecca and Medina—"and escaping with their lives."

An Israeli journalist's forbidden visit on July 18 challenges an archaic status quo.

In the 70-plus years since Hitti wrote, we know of only three cases of non-Muslims surreptitiously entering Mecca. In 2007 Nirosh Kamanda, a Christian truck driver from Sri Lanka, slipped into the city to sell goods near the Great Mosque. In 2015 the pseudonymous Hajji Mustafa, a British Christian Arabist, published an account of his undercover journey on the annual pilgrimage, which he found to be "a remarkable spiritual and social journey." Mr. Tamary now joins their ranks, after he boldly challenged an archaic

status quo that the world unthinkingly accepts. Bravo to him for breaking a taboo.

Mr. Tamary isn't the only one deserving respect; his Saudi driver is, too. He is presumably the person the Saudi police tracked down, arrested and accused of being "complicit in transferring and facilitating the entry" of a non-Muslim, declaring that "any violation of this kind is considered a crime that will not be tolerated and penalties will be applied."

The policy of exclusion isn't merely unjust; it's also not mandated by Islam. The Koran, at 9:28, bans only polytheists from the Great Mosque—it doesn't prohibit every non-Muslim from visiting Mecca. As part of his sweeping reforms, Crown Prince Mohammed should open the city of Mecca, its surrounding and Medina to all comers. The mosques may remain exclusive to Muslims, but everything else should be accessible. International and nongovernmental organizations should pressure him to terminate his country's discriminatory laws.

Mr. Tamary took a chance, initiated a discussion and potentially made a historic difference. He deserves respect, not condemnation.

Mr. Pipes is president of the Middle East Forum.

Goodbye to Vin Scully, the Voice of Summer

By Peter Funt

Baseball keeps looking for ways to speed up, but during a remarkable career spanning 67 summers, Vin Scully did his best to slow the game down.

"It's a mere moment in a man's life between the All-Star Game and an old-timers' game," he once observed, crystallizing why baseball remains the great American metaphor and perhaps why Scully, who died Tuesday at 94, will long be remembered as its best broadcaster.

He vividly described baseball's historic moments for 67 years.

The first time I met Vin, in 2002, I was taken by the crispness of his white shirt, navy blazer and perfectly knotted tie—despite the heat of a midsummer afternoon. He was as fastidious about his appearance as he was in describing the game. About the Pittsburgh Pirates' brilliant outfielder: "[Roberto]

Clemente could field the ball in New York and throw out a guy in Pennsylvania."

At age 8 Scully wrote a school composition about how he wanted to be a sports announcer. In 1950, at 22, he stepped into the booth at Ebbets Field in Brooklyn alongside the renowned broadcaster Red Barber. When the Dodgers moved to Los Angeles in 1958, he followed and served as the voice of summer until his retirement following the 2016 season. He always peppered play-by-play with encyclopedic perspective and turns of phrase. About error-prone Bobby Bonilla, who toiled with seven different teams: "Sometimes it seems like he's playing underwater."

Although he did both television and radio for the Dodgers, usually without the support of a color commentator, Scully's style was best suited to radio. His verbal dexterity allowed him to weave a story or anecdote throughout an entire inning without missing a

pitch. Fans caught in Los Angeles traffic jams relied on his detailed descriptions until they arrived at the game. In the years the Dodgers played at the Coliseum, between 1958 and 1961, it seemed like everyone carried a transistor radio. As the story has it, Scully would occasionally have to ask fans in the ballpark to turn down the volume because the sound of so many radios was causing feedback on the Dodgers' broadcast.

Vin Scully rose to fame at a time when the baseball stars he covered seemed larger than life. He said Jackie Robinson was the most exciting player he'd ever seen. He called Hank



MARK J. TERRILL/ASSOCIATED PRESS

Aaron's historic 715th home run. He provided a vivid description of Sandy Koufax's perfect game in 1965. To the dismay of Dodger fans, he pronounced Willie Mays—whom he covered as both a New York and San Francisco Giant—the best player he'd ever seen. So it was fitting that for Scully's final game on Oct. 2, 2016, Mr. Mays joined him in the booth.

Signing off, he told his audience, "You and I have been friends for a long time. But I know in my heart that I've always needed you more than you've ever needed me." So ended a career that most of us wished would go on forever. He said his mentor, Red Barber, had advised him simply to be himself, explaining, "You bring something into the booth that no one else in the world can bring."

Baseball was better because Vin Scully brought us along with him.

Mr. Funt is author of "Self-Amused: A Tell-Some Memoir."

OPINION

REVIEW & OUTLOOK

Kyrsten Sinema Reads the Book Tax

Sen. Kyrsten Sinema is reportedly seeking changes in the tax provisions of the Schumer-Manchin climate and tax bill, and we hope the Arizona Democrat succeeds. She can save employers in Arizona, and manufacturers around the country, from a poorly constructed tax that would harm business investment.

The Schumer-Manchin deal would impose a 15% minimum tax on book income of corporations with more than \$1 billion in profit and take \$313 billion out of the private economy over 10 years. Democrats cite differences between income that corporations report on their financial statements with those they file in tax statements to claim they are somehow dodging taxes.

How about taking a class in financial accounting? Corporations are required to report income to investors according to generally accepted accounting principles, which are set by the private standards-setting Financial Accounting Standards Board (FASB). But Congress writes the tax code.

Most differences between financial and taxable income were created by Congress to encourage certain business spending. These include tax credits for research and development, green energy and low-income housing. Most of these credits are exempt from the Schumer-Manchin minimum tax.

But the tax would cover accelerated depreciation, which lets companies immediately expense investment in equipment. This contrasts with financial accounting, which requires companies to depreciate assets roughly tracking their decline in productivity. That can be decades. By reducing the immediate cost of investment, accelerated depreciation encourages more. The corporate book tax would do the opposite, which is why it would especially hurt U.S. manufacturers competing against foreigners.

Even Democrats tacitly recognize the value of accelerated expensing. The House Build Back Better plan would have extended until 2026 a tax provision that expired this year that allowed

businesses to expense R&D immediately. R&D expensing is almost certain to be extended later this year, though its incentives could be reduced by the corporate minimum tax. Also note that the \$213 billion budget cost of making it permanent over 10 years would swamp the \$101.5 billion in deficit reduction that the Congressional Budget Office projects from the Schumer-Manchin deal.

Congress's Joint Committee on Taxation says accelerated depreciation accounts for \$45 billion of the \$313 billion in estimated revenue raised from the Schumer-Manchin minimum tax. It's not clear what accounts for the rest, but corporate and book income also differ in how state-and-local taxes, municipal bond interest, fines and penalties, bad debt and stock option compensation are deducted.

Who can predict exactly how taxing book income will change how businesses operate and invest? Democrats who cobbled the tax together don't seem to have considered this. Nor how outsourcing what constitutes taxable income to FASB could politicize financial reporting. Will corporations lobby FASB to allow them to take more deductions?

Democrats say the book minimum tax would cover only 150 or so companies, but the \$1 billion income threshold isn't inflation-adjusted. It will sweep in more over time, as the alternative minimum tax once did. While running for President, Mr. Biden proposed a \$100 million income threshold.

* * *

The tax deserves a thorough Congressional audit, meaning hearings and more study. Majority Leader Chuck Schumer is rushing to pass his tax-and-spending deal before Americans discover its consequences.

He and Mr. Manchin left Sen. Sinema out of their negotiation and now they are trying to jam her into supporting it under the pressure of August recess and an election-year summer. The Arizonan can do a public service for her state and the country by killing it.

The Senator is the last hope to stop a law that punishes investment and manufacturing.

The winning side still wants judges to rule as philosopher kings.

Kansas, Abortion and the Supreme Court

Abortion-rights supporters won a big victory on Tuesday in Kansas, but their conclusion seems to be that somehow this is a rebuke to Justice Samuel Alito and the Supreme Court. Far from it, the vote defeating a constitutional amendment to overturn a state Supreme Court ruling on abortion is a rousing vindication of Justice Alito's majority opinion overturning *Roe v. Wade*.

"The Kansas vote was a powerful reply to the Supreme Court," proclaims Washington Post columnist David Von Drehle. John Harris of Politico writes, "So what does Alito think now, in the wake of Kansas voters resoundingly rejecting a proposal to remove protections for abortion rights from their state constitution?"

We don't know what Justice Alito's personal views are on abortion, but we know for certain what his legal reaction to the Kansas vote is: That's the way it goes in a democracy. And that's exactly what the Justice said in his opinion in *Dobbs v.*

Jackson Women's Health Organization.

"We do not pretend to know how our political system or society will respond to today's decision," he wrote for the Court's majority. "And even if we could foresee what will happen, we would have no authority to let that knowledge influence our decision. We can only do our job, which is to interpret the law."

The Justices in *Dobbs* avoided any policy statement on abortion. They knew that once they returned the issue to the states, politics would hold sway, as it did in Kansas.

The Von Drehle-Harris critique, by contrast, betrays that they and the many critics of the Justices are the ones who view the Supreme Court as a political body that should rule according to policy preferences. They're angry with the Court because it didn't preserve their abortion preferences in the law. That's all the more reason to be grateful for the Court's willingness to send abortion back to the people to decide.

DeSantis Ousts a Progressive Prosecutor

San Francisco has already fired its soft-on-crime prosecutor, Chesa Boudin, and a similar effort is moving against Los Angeles's George Gascon. On the other side of the country, Florida voters don't have a similar history of recourse to recalls. But they do have Gov. Ron DeSantis. On Thursday he used his constitutional powers to suspend Tampa Bay prosecutor Andrew Warren.

What's making the headlines is Mr. Warren's stance on abortion and transgender issues. Mr. DeSantis's order cites a June letter Mr. Warren signed, along with Mr. Boudin and Mr. Gascon, in which they and other prosecutors promised to "decline to use our offices' resources to criminalize reproductive health decisions." The letter continues: "Our legislatures may decide to criminalize personal healthcare decisions, but we remain obligated to prosecute only those case that serve the interests of justice."

So they get to nullify the laws duly passed by a state legislature? "To take a position that you have veto power over the laws of this state is untenable," Mr. DeSantis said Thursday. He's right about that. For a prosecutor to announce ahead of time that he intends to decline whole categories of cases, simply because he disagrees with the legislators who wrote the criminal code, is an abuse of discretion.

To that point, Mr. DeSantis's order also says Mr. Warren has a policy of "presumptive non-enforcement for certain criminal violations, including trespassing at a business location, disorderly conduct, disorderly intoxication, and prostitution," as well as certain cases of "resisting arrest without violence—for example, fleeing from a law enforcement officer." One reason cited for Mr. Warren's removal is neglect of duty.

Mr. DeSantis had backup on Thursday from Hillsborough County Sheriff Chad Chronister, who said Mr. Warren "seems intently focused on empathy for criminals and less interested in pursuing justice for crime victims." Also there

was former Tampa Police Chief Brian Dugan. "This is a terrible day," he said, "that the Governor had to come and clean up our mess."

Mr. Warren assailed his removal as "an illegal overreach" that "spits in the face of the voters of Hillsborough County who have twice elected me to serve *them*, not Ron DeSantis." But it's hardly unprecedented.

Mr. DeSantis fired a sheriff after the Parkland shooting, and he canned a bungling election supervisor. Former Gov. Rick Scott reassigned cases after a local prosecutor forswore the death penalty. In New York, GOP gubernatorial candidate Lee Zeldin is running on a pledge to boot Manhattan's district attorney, who is also refusing to prosecute certain offenses.

Democrats are complaining that Mr. DeSantis is acting like a dictator, but there are political checks on the Governor's power. Under Florida law, the state Senate may reinstate Mr. Warren or ratify his removal. If legislators in Tallahassee don't agree with Mr. DeSantis that their law-making authority has been usurped, they can put him back on the job. Also, Mr. DeSantis is on the ballot in November, so if voters think he's a bully, they can fire him.

That's not to say there are no political calculations going on here. Mr. DeSantis is taking a tough anti-crime position that is more popular as violent crimes increase. He's defending the state's current abortion laws without signing up for new ones that might alienate moderates. He's proving he can rumble politically at least as well as Florida's other famous Republican, the guy at Mar-a-Lago.

"Removing a duly elected official should be based on egregious actions—not political statements," said Tampa Mayor Jane Castor, in criticizing Mr. DeSantis. Maybe egregious is in the eye of the beholder. But if Mr. DeSantis is correct about how Mr. Warren has been running his office, then what's the argument that his conduct doesn't fit the bill?

LETTERS TO THE EDITOR

Are Politics Damaging Military Recruiting?

In "What if They Gave a War and Everybody Was Woke?" (op-ed, July 30), Jimmy Byrn argues that woke military policies are turning away people who are traditionally more likely to join the armed forces. I am one of those people.

My family has served the country in the military for generations. I would hate to let this tradition end, but the military has neglected serving the country by serving its intellectual fantasies instead. The focus of the military should be on setting people apart, making a community of warriors more effective at defending the country than others are at attacking it. Instead, the military wants to appear compassionate and inclusive. The blast of a missile is inclusive; it kills everyone in range. The military should be exclusive, producing the best planners, leaders and fighters.

I haven't given up hope. I am still enrolled in ROTC and will decide a few short years from now whether to join the military or remain a civilian. I hope the military situation improves before then.

PETER GLEN
Dayton, Ohio

Mr. Byrn's essay is full of red herrings. First, the supposed gender "training" was an informational piece

that was in no way mandated training. Second, much hay has been made about the chief of naval operations' reading list and Ibram X. Kendi's place therein. After 10 years in the Navy, I cannot overstate how little impact the CNO's reading list has on the average sailor. I have never sat in the ready room on the carrier and turned to a fellow officer and said, "What do you think about Adm. Gilday's literary selections on leadership this year?"

The Defense Department suggests that the lack of in-person engagement throughout the pandemic has had a deleterious effect on recruiting; that seems more plausible. Besides, the military's reliance on family and rural recruiting isn't something to be celebrated. It is a systemic failure reinforced by a recruiting machine that prioritizes easy quotas over diverse recruiting.

LT. GRANT PARKS, USNR
St. Louis

Mr. Byrn's op-ed about the consequences of wokeness reflects what many both in and out of the military believe. I guess the "I have two mommies" cartoon ad didn't have the recruiting impact the Army leadership thought it would have.

LT. COL. ED BUTKERA, USA (RET.)
Granger, Ind.

What the LSAT Measures and What It Misses

I took the LSAT while in undergraduate school ("The LSAT and Other Standardized Tests Are Good for Diversity" by Paul Sracic, op-ed, July 25). The results were horrible and I was discouraged. But I am not a quitter—quitting was what I learned not to do in the U.S. Marines. That was part of the life experience I had when I applied to law school. Apparently, it counted for little.

I wasted a lot of money and many hours taking test-preparation courses, but to no avail. The hardest part of law school for me was getting accepted. In the end, I enrolled at the Massachusetts School of Law in 1996. It wasn't on the American Bar Association's list of approved schools, and it didn't require this silly exam as an entrance requirement.

After law school, I passed the bar exam and became a public defender. I won my first five jury trials. The cli-

ents I represented couldn't care less about the law school I had attended or the mark I got on the LSAT. The test doesn't measure character, creativity, tenacity, mettle or any other personal characteristic a student would need to become a successful lawyer.

STEPHEN F. BURKE
Chicopee, Mass.

Prof. Sracic is correct to point out that standardized tests are more accurate and more fair in evaluating law-school candidates than reliance on grade-point averages from supposedly "good schools." The student body of "good schools" is composed not only of high academic achievers, but also of legacy admissions. Parents at these schools may also exert pressure on teachers and administrators to inflate GPAs.

JOHN AMBROSE
Wayne, N.J.

Thinking About How to Do Good in the World

Regarding Andy Kessler's "Effective Altruism' Is Neither" (Inside View, July 25): Effective altruism begins with a simple question: "How does one do the most good?"

At its heart, effective altruism is about nothing more than applying rigorous, businesslike analysis to voluntary charitable giving. Currently, many people will give to the first cause that comes to mind. Or if they

are asked, they donate to a charity suggested by a family member or friend. They give without carefully considering how that charity will use their hard-earned dollars.

Our organization helps people make more informed decisions. We focus on people living in extreme poverty in the developing world and support lifesaving interventions like insecticide-treated bed nets, clean-water programs and the economic empowerment of women. Other effective altruists focus on problems that they believe entail an existential risk to human existence.

Effective altruism is by no means counter to capitalism. Many effective altruists would strongly agree with Mr. Kessler's view that investing in and creating business is the most effective way to encourage development and raise standards of living.

CHARLIE BRESLER
Co-founder, *The Life You Can Save*
Sequim, Wash.

Mr. Bresler was president of the *Men's Warehouse*.

Wrong on Climate, Inflation

Regarding Jason Furman's "The Schumer-Manchin Bill Will Ease Inflation and Climate Change" (op-ed, July 29): Any suggestion that an action the U.S. will take alone will have a meaningful impact on global climate is absurd on its face. And the idea that some more government spending and taxes will ease inflation beggars belief. The scariest part is that the author is a professor of economics at Harvard.

DAVID ANTON
New York

Lysenkoism 2.0: Fashionable Science, Purges to Follow

In "Change Is Coming to the Practice of Medicine" (Letters, Aug. 2), your letter writers show that history repeats itself. Biological research in the U.S.S.R. was crippled for decades because it rejected the science of genetic inheritance as bourgeois and counterrevolutionary. The fact that traits are passed from parent to child was an inconvenient truth to those apparatchiks trying to craft the New Soviet Man.

Instead, "Lysenkoism" was promoted in its place. Trofim Lysenko's rejection of "fascist genetics" was junk pseudoscience, but it was eminently ideologically correct. Thousands of Russian scientists were purged—some imprisoned or even executed—for refusing to endorse Lysenko's nonsense.

The new fashion for wokeness among the scientific establishment is the exhumation of Lysenko's ghost. It proves that nobody is more dogmatic, irrational and antiempirical than scientists who fancy themselves heroes.

ROBERT FRAZER
Saltford, U.K.

Will Dems Tip Their Hand?

Sen. Dan Sullivan's push for an expedited floor vote on the Biden administration's change to permitting rules ("A Permitting Test for Democrats," Review & Outlook, Aug. 2) is a good way to show Sen. Joe Manchin where his colleagues stand. Should permitting reform appear unlikely, Mr. Manchin would then have a face-saving exit ramp from his ill-considered deal with Sen. Chuck Schumer.

MARK SAROYAN
Palos Verdes, Calif.

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

Pepper ... And Salt

THE WALL STREET JOURNAL



"All our friends bought Apple at eighty. Jeff's big move was to store our LPs in the attic."

OPINION

Vaccine Mandate Puts National Security at Risk

By James O. Eifert

I've never been more worried about the future of the U.S. armed forces than I am right now. I say that as a concerned citizen who has served for more than 40 years, the last three of which have been as the adjutant general of the Florida National Guard. One of the military's most foundational duties is to recruit and retain men and women willing to defend their country. Unfortunately, current federal policy is rendering that goal unattainable.

The Pentagon's rigid Covid policy may lead to the discharge of 1,000 guardsmen I command.

Take the Defense Department's rule that all service members receive a Covid vaccine. The Army secretary's deadline for all reserve component soldiers to be vaccinated expired on June 30, leaving almost 40,000 National Guard members and 20,000 Army Reservists nationwide at risk of involuntary termination.

While the Pentagon suggests that military readiness is at risk with anything less than "maximum vaccination," it's vital that we consider the real consequences of enforcing its mandate. My Florida National Guard formations face the potential

loss of about 1,000 unvaccinated guardsmen out of 12,000 total airmen and soldiers. That leaves us short-handed as our state enters hurricane season, while more than 1,000 soldiers and airmen are also deployed on federal missions around the world.

Since March 2020, even before the vaccine, none of my military units have suffered any reductions in readiness as a direct result of the virus. The only loss in military readiness we've experienced has been the result of quarantine requirements, wholesale base lockdowns, travel restrictions and training cancellations.

Sound policy must be more beneficial than detrimental; the military's Covid mandate decidedly isn't. The benefits of vaccination are limited. Existing vaccines don't prevent transmission of the dominant variants. And the virus has become less capable of rendering severe clinical outcomes, while effective treatments are now available for those who do get sick.

Even at its worst, Covid posed far less of a threat to young, healthy military cohorts than it did to other populations. There have been only 95 U.S. service-member deaths attributed to Covid from a total military population of 2.154 million. That's a mortality rate of 0.004%—and a case-survival rate of 99.98%, based on the 421,807 infections the Pentagon has reported as of July 1. By contrast, the military's suicide rate during 2020 was about seven times as great (0.027%). Any loss of life is



A soldier gets a Covid vaccine at Fort Knox, Ky.

JON CHERRY/GETTY IMAGES

regrettable—but shouldn't our military be able to accomplish its missions while accepting a health risk this small?

I was a passionate proponent of vaccine mandates in the military when the Centers for Disease Control and Prevention first reported high efficacy rates and low chances of adverse side effects. I wanted my guardsmen safe, and I wanted them to return quickly to a normal training environment. But the circumstances have changed. The vaccines' efficacy appears to be shorter-lived than once thought, and adverse side effects have been more widely reported. As our knowledge of risk changes, shouldn't our policy change with it?

I've privately talked with many of my vaccine-averse airmen and soldiers to understand their perspective better. All of them displayed an impressive level of knowledge of the subject and substantiated their concerns. The lack of long-term studies, the proven risks of myocarditis and coagulation disorders, and the discounting of natural immunity conferred through prior infection have caused many of them to lose trust in the system.

As if this weren't bad enough, on the horizon looms the review of religious-accommodation requests from thousands more service members. Senior leaders have a legal obligation to accommodate these requests when they pose no appreciable ad-

verse effect on military readiness, health or safety of the force. Clearly, the vaccinated are no less likely to transmit or contract the virus—so there should be no appreciable effect on the force if the exemptions were approved. Leadership is also legally required to employ the "least restrictive means" to achieve its interests. In reviewing hundreds of cases, I've found that this means approving the exemptions and allowing the service members to return to the fold. While our exemption requests are still making their way through the chain of command, the Army and Air Force to this point have denied almost 99% of all religious accommodation requests. Once this process runs its course, will there be thousands more eliminated from our ranks, further impairing military readiness?

These steps are being taken as nearly every service struggles to meet its recruitment goals for 2022. Only 23% of recruitment-age Americans meet eligibility requirements, and fewer still are even interested. Why should we further damage military readiness by discharging honorably serving military members and shunning unvaccinated new recruits?

Our world is only becoming more dangerous. I'm hopeful that an open-minded self-assessment leads to a solution that addresses this most serious threat to force readiness—before it's too late.

Maj. Gen. Eifert is commanding general of the Florida National Guard.

This Is No Time to Go Wobbly on Nicolás Maduro

By Elliott Abrams

Venezuela's beleaguered democratic opposition has survived two decades of brutal repression from the regime of Hugo Chávez and his successor, Nicolás Maduro. Through much courage and suffering, and with steady support from the U.S. and neighboring Colombia, Venezuelans have continued their fight for freedom.

That fight is now at risk. In Colombia, the former revolutionary guerrilla Gustavo Petro has been elected president, and he has already begun making sweeter noises about Venezuela. He will drop Colombia's recognition of interim President Juan Guaidó, leader of the democratic forces, and recognize Mr. Maduro as Venezuela's legitimate president. Bloomberg reports that an exchange of ambassadors will follow soon after Mr. Petro's ceremony. After the Aug. 7 inauguration, will anyone be surprised if a meeting with Mr. Maduro happens soon thereafter?

There is little the U.S. can do about the change in Colombia's stance toward Venezuela, but our own policies appear to be heading in the same direction. Twice this year, the Biden administration has sent both its top National Security Council Latin America official and the U.S. ambassador to Venezuela, who is res-

ident in Colombia, into Venezuela to meet Mr. Maduro. On March 8, they managed to free two American prisoners unjustly imprisoned, but Mr. Maduro has jailed three more Americans this year.

Meanwhile, the heavy U.S. sanctions on Venezuela are starting to be eased—slowly, but the direction is clear. "The possibility of Venezuelan crude returning to the United States, once its largest single market, also had been discussed by U.S. officials at a high-level meeting in Caracas in March," according to Reuters. European oil companies, effectively blocked from extracting oil in Venezuela by Trump administration sanctions, are now allowed to do so. The CEO of Spain's Repsol said recently that "we are entering into a new dynamic relating to Venezuela."

This judgment about Biden policy seems on target. In June the U.S. removed Erik Malpica Flores, formerly Venezuela's national treasurer under the Maduro regime (and a nephew of Mr. Maduro's wife, Cilia Flores), from the "specially designated national" sanctions list. No explanation was given.

The administration's apparent goal is to move away from the tougher policy against Mr. Maduro's criminal regime that the Trump administration—and the Obama administration—followed.

One objective is to get oil prices down by increasing Venezuelan production, but that assumes Venezuela's oil industry can recover quickly, which it can't. After two decades of disinvestment and mismanagement, there is no way for Venezuela to increase production from its current 700,000 barrels a day back to the three million barrels it produced before Chávez came to power in 2002.

U.S. officials push talks, but Venezuela's democrats know they'll never produce a serious agreement.

"Venezuela can't contribute much, its oil industry is destroyed," the Venezuelan economist José Toro Hardy told Forbes, suggesting it would take seven or eight years and \$250 billion of new investment.

Supporters of Mr. Biden say it's not about oil but about democracy. Mexico has offered to host new talks between Mr. Maduro and the democratic parties, and the U.S. moves are meant to encourage those talks in hope that they will lead to a serious agreement.

In reality, the Biden policy is seriously undercutting Venezuela's dem-

ocratic opposition, and it is counterproductive for U.S. interests. Venezuela's democrats know what the Biden administration won't acknowledge—that the talks are a sham. Mr. Maduro agreed to an earlier round of them, then refused to send his team to negotiate, then demanded that Norway—the neutral sponsor and often host of Venezuela's negotiations over the last decade—be excluded.

Mr. Maduro is using the on-again-off-again Mexico talks as a ruse to trick the international community into believing he will negotiate seriously. No one outside the White House appears to be fooled.

Venezuela's democrats know those talks will never produce an agreement, and they have their eyes on Venezuela's 2024 presidential elections. The path they have chosen is to organize now to unite behind a single opposition candidate.

What they need from the U.S. is that we do nothing to legitimize the regime—or to give it additional resources. The Biden administration's policy contradicts these goals. It will weaken the democrats while strengthening the regime. Every visit from American officials helps Mr. Maduro. Every concession to his family makes it seem that the U.S. is abandoning the struggle for democracy in Venezuela. Every time the

sanctions are weakened, the regime is strengthened politically and economically.

Venezuela gets little attention from the top ranks of the administration. Secretary of State Antony Blinken, national security adviser Jake Sullivan and the president himself appear to have left this policy to lower-ranking officials, whose policy choices are undermining the opposition in Venezuela that the U.S. claims to support.

The opposition's path forward is clear but difficult. It will be far more difficult if the Latin American and European countries that claim to support democracy decide that the U.S. is slowly abandoning the fight. It will be harder still if Mr. Maduro and his henchmen get the sense that the U.S. is tiring of this issue and softening its policy.

In the remaining months of 2022, the U.S. should firmly restate its support for the Venezuelan opposition's plans for 2024 and make it clear that there will be no easing up on Mr. Maduro's criminal operation. As Margaret Thatcher said to another American president, this is no time to go wobbly.

Mr. Abrams is a senior fellow at the Council on Foreign Relations. He served as U.S. special representative for Venezuela, 2019-21.

Republicans Fret Over Inflation Reduction Act's Tiny Tax Increase

By Alan S. Blinder

Senate Majority Leader Chuck Schumer pulled a rabbit out of his hat when he announced a budget agreement with Sen. Joe Manchin (D., W.Va.). But faster than you can say "supply-side economics," Republicans gave their rote objection to any tax increase: It will destroy the economy. A tweet from Minority Leader Mitch McConnell warned that Democrats "want to pile on giant tax hikes that will hammer workers and kill many thousands of American jobs."

Sound familiar? It should. Newt Gingrich predicted in 1993 that President Clinton's tax increases would "kill the current recovery and put us back in a recession." Instead, we got the Clinton boom.

I'm not claiming that raising taxes quickens economic growth. On the contrary, almost any tax increase takes a bite out of aggregate demand and perhaps out of aggregate supply. The trick is to make the tax bite a nibble, not a sloppy

mouthful. The Manchin-Schumer compromise—titled the Inflation Reduction Act—does that beautifully.

Mr. McConnell calls the plan's revenue raisers "giant tax hikes." Has he looked at the numbers? The proposals would raise about \$50 billion a year for nine years, only about 0.2% of today's gross domestic product.

More than a quarter of the new revenue comes from increased Internal Revenue Service enforcement of the existing tax code. Some experts, including five former Treasury secretaries, believe the yield could be higher. Additional revenue from enforcement isn't a tax hike; it's collecting more of what Congress has already legislated.

The IRS has been underfunded for years, and it's getting worse. Tight IRS budgets create backdoor tax cuts, mainly for the rich, by reducing audit rates. The Treasury Department estimates that audit rates on taxpayers making more than \$1 million a year fell by more than 60% between 2010 and 2018.

There is a distinction between illegal tax "evasion," which is the target of IRS enforcement, and legal tax "avoidance," which exploits loopholes. The majority of those "giant tax hikes" comes from imposing a 15% minimum tax on corporations reporting more than \$1 billion in profits to their shareholders. It is a crude but effective way to limit the use of loopholes in the corporate tax.

To be sure, it would be better to close loopholes, but recent Congresses have been more willing to open new tax loopholes than to close old ones.

The editorial board of this newspaper argues that the 15% minimum "is especially harmful to U.S. manufacturing firms." That is because some manufacturers are among the biggest users of corporate loopholes. Fifty-five large, profitable corporations paid zero or negative taxes on their 2020 profits. These included manufacturers such as Nike and Hewlett Packard—but also nonmanufacturers such as FedEx and Duke Energy. On the other hand, major manufacturers like Lockheed Martin,

Cisco and Caterpillar paid more than 15% in taxes. Multinationals that shift their profits overseas would bear a substantial share of the minimum-tax burden. Some of these are manufacturers, others aren't.

Damage done through higher corporate rates would be offset by job-creating provisions.

Two final points on the job-killing accusation: First, higher taxes on capital distort corporate decision-making, but in the direction of using more labor, not less.

Second, the corporate tax rate is a low-multiplier policy, one with relatively small effects on GDP and jobs. One reason is that raising the corporate rate increases taxes on the returns from past and future investments alike. But higher taxes don't prevent past investments; those have already been made.

Recent history offers a poignant

example of a low-multiplier policy in action. In December 2017, President Trump and the Republicans slashed the top corporate tax rate from 35% to 21% and allowed more items to be expensed. A "giant tax cut," you might call it.

What happened next? Business fixed investment as a share of GDP rose from 14% in the two years before the tax cuts to 14.7% in the two years after the tax cuts (2018-19). That is something, but it isn't much. The GDP growth rate inched up only to 2.44% from 2.36%.

The proposed tax changes go in the opposite direction, but are tiny compared with the Trump tax cuts. You'll probably need a magnifying glass to see any damage to investment or jobs, and any such damage will surely be dwarfed by the bill's job-creating provisions on climate change and prescription drugs.

So, no, this isn't a "giant tax hike" and it won't kill jobs.

Mr. Blinder, a professor of economics and public affairs at Princeton, served as vice chairman of the Federal Reserve, 1994-96.

THE WALL STREET JOURNAL.

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Notable & Quotable: Cotton on NATO

Sen. Tom Cotton (R., Ark.) during the Aug. 3 floor debate on the treaty authorizing Finland's and Sweden's accession into the North Atlantic Treaty Organization. The Senate ratified the treaty later the same day 95-1, with Sen. Josh Hawley (R., Mo.) casting the only vote in opposition:

So aside from their military strength and economic power, Finland and Sweden also allow us to turn the Baltic into a NATO lake, bottle up Russia's Baltic Fleet, cut

off its isolated military base at Kaliningrad, and expose Russia itself to much greater risk in the event of a conflict.

All things considered, then, one might contend that Finland and Sweden are the strongest candidates to join NATO since its origin in 1949. We will soon see that most senators agree, when we vote later today.

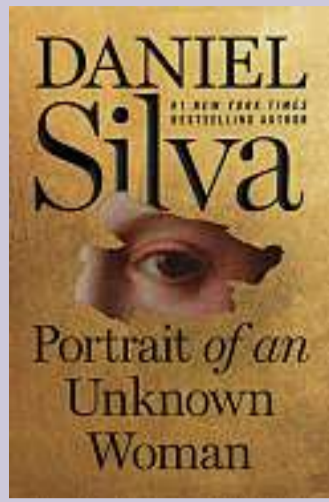
And, really, how can one disagree? After all, the last countries to join NATO, Montenegro and North Macedonia, were each ap-

proved by the Senate with only two "no" votes. Those countries brought their own case for accession to NATO. But let's be honest. Who can deny the much stronger cases for Finland and Sweden, countries that are far larger and far more capable and far more strategically situated?

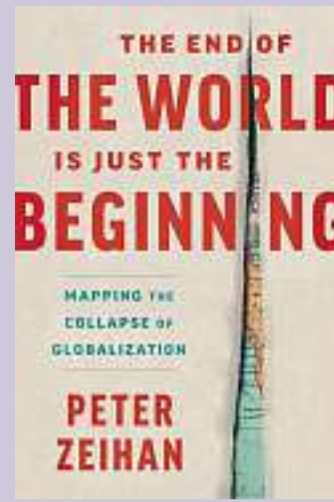
It would be strange indeed for any senator who voted to allow Montenegro or North Macedonia into NATO to turn around and deny membership to Finland and Sweden. I would love to hear the defense of such a curious vote.

SMART SUMMER READS

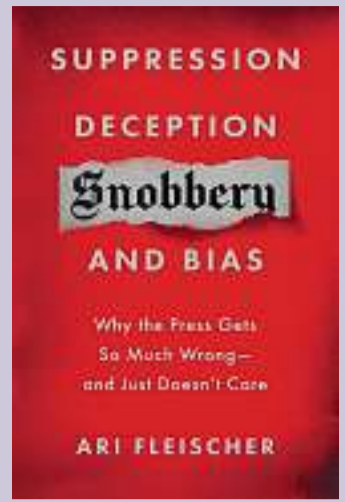
HarperCollins Publishers



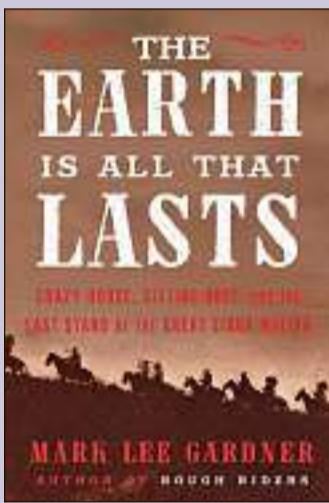
"Silva can really write."
—James Patterson
From the #1 *New York Times* bestselling author comes a high-stakes search for the greatest art forger who ever lived.



Geopolitical strategist Peter Zeihan continues to make provocative and surprising arguments about just how the breakdown of globalization will shake up world trade.



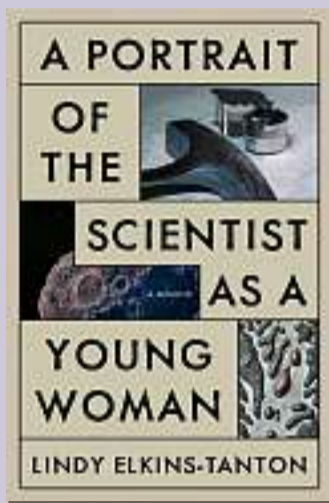
Russian collusion. The lab-leak theory. The Hunter Biden laptop. Mostly peaceful protests. What if America's misinformation problem is coming from inside the mainstream media?



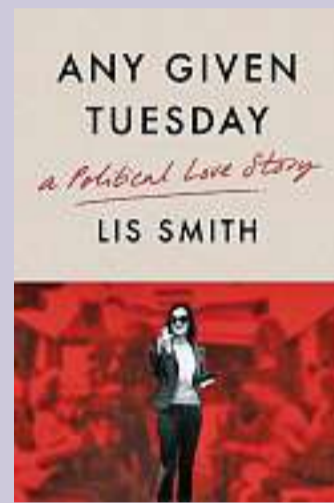
"Fast-paced and highly absorbing."
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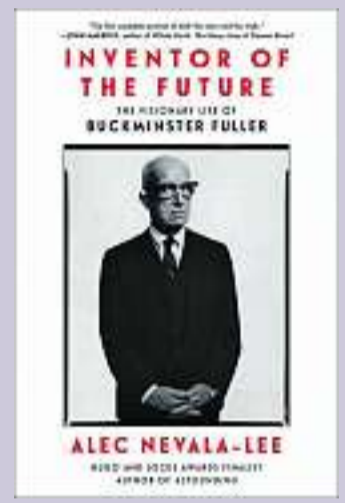
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"The ultimate takedown."
—*New York Times Book Review*



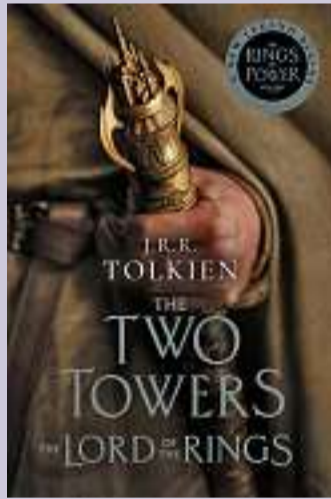
"... fierce, absorbing, and ultimately inspiring."
—Elizabeth Kolbert, Pulitzer Prize-winning author of *The Sixth Extinction*



An irreverent look behind the scenes of American politics from one of the most sought-after operatives in the Democratic Party.



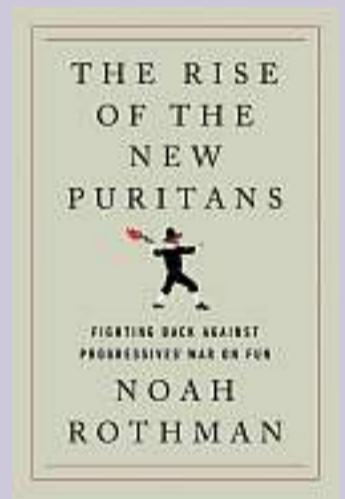
A revelatory biography of visionary designer Buckminster Fuller, who defined the rules of startup culture and shaped America's idea of the future.



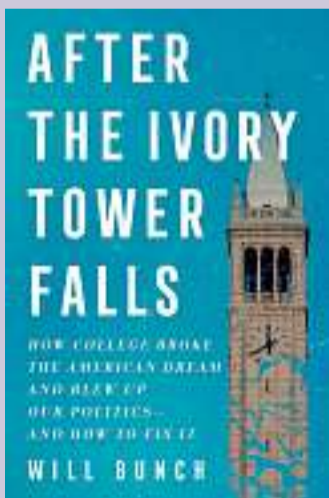
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A Prayer for Our Country expresses thankfulness for America, while acknowledging the hurt and needs of many citizens, and offering hope for the future.

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THE WALL STREET JOURNAL.

Friday, August 5, 2022 | B1

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Speculators Ditch Commodities

Hedge funds' exodus amplifies other factors reducing prices for corn, soybeans, wheat

By RYAN DEZEMBER

An exodus of hedge funds and other speculators from commodities markets has intensified the decline in prices for wheat, corn, soybeans and other staples, which some analysts say are now cheaper than supply and demand warrant.

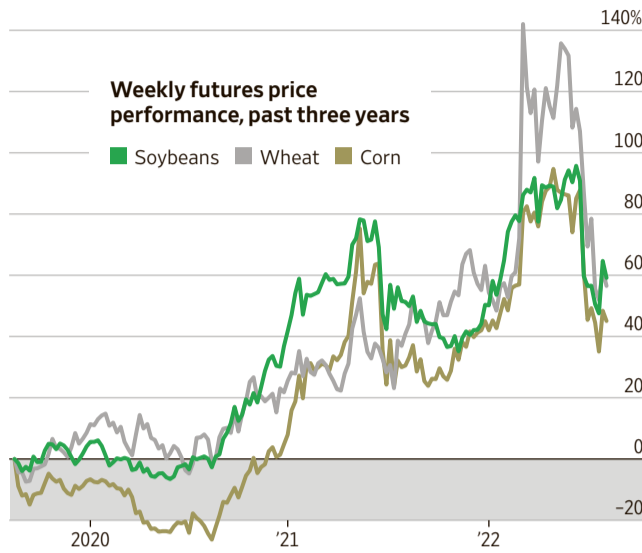
It is a sharp reversal from earlier this year when money managers, worried about inflation and war-related supply problems, helped run up commodity prices by piling into futures markets with bets that prices would rise. Wheat and soybeans notched price records earlier this year and corn climbed close to its all-time high, but since then speculators have exited from agricultural markets, taking

profits, closing out inflation trades and battering down for recession.

Crop prices have tumbled to about where they were a year ago, which was historically high due to poor harvests but before markets were inflamed by Russia's invasion of Ukraine.

Speculative support has come out of the broader market for raw materials from crude oil to copper, contributing to price declines that have raised hopes among investors that inflation has peaked. But in agricultural commodities, which factor into prices for fuel, food and clothing, the rush of traders in and out has had a pronounced impact.

"Hedge funds are always the price driver in ag markets," said Dave Whitcomb, who runs Peak Trading Research. "We see the highest correlation with what they are doing and what price is doing. When hedge funds sell, prices go down."



Note: Continuous contract

Sources: FactSet

The reason is that futures trades among those involved in the production, trade and consumption of actual crops, such as farmers and food makers, tend to balance out. Speculators aim to profit on

price moves rather than manage risk. When a lot of them start making the same bets, they can tip the market out of balance and amplify price moves.

Rising agricultural prices

became a popular bet on Wall Street in autumn of 2020. Demand from economies emerging from lockdown was climbing. Food importers were eager to restock. Crops were poor. Hedge funds and other speculators piled in.

By the beginning of 2021, they had amassed their biggest yet collective bet on prices rising in 13 agricultural commodity markets, measured in the number of contracts, according to Commodity Futures Trading Commission data compiled by Peak Trading. The trade's popularity was fading when Russia invaded Ukraine in late February and gave grains fresh momentum. As prices rose, the size of speculators' wager grew to nearly \$57 billion in March, the biggest in more than 11 years, according to Peak.

Smaller investors joined the frenzy, pumping so much money into an exchange-traded fund that holds wheat futures

Please turn to page B10

Musk Accuses Twitter Of Fraud On Spam

By CARA LOMBARDO

Elon Musk accused Twitter Inc. of fraud, saying the company misrepresented the condition of its business and key metrics about the users on its platform before he agreed to acquire the company for \$44 billion in April.

Mr. Musk said in a countersuit made public Thursday that he decided to terminate the merger agreement after learning troubling facts, including a restatement of Twitter's monetizable daily average users days after the pact was signed and that Twitter was allegedly miscounting the number of false and spam accounts.

"Twitter's own disclosures to the Musk parties show that although Twitter touts having 238 million 'monetizable daily active users,' those users who actually see ads (and thus, would reasonably be considered 'monetizable') is about 65 million lower than what Twitter represents," Mr. Musk said in a court filing. The counterclaims were filed confidentially last week and unsealed Thursday in a late filing in Delaware

Please turn to page B4

TikTok Curtails Perks for Employees

By SALVADOR RODRIGUEZ

TikTok is getting rid of pandemic-era perks including daily meal stipends for many employees, according to people familiar with the situation, as the company pushes staff to work more from its offices.

TikTok announced its return to office policy July 11, requiring that employees come in at least two times a week but encouraging them to do so three times a week.

The company gave employees a little more than a month's notice that they would be expected back in the office, said the people familiar with the situation. The Chinese-owned social-media company hired thousands of employees after exploding in popularity following Covid-19 lockdowns in early 2020, with most of them working remotely.

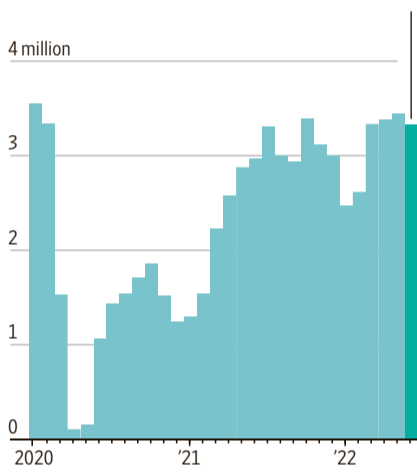
Many of those people weren't working in places that corresponded with the locations of the offices where they were expected to be based. Those employees were advised that it is now time to begin moving to the location of their offices, a TikTok spokeswoman said.

Some employees said that as part of the return to work effort, they were told they would no longer be receiving reimbursement for Wi-Fi and gym bills. The spokeswoman said there hasn't been a company-wide change to those types of expenses.

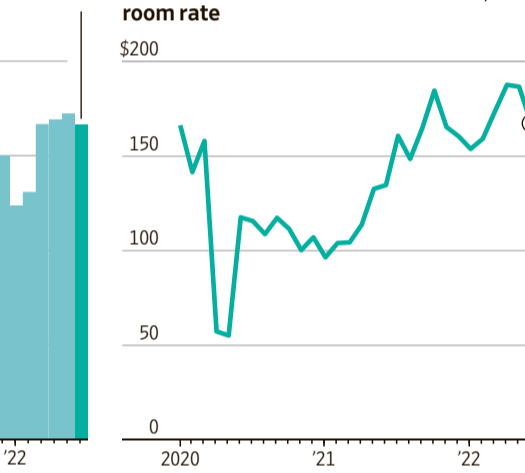
For U.S. workers not tied to the company's main hubs in Los Angeles and Mountain View, Calif., those employees are also losing a meal stipend of \$45 a day, the people said. The company is working to bring food catering to its offices to make up for the loss of the meal stipend, the spokeswoman said.

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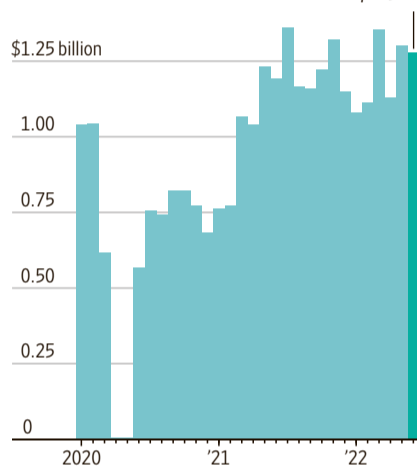
Visitors to Las Vegas



Las Vegas strip, average daily room rate



Nevada gambling revenue



Sources: Las Vegas Convention and Visitors Authority (visitors, room rate); Nevada Gaming Commission (revenue)

Visitors Come Back to Las Vegas, Shrugging Off Economic Jitters

By KATHERINE SAYRE

People are flocking back to Las Vegas, despite inflation at a four-decade high and jitters over a looming recession.

Executives at Caesars Entertainment Inc. and MGM Resorts International this week reported record performances for their operations in the gambling and entertainment mecca in the latest quarter.

Older consumers are returning to the Strip, shaking off pandemic concerns. International travelers began coming back in recent weeks and the convention calendar looking ahead is getting busier, executives said.

"There are not strong enough words to convey how well it's going in Vegas for us," said Caesars Entertainment Chief Executive Tom Reeg on an investor call this week.

Families are deciding whether to go on long-delayed vacations, in light of rising grocery bills and fears of a recession. But a rush of pent-up travel demand that brought Las Vegas back over the past year is continuing, according to executives and analysts.

The Covid-19 pandemic revealed the particular fragility of Las Vegas's hospitality econ-



Visitation to Las Vegas rose 12% in June. Caesars Palace's Garden of the Gods Pool Oasis.

GEORGE ROSE/GETTY IMAGES

omy like never before. On the Strip, casinos that once stayed open 24 hours a day were temporarily closed, sending the Las Vegas area's unemployment up to more than 31% in April 2020, according to federal statistics.

Over the past year, though, consumers fueled by extra money and desire for fun spent record amounts on gambling, and hotel rates rose.

When casinos were allowed

to reopen in June 2020, the average daily hotel-room rate on the Strip had plummeted to about \$118, according to tourism officials.

This June, the average was \$167. Weekend stays at higher-end properties are starting around \$500.

Travel spending nationwide hit a pandemic high of \$101 billion in May, compared with \$100 billion in April, according to the U.S. Travel Association.

In June, visitation to Las Vegas was up about 12% from the same month last year, according to local tourism officials. Still, visitation hasn't surpassed prepandemic levels.

Many visitors have been eager to plunk their cash into slot machines and blackjack tables. In June, Nevada gambling revenue was about \$1.3 billion, the 16th month in a row that gambling revenue exceeded \$1

Please turn to page B2

Alibaba Posts Unusual Decline In Revenue, Cites Covid Issues

By SHEN LU

Alibaba Group Holding Ltd.'s once-inexorable growth has finally run out of steam, as China's leading e-commerce firm failed to post revenue growth for the first time since its 2014 listing.

Revenue for the April-June quarter fell 0.1% from a year earlier, to the equivalent of \$30.7 billion, the company said Thursday, highlighting economic pains from China's

stringent Covid-19 restrictions. The drop was slim, though still notable for Alibaba, which for years has been among China's fastest-growing technology companies.

Alibaba blamed China's Covid-19 outbreak for the revenue slip, saying its bread-and-butter domestic e-commerce business was hit by pandemic-related disruptions to supply chains and logistics in April and May.

"Although we are seeing

signs of steady recovery in consumption, I think it will take more time for that to fully play out and for consumer confidence and sentiment to fully recover," Daniel Zhang, Alibaba's chief executive, said in a call with investors.

Alibaba's American depositary receipts rose 1.8% in Thursday trading on the New York Stock Exchange, at \$97.52, after jumping as much as 7.6% in premarket trading.

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Amgen Deal Stirs Biotech

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an equal-weighted index of biotech stocks, has fallen more than 30% over the past 12 months, compared with a drop of about 6% in the S&P 500 over the same period. ChemoCentryx shares have fallen about 34% this year but are up nearly 60% over the past 12 months.

ChemoCentryx, based in San Carlos, Calif., was founded 25 years ago by Chief Executive Thomas Schall.

The company won its first drug approval late last year with Tavneos, a treatment for a group of rare diseases called anti-neutrophil cytoplasmic autoantibody-associated vasculi-

tis that inflame and destroy small blood vessels, resulting in damage to the kidneys, lungs and other organs.

ChemoCentryx sells Tavneos at a list price of \$14,450 for a 30-day supply, or about \$175,800 a year.

Tavneos had \$5.4 million in U.S. sales in the first quarter and is projected to have \$10.6 million in second-quarter sales when ChemoCentryx reports financial results for the quarter next week, according to FactSet.

Analysts project \$59 million in total sales this year and \$164.35 million in 2023, according to FactSet.

"We are excited to join in the Tavneos launch and help many more patients with this serious and sometimes life-threatening disease," said Amgen Chief Executive Robert Bradway.

ChemoCentryx also has early-stage drugs in development for other diseases, including ulcerative colitis and cancer.

Vegas Sees Rebound in Visitors

Continued from page B1
billion, say state regulators.

On Wednesday, MGM Resorts International said its Las Vegas casinos—not including properties that were purchased and sold—generated net revenue of \$1.6 billion in the second quarter, surpassing the same quarter 2019 revenue of \$1.4 billion prepandemic.

"There's this insatiable appetite for travel experience, the experience-based economy and the millennials stepping into it," said MGM Resorts Chief Executive Bill Hornbuckle. "I think we've seen it in all of our properties, particularly here in Las Vegas."

Mr. Hornbuckle said the company isn't naive about what the economy might do and is focused on labor costs and other expenses.

"Whether we lever up to the success we've had in the last two quarters—or frankly, whether we need to weather the storm coming up—we think we're in great shape to do that," he said.

In the second quarter, Caesars's casinos in Las Vegas generated total revenue of more than \$1.1 billion, up

nearly 34% from \$855 million the same quarter last year.

Hotel occupancy at Caesars's Las Vegas properties reached 97% at higher room rates, resulting in the highest quarterly hotel-room revenue in the company's history, the company said.

Mr. Reeg, the chief executive, said that the 55-and-older crowd is coming back to Las Vegas stronger than at any time since the pandemic began and group event bookings are improving. Looking ahead, hotel bookings have picked up in the past few weeks, he said.

"The consumer continues to hold out quite well for us," he said.

Jeremy Aguero, principal analyst with Las Vegas-based economic research firm Applied Analysis, said the city continues to benefit from consumers' desire to travel after the pandemic shutdowns, and consumers have had savings and federal stimulus money to pay for vacations.

"Las Vegas has also been a lower-cost alternative, in many ways, for folks that were looking for a foreign escape," Mr. Aguero said.

He said his outlook on Las Vegas over the next 12 months is bullish, but the sustainability of the current trends is questionable.

"We will see a settling of the market, and exactly what level that settling is at is very difficult to ascertain. Las Vegas is not recession-proof," he said.



MGM says its Vegas casinos generated net revenue of \$1.6 billion.

BUSINESS & FINANCE

Lower Covid-Treatment Sales, Patent Loss Hurt Lilly Revenue

By WILL FEUER AND PETER LOFTUS

Eli Lilly & Co. posted a 4% decline in second-quarter revenue, as a drop in sales of the company's Covid-19 antibody treatment and some older drugs offset gains in sales for newer drugs.

The pharmaceutical company Thursday reiterated its sales forecast for the year but cut its profit outlook as the stronger U.S. dollar hurts results.

Lower prices and currency translation also contributed to the declining sales, which came in below Wall Street expectations.

Lilly is hoping to boost future revenue with sales of newer drugs, including Mounjaro, recently introduced to treat diabetes. Lilly is studying the same drug, also known by the generic name tirzepatide, to treat obesity, and recently reported positive clinical-trial data.

The company is running other studies of tirzepatide as an obesity treatment that are expected to be completed next year. But Lilly is exploring the possibility of seeking U.S. regulatory approval of the drug

for obesity before those studies are completed, Lilly Chief Financial Officer Anat Ashkenazi said in an interview.

For the three months ended June 30, Lilly saw sales of its Covid-19 treatments fall 13% to \$129.1 million. The figure reflects sales of both Lilly's Covid-19 monoclonal antibody treatment, bebtelovimab, which has held up against the more transmissible Omicron variant and its BA.5 subvariant, as well as earlier treatments bamlanivimab and etesevimab.

Also weighing on Lilly's results was the recent loss of U.S. patent exclusivity for cancer drug Alimta, which allowed the introduction of competing, lower-cost generic copies and contributed to a 63% decline in sales for the branded product.

Ms. Ashkenazi said sales growth was strong for its newer drugs, including the Trulicity diabetes treatment and Verzenio cancer drug. Quarterly sales of Trulicity rose 25% to \$1.91 billion, while sales of Verzenio surged 72% to \$588.5 million.

The company lowered its full-year adjusted earnings guidance by 25 cents a share

to a range of \$7.90 a share to \$8.05 a share. Lilly maintained its 2022 sales guidance of between \$28.8 billion and \$29.3 billion, saying that it expects \$275 million from a new purchase agreement for bebtelovimab with the U.S. government as well as nongovernment sales of the drug to help offset an estimated \$400 million headwind from foreign-exchange effects.

Shares of Lilly fell 2.6% in Thursday trading to \$305.79. The stock is up about 10% so far this year.

On Wednesday, The Wall Street Journal reported that Lilly plans to begin commercial sales of its Covid treatment to states, hospitals and other healthcare providers later this month, as the federal government's supply dwindles. Lilly said Thursday it plans to make the sales through a sole distributor beginning the week of Aug. 15, before the anticipated depletion of the U.S. government's current supply.

The move marks a shift from the way Lilly's drug and most other Covid-19 treatments and vaccines have been distributed in the U.S. so far during the pandemic. It will likely be the first test of

whether the vaccines and treatments would remain accessible if shifted to a commercial market.

Overall, Lilly posted quarterly profit of \$952.5 million, or \$1.05 a share, down from \$1.39 billion, or \$1.53 a share, a year earlier. Adjusted earnings were \$1.25 a share, below the \$1.70 a share expected by analysts, according to FactSet.

Sales came in at \$6.49 billion, compared with analyst estimates of \$6.85 billion. The drop was driven by an 11% hit due to lower prices and a 3% decrease from the impact of foreign-exchange rates.

Excluding revenue from Lilly's Covid-19 antibodies and the cancer drug Alimta, and the sale of the company's rights to Cialis in China in the year-ago quarter, worldwide revenue would have risen by 6%, Lilly said.

Other makers of Covid-19 vaccines and products have posted continued sales growth, but flagged signs of potentially waning demand. Both Pfizer Inc. and Moderna Inc. posted growth in the recently ended quarter on the backs of their pandemic vaccines, though there were some signs of sales beginning to slow.



Lilly reiterated its sales forecast for the year but cut its profit outlook. Employees unpack drug samples at Eli Lilly in Indianapolis.

Biotech Venture Funding Holds Up

By BRIAN GORMLEY

Venture-capital funding and valuations for biotechnology startups remain high despite economic turmoil and this year's sputtering market for initial public offerings, industry data show.

Biotech venture investment has climbed recently, spurred by the Covid-19 pandemic, new approaches to treating cancer, inflammatory diseases and other conditions, a favorable regulatory climate and repeat entrepreneurs launching companies.

U.S. and European biotechs raised a combined \$36.8 billion in 2021, a record total, according to Silicon Valley Bank. Valuations also rose in 2021 as biotech IPOs sizzled.

This year IPOs have stalled, yet U.S. and European drugmakers raised a combined \$17 billion in venture capital through June 30, according to SVB. That's down slightly from the record-setting pace last year. Biotech startup valuations rose in the first half, even as shares of many publicly traded drugmakers slid.

The SPDR S&P Biotech ETF, a fund of biotech stocks, has declined about 27% this year and about 50% since its February 2021 peak. As of Aug. 2, 185 public biotech companies had market capitalizations lower than their net cash, said Mike Perrone, a biotech healthcare specialist with investment bank and financial-services company Robert W. Baird & Co.

Valuation increases for biotech startups will become harder to sustain the longer market uncertainty deters IPOs. Some biotechs are cutting costs or raising additional capital to guard against a prolonged slowdown.

"There remains optimism at the macro level around supporting this industry," said Lee Cooper, a venture investor with Leaps by Bayer, the venture arm of life-sciences company Bayer AG.

"When markets are volatile, it does become challenging to pick winners and losers, and that's where there's tension," he added.

Median premoney valuations—the valuation before a venture financing—for seed

\$17B

Venture raised by European, U.S. biotechs in first half of '22

and Series A rounds increased to \$20 million in the first half of this year for U.S. and European biotechs from \$16 million for the full year 2021, according to SVB.

Median premoney Series B valuations fell slightly but inched up in Series C rounds in the first half when compared with all of 2021, according to SVB.

Valuations for startups typically lag behind those in the public markets, and biotech venture firms' recent fundraising surge will help keep private-company valuations afloat, said Alan Wink, managing director, capital markets, for Eisner Advisory Group, a business-consulting firm.

Early-stage valuations rose as investors backed new companies from entrepreneurs who have succeeded before, said Jonathan Norris, managing director, healthcare, for SVB. Some companies are postponing fundraising or tap-

ping insiders for funding, which has helped sustain valuations, he said.

Mubadala Capital this year has initiated financings for existing portfolio companies to strengthen their balance sheets and doubled down on backing early-stage companies, which don't need to go public soon and are more shielded from stock-market volatility, said Alaa Halawa, executive director and head of U.S. ventures for the firm, adding that biotech innovation has never been better.

"There are definitely strong companies at the early stage," he said.

Rubedo Life Sciences Inc., a Sunnyvale, Calif.-based startup whose drugs target senescent cells that accumulate with aging, raised \$12 million in seed financing in 2020. Rubedo held a first closing on a Series A round in December 2021 and expects to complete the financing later this year, with a valuation increase, because its approach has shown promise in lung diseases and other conditions, said co-founder and Chief Executive Marco Quarta.

When markets were hot, entrepreneurs often sought to raise smaller amounts of venture capital initially, believing they could easily raise more at a higher valuation when the company was more advanced, venture investors said.

"I think we've seen that flip," said Dylan Reid, a principal with Zetta Venture Partners, adding that he now sees startups raising larger first rounds as extending cash runways has taken priority over minimizing dilution.

San Diego-based Origami Therapeutics Inc., a startup developing treatments for neurodegenerative diseases,

seeks to raise a few million dollars in seed financing, founder and CEO Beth Hoffman said.

Some investors have counseled her to raise more than planned, she said, adding that she is focusing more on attracting the right backers than on the size of the financing.

"It's all about looking for investors who are in it for the long term," Dr. Hoffman said.

Some startups that have closed venture financings recently are trimming costs to stretch their dollars while continuing to invest in drug development. Gandeeva Therapeutics, a Canadian startup that disclosed a \$40 million Series A financing in January, aims to lower expenses by stretching out payments on capital equipment and undertaking less elaborate building renovations, said founder and CEO Sriram Subramaniam.

"Anything that creates value we continue to keep and if anything we put more into it," Dr. Subramaniam said.

RELEVANT NOTICE N° 011 SEINFRA INTERNATIONAL BIDDING N° 001/2022

The State of Minas Gerais, through the State Secretariat of Infrastructure and Mobility, announces that the Special Bidding Commission, under the terms of current legislation, constituted by art.1 of SEINFRA/DER JOINT RESOLUTION N° 005, of May 14, 2021, decides to change the deadline provided for event 12 of item 11.1 of SEINFRA INTERNATIONAL BIDDING N° 001/2022. The schedule with the new deadline, according to the new wording of item 11.1 of the Public Notice, is available on the website www.infraestrutura.mg.gov.br Fernando S. Marcato - Secretary of State for Infrastructure and Mobility.



BUSINESS NEWS

Kellogg Raises Outlook, as Higher Prices Boost Sales

By ANNIE GASPARRO
AND CONNOR HART

Kellogg Co. lifted its outlook for the year and said consumer demand held up despite the cereal company raising its prices in recent months.

The maker of Pop-Tarts and Pringles said Thursday that charging more for its food helped the company offset higher costs for ingredients, trucking and labor. Kellogg also said it faced supply shortages in the second quarter.

Kellogg said it has told retailers about more price increases for the current quarter. Grocery stores tend to pass those down to consumers.

For the quarter ended July 2, Kellogg charged retailers nearly 14% more for its food on average. Consumers pulled back slightly, in part due to its lack of cereal inventory, Kellogg said, and sales volume slipped 1.5%.

"This has been wave after wave of price increases because of how persistent inflation has been," said Kellogg Chief Executive Steve Cahillane. "What you're seeing in supermarkets is elevated pricing across categories, and you'll continue to see that."

Like its peers Coca-Cola Co., Kraft Heinz Co. and Mondelez International Inc., Kellogg said that after raising its prices, shoppers so far haven't cut back much compared with

previous periods of inflation. Several consumer-product and food companies have said they expect people to curb their spending more in the second half of the year.

Quarterly sales rose 12% on an organic basis, which strips out impacts from currency, acquisitions and divestitures. Kellogg raised its outlook for organic sales to grow between 7% to 8% this year, up from its previous view of about 4%. It expects its adjusted operating profit to rise between 4% to 5%, up from its previous projection of between 1% to 2%.

Mr. Cahillane said Kellogg's U.S. cereal business is recovering faster than expected after production was stunted by a plant-worker strike and a factory fire last year.

Kellogg is in the midst of spinning off its North America cereal business and plant-based meat brands, a plan announced in June. Kellogg said the separation would help its cereal brands regain their footing on supermarket shelves and fuel faster growth in its stronger snack business.

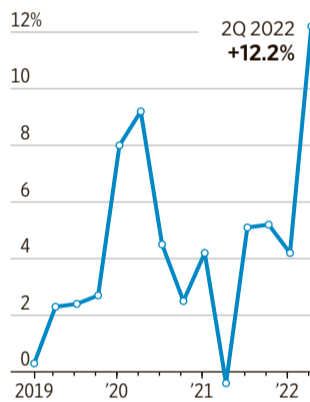
Mr. Cahillane said Kellogg's cereal brands will do better as a stand-alone company. "There is a huge benefit that happens with singular focus—a sales force who's only priority is cereal," he said.

The challenge will be losing the benefits of scale in purchasing ingredients and the cost of splitting apart back-office operations like human resources and IT, analysts said. Kellogg said it has experience navigating this from selling off its Keebler cookie business a few years ago.

Kellogg executives previously anticipated industrywide supply-chain and inflationary pressures to subside somewhat soon, but now they think that won't happen until closer to the end of the year. "It's not going to get back to any sense of normalcy, but we have some confidence that it will start to improve," Mr. Cahillane said.

Kellogg inventory levels at supermarkets are now mostly back to where they were before the pandemic.

Kellogg's organic sales, change from previous year



Note: Excludes mergers, acquisitions and currency fluctuations
Source: the company



Lyft slowed some recruitment, laid off about 60 people and told employees it would curtail renting its cars to consumers.

Lyft Belt-Tightening Aided Its Second-Quarter Results

The supply of available drivers is improving after prolonged shortage

By SARAH DONALDSON

Lyft Inc. said belt-tightening amid rising inflation and slowing economic growth helped deliver a stronger-than-expected adjusted operating result.

The ride-hailing company on Thursday posted an adjusted operating profit for the second quarter, which strips out some items, of \$79.1 million, well ahead of its own projection three months ago and Wall Street's forecasts. Lyft still posted a wider net loss at \$377.2 million compared with the year prior.

"We controlled costs, and we had better business performance than we expected, and we focused a lot of our R&D efforts on driving near-term and long-term profits," Lyft President John Zimmer said. The company's moves to slow hiring and spend more carefully on driver incentives helped the op-

erating result, he said.

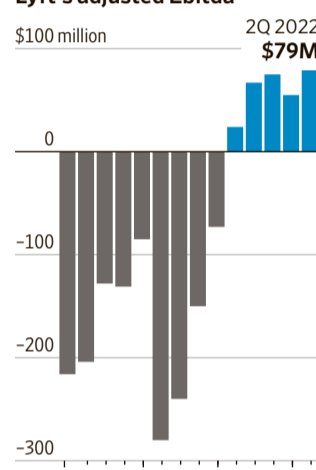
The company is targeting \$1 billion in adjusted operating profit in 2024 and \$700 million of free cash flow, Lyft Chief Executive Logan Green said on an earnings call.

Shares in the company had rallied around 25% through Thursday after rival Uber Technologies Inc. days earlier posted strong results. Lyft's stock rose more than 8% further in after-hours trading on its quarterly figures.

The San Francisco-based company is among a large group of tech businesses that have curtailed spending amid economic upheaval and concerns high inflation will prompt consumers to become more frugal. Lyft slowed some recruitment and last month laid off about 60 people—under 2% of its staff—and told employees it would curtail renting its cars to consumers.

Lyft said revenue for April through June was \$990.7 million, up 30% from the year-prior period and narrowly ahead of what analysts surveyed by FactSet expected. The pace of growth was lower than

Lyft's adjusted Ebitda*



*Earnings before interest, taxes, depreciation and amortization
Source: the company

the most recent quarters that saw a sharp rebound from pandemic lows.

The top-line growth reflected strong demand for rides, high fuel costs and a protracted driver shortage that combined to lift ride prices in recent months. Average U.S. fares peaked in May and were nearly a dollar higher than in the year-

earlier month, according to YipitData. Prices began retreating in June, the market-research firm said.

For the current quarter, Lyft projects sales of \$1.04 billion to \$1.06 billion, or 20% to 23% growth over the year-ago figure, and an adjusted operating profit of \$55 million to \$65 million, Chief Financial Officer Elaine Paul said on the earnings call.

Revenue for the full year will grow more slowly than the 36% increase the company saw last year, she added, citing economic headwinds. "We tempered our view on the pace of the recovery," she said.

Mr. Zimmer said inflation so far didn't appear to be denting demand, though he added that absent the financial pressure on consumers, the recovery in ridership from pandemic lows might have been stronger.

Watch a Video

Scan this code for a video on the challenges facing ride-share companies.

Apollo-Led Group Seals Atlas Deal

By WILL FEUER

Airfreight company **Atlas Air Worldwide Holdings Inc.** said it has agreed to be bought by a consortium of investors led by **Apollo Global Management Inc.**

Earlier this week, The Wall Street Journal reported a group led by Apollo was in advanced talks to buy the company, which operates a fleet of freight aircraft that helps **Amazon.com Inc.** move packages.

The companies said the deal, expected to close in the fourth quarter 2022 or first quarter 2023, has an enterprise value of about \$5.2 billion. An Atlas spokesman said the deal has an equity value of \$3.2 billion.

The group of investors, which includes affiliates of **J.F. Lehman & Co.** and **Hill City Capital**, will pay \$102.50 in cash for each share outstanding of Atlas Air, a 57% premium to the 30-day volume-weighted average trading price of Atlas Air as of July 29, the Friday before the Journal reported on the possible deal.

Atlas Air, based in Purchase, N.Y., serves freight, commercial, charter and military customers. In 2016 it announced an agreement to provide air-transport services to Amazon in a deal that also gave the e-commerce giant warrants to purchase shares in the company.

Apollo has made other deals in the aircraft space. Its private-equity arm bought Sun Country Airlines in 2018, and the company has since invested in air-cargo handler Swissport International AG as well as Mexico's flagship airline Grupo Aeromexico S.A.B. The deal comes amid a slowdown in mergers and acquisitions, including with private-equity firms, in part because of higher interest rates.



Toyota expects production to speed up in the fiscal year's second half. A showroom in Toyota City, Japan.

Toyota Profit Takes Hit From Supply Woes, Higher Costs

By KOSAKU NARIOKA
AND SEAN MCLAIN

Toyota Motor Corp. maintained its full-year outlook for production and operating profit, despite rising raw-material costs and production cuts that weighed on earnings in the first three months of its fiscal year.

The world's largest car maker by sales said on Thursday that it was confident it could produce 9.7 million vehicles in the year ending March 31, although it missed production targets in the April-June quarter. Toyota said it expected production to speed up in the second half of the fiscal year.

A strengthening dollar and euro will offset rising raw-material costs, allowing the company to maintain its operating profit forecast of ¥2.4 trillion, equivalent to \$17.9 billion, Toyota said. Earnings at Japanese car makers get a boost when their home currency, the

yen, weakens.

Toyota's confidence about the rest of the year, particularly in the U.S., echoes the forecasts of peers that earlier reported quarterly results. A prolonged shortage of vehicles has driven up prices and created a backlog of orders, so

Toyota said its supply of semiconductors has been improving after shortages.

car makers believe demand will be sufficient despite fears of an economic slowdown in the U.S.

Toyota said its supply of semiconductors has been improving after shortages that caused production shutdowns across the industry, including at Toyota factories. However,

it said production disruptions remained possible.

For the April-to-June period, Toyota reported profit fell 18% from a year earlier because of higher materials costs and a drop in sales caused by supply-chain difficulties. Net profit for the quarter fell to ¥737 billion, equivalent to \$5.5 billion, from ¥898 billion a year earlier.

The results echoed those of General Motors Co., which said net profit fell 40% in the April-June quarter because parts shortages left it with tens of thousands of unfinished vehicles.

Toyota said the biggest reason for the fall in operating profit was the higher cost of materials, which it said was caused by higher prices paid by its suppliers for fuel, transport and the like. It said higher materials costs pushed down operating profit by ¥315 billion, or about \$2.35 billion, in the quarter.

Book Publisher CEO Defends Plan to Buy Simon & Schuster

By JAN WOLFE

WASHINGTON—**Penguin Random House's** chief executive testified Thursday that the publishing giant's planned acquisition of competitor **Simon & Schuster** would benefit consumers and authors, pushing back against antitrust claims from the Justice Department.

Markus Dohle, who has run Penguin Random House since its creation in a 2013 merger, said the company was "the best home" for Simon & Schuster's imprints.

"If we allow Simon & Schuster books—frontlist books and their rich catalog—to be plugged into our market-leading supply chain, it would make their books more available on the shelves of more sales outlets, domestic and international, and result in higher sales," Mr. Dohle said during the fourth day of the trial in Washington, D.C.

The Justice Department, which is seeking to block the more than \$2 billion deal, argues it will lead to lower pay for authors.

Mr. Dohle last year told literary agents that, after the merger, Penguin Random House and Simon & Schuster imprints would continue to bid competitively against each other for titles.

Justice Department lawyer John Read on Thursday suggested Mr. Dohle's promise was largely meaningless, saying, "There is no legal constraint on the future CEO to continue the commitment you made, correct?"

Mr. Dohle acknowledged that his commitment wasn't legally enforceable, but he said Penguin Random House would honor it because reneging would damage its reputation. "It would damage our business



Chief Executive Markus Dohle

in that agents and authors would not appreciate it and would feel betrayed," he said.

Judge Florence Pan, who is overseeing the nonjury trial, asked Mr. Dohle to elaborate on what literary agents and authors would do if Penguin Random House went back on its word. The judge suggested agents would still do business with Penguin Random House if it was offering the largest advance for a client.

Mr. Dohle responded that, in his experience, once a concession is made to authors and agents, as a practical matter it is difficult for Penguin Random House to renege.

German media company Bertelsmann SE, which owns Penguin Random House, agreed in November 2020 to buy Simon & Schuster from ViacomCBS—now called Paramount Global. The Justice Department sued a year later to block the deal, part of the Biden administration's more aggressive approach to challenging corporate mergers.

Penguin Random House and Simon & Schuster together account for 31% of all print books sold in the U.S., according to NPD BookScan.

TECHNOLOGY

WSJ.com/Tech

DoorDash Posts Sales Gain, Lifts Outlook

Orders and revenue surpass forecasts, but spending environment is seen weakening

By PREETIKA RANA

DoorDash Inc.'s revenue rose in the latest quarter, as consumers stuck to ordering food and household essentials despite restaurant and store reopenings.

The delivery app raised guidance for the year on the total value of orders placed on its platform, even though it said it expects "a softer consumer spending environment" in the second half of the year.

DoorDash's revenue in the three months through June grew 30% to \$1.6 billion from a year earlier. That compared with the average revenue estimate of \$1.52 billion from analysts polled by FactSet.

Revenue was helped in part by restaurants raising menu prices on delivery and by the company's acquisition of European delivery company Wolt Enterprises Oy, which closed during the quarter.

Total orders grew by 23% to 426 million, also beating Wall Street's forecast of 419 million orders. DoorDash said that its order volume would have been even stronger "in a healthier discretionary spending environment."

While DoorDash also reported a wider-than-expected



The U.S. market leader in food delivery said quarterly revenue was helped in part by restaurants raising menu prices.

net loss, investors were cheered by the revenue growth and outlook. The company's shares climbed more than 13% in after-hours trading. Through Thursday's close, the stock price had fallen about two thirds since its record in November.

Orders for delivery companies including DoorDash and Uber Eats, the delivery unit of Uber Technologies Inc., grew quickly during the pan-

dem as many people avoided going out to restaurants. While the two largest food-delivery apps in the U.S. are still growing, the pace of growth has cooled in recent months, and the companies are contending with economic pressures, including soaring inflation that is crimping consumer spending power.

While DoorDash benefited from restaurants raising prices, the company said con-

sumers generally responded by ordering fewer items per order.

"It's a pretty tough macroeconomic environment," said Ravi Inukonda, DoorDash's vice president of finance. "But we are not seeing a major impact of weakening consumer spending," he said, adding that the company expects to grow in the second half despite economic uncertainty.

DoorDash has been one of the biggest winners of the pandemic. It now commands 57% of the U.S. food-delivery market, according to market research firm YipitData.

Analysts say the company outflanked its rivals thanks to a strong delivery network in the suburbs, a wide selection of restaurants and greater efficiency in delivering the food itself.

DoorDash expanded its op-

tions during the health crisis to include grocery chains and convenience stores, pinging consumers as they paid for food to ask them if they also wanted household items from a nearby store.

That has helped raise consumer spending and lower delivery costs because drivers can carry multiple orders together. DoorDash said its driver cost per order declined 9% year over year, and it raised the full-year outlook on the value of orders expected on the app.

The company said it expects 2022 order value to range from \$51 billion to \$53 billion, up from its previous guidance of \$49 billion to \$51 billion. The new guidance is in line with Wall Street's forecast of \$52.37 billion.

DoorDash and Uber Eats have trimmed their operating losses during the pandemic. But DoorDash is the only major food-delivery company that turned a quarterly net profit on the strength of its business during the health crisis—in the second quarter of 2020.

The company's second-quarter loss widened to \$263 million from a loss of \$102 million a year earlier; analysts on average were expecting a loss of \$149 million.

"We're still in investment mode across the board," Mr. Inukonda said, adding that DoorDash plans to continue investing overseas and in building categories beyond its core food-delivery offering.

Tesla CEO Eyes as Many as 12 Plants

By REBECCA ELLIOTT

Tesla Inc. Chief Executive Elon Musk said Thursday that the electric-vehicle maker is likely to need roughly a dozen factories to reach its goal of selling 20 million vehicles annually by 2030.

An announcement about Tesla's next factory location could come later this year, he said at the auto maker's annual shareholder meeting, held at its Austin, Texas, area factory. Tesla currently has four car plants.

Tesla shareholders cleared the way for the company to complete its second stock split in about two years, based on a preliminary vote count.

Mr. Musk's electric-vehicle maker, whose stock price has more than tripled in the past two years, is planning a 3-for-1 stock split that the company has said is designed to make ownership more accessible to employees and individual investors. Tesla needed shareholders to sign off on issuing the new shares to complete the split. The move wouldn't affect the company's market value, which topped \$960 billion as of Thursday.

That proposal was among more than a dozen up for consideration.

The gathering followed a recent rally in Tesla's stock price after the company re-



Investors in the electric-car maker approved a 3-for-1 stock split at a shareholders meeting.

ported second-quarter earnings that were better than expected. Tesla generated \$2.3 billion in profit for the period. An extended shutdown at Tesla's Shanghai assembly plant, paired with global supply-chain disruptions and labor shortages weighed on results.

Chief Financial Officer Zach Kirkhorn said on the company's July earnings call that Tesla was still aiming for 50%

vehicle-delivery growth this year over 2021, though he acknowledged that reaching that target had become more difficult.

Mr. Musk said Tesla is aiming to produce 1.5 million to 2 million vehicles a year at most of its factories. Tesla recently produced its three millionth vehicle, and Mr. Musk said 100 million could be on the road in 10 years.

The company said last

month that it has the capacity to make more than 1.9 million vehicles annually across its four assembly plants.

Tesla plans to increase capital spending and may repurchase its own shares, Mr. Musk said, adding he didn't want to commit to a buyback.

Shareholders backed the proposed re-election of the Tesla directors Ira Ehrenpreis and Kathleen Wilson-Thompson.

Musk Alleges Fraud

Continued from page B1

Chancery Court. Twitter said Mr. Musk's claim that he was misled is implausible and that the billionaire doesn't have the right to back out based on his concerns over the number of spam or fake accounts on its platform.

"According to Musk, he—the billionaire founder of multiple companies, advised by Wall Street bankers and lawyers—was hoodwinked by Twitter into signing a \$44 billion merger agreement," Twitter wrote.

Twitter Chairman Bret Taylor tweeted Thursday that Mr. Musk's claims "are factually inaccurate, legally insufficient, and commercially irrelevant." He linked to Twitter's 127-page response and said the company looks forward to the trial in Delaware, which is scheduled for Oct. 17.

Twitter said that Mr. Musk hasn't identified a false or misleading statement in Twitter's disclosures.

"Musk invents representations Twitter never made and then tries to wield, selectively, the extensive confidential data Twitter provided him to conjure a breach of those purported representations," Twitter said.

Mr. Musk has criticized Twitter's reliance on ads, which account for about 90% of its revenue. He has said Twitter should shift toward a business model that relies more on subscriptions.

In his counterclaims, Mr. Musk said many users who are counted as monetizable don't add to the company's financial success, as Twitter represents, because most of the growth in monetizable daily average users served to less than 16 million users—a mere fraction of the 238 million that Twitter cites to the market, Mr. Musk said.

Twitter said in its response that Mr. Musk is attempting to distort data and use litigation to undermine Twitter's business. The company said its disclosures regarding monetizable daily average users in regulatory filings are accurate.

The company has long estimated that fewer than 5% of its monetizable daily users represent fake accounts, though it has also said in regulatory fil-

ings that the actual number could be higher.

Mr. Musk's own analysis, which uses a publicly available website, indicates that false or spam accounts constitute at least 10% of Twitter's monetizable daily active users, according to the filing Thursday.

The company says that estimate isn't reliable given that it isn't using the same data as Twitter or measuring the same thing. Twitter has said that its process can't be replicated externally because it is based on multiple human reviews of thousands of accounts sampled at random over time.

Twitter called into question an online application Mr. Musk has used to estimate bot figures, the University of Indiana Botometer, pointing out that the application had found Mr. Musk's own Twitter account was likely a bot.

Some data scientists say coming up with a precise, objective and authoritative number of fake or spam accounts on Twitter, where hundreds of millions of tweets are posted daily, is an impractical task. There is no universal definition of fake or spam accounts, they say, and highly sophisticated technology can make posts seem as if they were written by humans when they were made by bots for nefarious purposes.

Alibaba's Revenue Slips

Continued from page B1

as the results beat analyst expectations.

The shares are down around 50% over the past year. China's economy slowed down considerably in the April-June quarter, recording its weakest growth rate in more than two years, as the country stuck to its zero-tolerance policy to combat Covid-19. Gross domestic product expanded at a 0.4% annual rate.

Much of the hit on the economy in the last quarter was concentrated in April, when lockdowns were most widespread. The financial and export hub Shanghai was locked down for some two months until the beginning of June.

More recently, local governments across China have grown more adept at controlling Covid-19 outbreaks swiftly and with fewer disruptions than in previous months. Retail sales rose 3.1% in June from a year earlier, bouncing back from a 6.7% fall the previous month and showing significant improvement from April's 11% plunge.

In the U.S., tech companies such as Amazon.com Inc. that thrived through the pandemic as more life and work shifted online have consistently reported slowing growth recently. Inflation and global uncertainty around issues from Russia's war on Ukraine to the persistence of Covid-19 has made individuals and businesses more cautious.

In China, stalling growth amid an economic contraction has propelled tech companies to focus on cost-cutting and optimization. Executives said Alibaba would continue cost control in coming quarters.

Mr. Zhang said Hangzhou-based Alibaba has hired more 6,000 college graduates this year. But its overall staff has

shrunk. As of June 30, Alibaba had 245,700 employees, down more than 5% from December's workforce.

Alibaba has faced intense competition in its core domestic e-commerce business from companies like JD.com Inc., Pinduoduo Inc. and ByteDance Ltd. To play defense, the company ratcheted up spending in new areas such as discounted goods and grocery deliveries.

Henry Guo, a China tech stock analyst at M Science, said Alibaba's commission and advertising revenue from sellers, a key metric for its e-commerce business, was better than analyst expectations and suggested improving monetization on the company's flagship platforms Taobao and Tmall.

The growth of total value of sales on Alibaba's flagship platforms was below China's retail sales growth in the past quarter, Mr. Zhang said. Acknowledging competition, Mr. Zhang said Alibaba would focus on serving consumers with higher spending powers, while continuing to capture users in more rural areas.

Though regulatory pressure on Alibaba is easing in China, it is growing in the U.S. Days after Alibaba said it plans to apply for a primary listing on the Hong Kong Stock Exchange, the U.S. Securities and Exchange Commission last week added Alibaba to a list of Chinese companies at risk of being delisted from the U.S. exchanges if their audit papers can't be inspected before the spring of 2024.

Alibaba said this week it would "strive to maintain" its listing status on both exchanges. Executives didn't discuss the matter further on Thursday.

Alibaba's quarterly revenue in its reporting currency was at 205.56 billion yuan, compared with the year-earlier figure of 205.74 billion yuan. Net income attributable to ordinary shareholders fell 49.6% to the equivalent of \$3.4 billion, based on an end-June exchange rate of about 6.7 yuan to a dollar that Alibaba used.

—Michelle Chan
contributed to this article.



The mascot for Alibaba's Taobao e-commerce platform.

THE WALL STREET JOURNAL.

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The Decision Makers Driving Today's Most Influential Brands

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BUSINESS NEWS

AMC to Issue Dividend As Preferred Shares

BY ALEXANDER GLADSTONE

AMC Entertainment Holdings Inc. said it plans to issue a dividend to all common shareholders in the form of preferred shares, after it had difficulty issuing more common shares.

The cinema chain, which skirted bankruptcy during the pandemic and became a darling of meme-stock investors, is paying the dividend in the form of preferred equity units, which it has applied to list on the New York Stock Exchange under the symbol "APE." The name is a nod to the crowd of individual investors, known as apes, who helped rescue the chain from the brink of bankruptcy.

Each Ape unit would constitute one-hundredth of a preferred share and be granted for each existing common share, meaning that close to 517 million new Ape units will be created, the company said. AMC raised billions of dollars during the pandemic by selling new common shares, though last year it ran out of more to sell.

The company tried to obtain shareholder approval to enable it to issue more common shares, but had difficulty corraling its investor base to support the initiative, in part due to some investors' fears of

dilution.

The company's new move to instead offer preferred equity units is a workaround to that constraint, and frees up a substantial number of units that it could sell as it continues to face challenges due to the continuing Covid-19 pandemic, a person familiar with the matter said.

After offering the 517 million Ape units as a dividend to shareholders, AMC will still have close to 4.5 billion remaining units that could be sold, according to securities filings.

AMC revenue more than tripled to \$1.17 billion in the second quarter, while the net loss narrowed to \$121.6 million from \$344 million a year earlier, the company reported Thursday.

Chief executive Adam Aron attributed the increasing revenue partly to improved food-and-beverage sales, the company's higher-margin business, as customers spent more in theaters even compared to pre-pandemic times.

The company had more than \$1.17 billion in cash and availability under a revolving loan at the end of the second quarter.

AMC common shares rose 2.5% on Thursday and closed at \$18.66, giving the company a market capitalization of about \$9.6 billion.



'Top Gun: Maverick' has already passed 'Titanic' with \$1.3 billion in ticket sales to become the studio's top domestic release of all time.

'Top Gun,' Streaming Help Elevate Paramount Revenue

Box-office hits and subscriber gains fuel quarterly results, but TV ad sales suffer

BY LILLIAN RIZZO AND CONNOR HART

Paramount Global said its "Top Gun" sequel and its growing streaming business helped boost revenue in the latest quarter, while its television business began to feel a slowdown in the advertising market.

With more than \$1.3 billion in global box-office revenue so far, "Top Gun: Maverick," which premiered over Memorial Day weekend, already surpassed Paramount's own "Titanic" to become the studio's biggest domestic movie of all time. Along with other titles including "The Lost City" and "Sonic the Hedgehog 2," it helped Paramount's filmed-entertainment division post a more than twofold increase in revenue to \$1.36 billion.

In an interview, Paramount Chief Executive Bob Bakish said the success of "Top Gun: Maverick" vindicated the company's decision to wait 45 days after a movie's theatrical release before making it available on its Paramount+ streaming service.

"We believe in the theater-going experience," Mr. Bakish said.

Paramount+ added 3.7 million subscribers during the second quarter, a smaller number than in the first, when it gained 6.8 million. That was partly because of the removal of the service's 1.2 million customers in Russia after the country's invasion of Ukraine, Paramount Global said. Overall, Paramount+ had more than 43 million subscribers at the end of the period.

The growth of Paramount+'s subscriber base comes shortly after industry leader Netflix Inc. lost subscribers for two quarters in a row, a decline that highlighted the challenges facing newer streaming companies that have to compete with a much larger field of rivals.

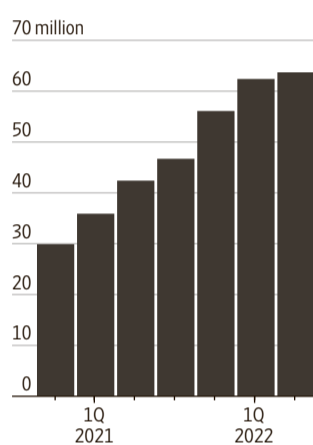
Shares in Paramount Global rose 1.1% to \$25.31 on Thursday.

Paramount has taken steps to make its streaming service more attractive. In recent weeks, the company removed the CBS crime series "Criminal Minds" from Netflix—where it was often among the top-streamed series, according to Nielsen—and the show now lives exclusively on Paramount+, Mr. Bakish said.

Overall, revenue at the company's streaming business, which also includes Pluto TV, Showtime, Noggin and BET+, rose 56% to \$1.19 billion.

The business of streaming remains costly. Paramount said its streaming losses would

Global direct-to-consumer streaming subscribers



reach about \$1.8 billion this year, and it still expects to experience its most extensive losses in 2023.

Revenue at the company's TV business, which includes CBS, MTV, Nickelodeon and Comedy Central, rose 0.7% to \$5.26 billion, in part because of a 6% decline in advertising revenue.

"We see both headwinds and tailwinds in advertising," Mr. Bakish said during a call with analysts earlier Thursday. On the one hand, he said, there are challenges in the digital-advertising market and the so-called scatter market—the market for TV ad time bought and sold closer to its air date—primarily because of supply-chain constraints affecting ad-

vertisers such as car makers. On the other hand, the company expects ad spending to grow in specific categories later in the year, including political ads ahead of the midterm elections, he said.

An ad-spending slowdown could affect Paramount's streaming business, the company said Thursday. The company's services generated \$363 million in advertising revenue in the second quarter, or about one-third of the segment's overall revenue. As a result, the company might not achieve its target of boosting revenue by 60% this year, Chief Financial Officer Naveen Chopra said on the call with analysts.

"It's possible we may not get all the way to that 60%, but I think it'll probably be relatively close," he said.

Overall, Paramount's quarterly net profit fell 60% to \$419 million, or 62 cents a share, from \$1.04 billion, or \$1.56 a share, a year earlier. The fall in profit largely stemmed from a decline in net earnings from continuing operations. Stripping out one-time costs, per-share earnings were 64 cents, slightly ahead of the 61 cents projected by FactSet analysts.

Revenue rose 19% to \$7.78 billion, ahead of analyst expectations for nearly \$7.6 billion, according to FactSet.

◆ **Heard on the Street:** Hard to top this blockbuster..... B12



The theater chain last year ran out of new common shares to sell.

TikTok Curtails Perks

Continued from page B1

woman said.

"Our goal is to create a positive office environment for in-person collaboration that meets the needs of a global team while providing flexibility for employees to work remotely," the spokeswoman said. The company "will continue to offer various benefits to help make our hybrid work approach as smooth as possible."

TikTok's changes follow a string of moves and pronouncements from tech executives warning of belt-tightening designed to reduce costs and boost productivity.

Sundar Pichai, the chief executive officer of Google parent Alphabet Inc. told staff last month to work with "greater urgency, sharper focus and more hunger than we've shown on sunnier days." Meta Platforms Inc. CEO Mark Zuckerberg said in late July that the Facebook owner must operate with greater intensity. "I expect us to get more done with fewer resources," he said.

Some tech companies have also been scaling back the perks that have long been associated with the industry.

At some TikTok locations, the return of large numbers of employees has put a stress on

some of the company's offices because there are not enough work stations, meeting rooms and parking spaces to accommodate everyone, the people familiar with the situation said.

The TikTok spokeswoman said the company has instituted desk-booking software that employees can use to ensure they will have a desk when they come in. The demand for desks hasn't exceeded supply on any day for any of the company's locations, she said, adding that TikTok is actively seeking to expand real estate to accommodate its workforce at several locations better.

In Mountain View, there are more than 1,200 employees, while the facility was only intended for 600 people, one of the people said. The Austin, Texas, office, which is two floors at a WeWork facility, now holds more than 600 employees. Some Austin employees have complained about the price of parking, which can be as high as \$50 a day. The spokeswoman said the company is offering a \$150 a month parking stipend to employees at some of its locations.

TikTok has allowed employees to apply for 60-day deferrals related to the return to office policy.

Employees can also apply for long-term remote work, which requires several levels of approval from human resources and the head of their department. Some approvals are going to Lidong Zhang, the chairman of Lidong Zhang, the chairman of the Chinese parent company, ByteDance Ltd., one of the people said.

Slow Demand Damps Wayfair Sales

BY ALEX HARRING

Wayfair Inc. posted broad declines in its business on Thursday, the latest sign of the online furniture seller's struggle to reignite consumer interest coming out of the pandemic.

The Boston company said revenue in the second quarter declined about 15% from a year ago to \$3.3 billion. That resulted in a net loss of \$378 million in the quarter ended June 30, compared with a profit of \$131 million in the same period last year.

Wayfair has been dealing with declining demand since the pandemic-induced boom in home spending subsided and shoppers, pinched by inflation, have been shifting their spending away from big-ticket items.

"It is not surprising that our mass customers are being more deliberate about where their discretionary dollars are going," said Chief Executive Niraj Shah on a call with analysts. Mr. Shah said the company has seen consumers trad-



The company said it has had success with promotions.

ing down and that it has had success with promotions, as suppliers have lowered prices to move inventory.

Active customers, meaning those who have placed an order within the past 12 months, were down 24% to 23.6 million in the quarter. But the consumers still purchasing are spending more: Wayfair's average order value in the second quarter increased about

19% year over year to \$330.

U.S. revenue, which makes up a large part of overall revenue, fell 9.7% to \$2.8 billion. International revenue dropped 35.7% year over year to \$500 million.

The company has been flashing warning signs throughout the year. On a call with analysts last quarter, Mr. Shah said that the company couldn't commit to turning a

profit on a basis of earnings before interest, taxes, depreciation and amortization for the full year.

In December, the company said it would open three brick-and-mortar stores as it looks to capitalize on consumers' renewed interest in in-person shopping experiences.

Wayfair implemented a 90-day hiring freeze in May amid rising costs. The company also pushed plans to expand in parts of Europe outside the U.K. and Germany, according to Mr. Shah.

The impacts of belt-tightening and income-generating measures will be reflected in the fourth quarter, said finance chief Michael Fleisher, who said that confidence in the company will build internally before it does on Wall Street.

"To be perfectly blunt, we are not satisfied with this outcome," Mr. Fleisher said. "However, course-correcting a company of Wayfair's size in an environment that is changing as rapidly as this one requires some patience."

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(all in Official Liquidation) (together, the "Companies")
NOTICE OF INTENTION TO DECLARE FINAL DIVIDEND

TAKE NOTICE that the Official Liquidator intends to declare a final dividend from each of the Companies. Any creditor who has not already lodged his proof of debt with the Official Liquidator must do so no later than October 7, 2022. The Official Liquidator is not obliged to adjudicate upon any proof of debt received after this date. Failure to lodge a proof of debt by the final date (by email at tad@jayman.com or courier to Chris Johnson Associates Ltd., Elizabethan Square, 80 Shedden Road, Grand Cayman, Cayman Islands KY1-1104) may result in you being excluded from the final distribution. Dated this 5th day of August 2022
Russell Homer, Official Liquidator

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Beyond Meat Cuts Global Workforce by 4%

BY KATHRYN HARDISON

Beyond Meat Inc. is cutting 4% of its global workforce, saying the layoffs are part of its plan to reduce costs as inflation prompts consumers to buy less-expensive protein.

The California-based company, which has the ambition to eventually sell its vegan burgers and other products at the same price of meat, said Thursday that progress was

taking longer than expected. Chief Executive Ethan Brown said inflation has magnified the importance of meeting that goal.

Mr. Brown said the company's plant-based ground beef recently sold for about \$8 a pound, while actual ground beef cost about \$5 a pound. "That is a very difficult proposition when consumers have very high levels of inflation going on," he said.

Beyond Meat said its layoffs will save the company \$8 million. It had 1,108 full-time employees and 311 full-time contract workers as of last December.

The company said Thursday that its second-quarter loss increased to \$97.1 million from \$19.7 million in the same period last year. That was more than analysts expected. Revenue fell 1.6% to \$147 million. Beyond Meat also trimmed

full-year sales forecast to between \$470 million and \$520 million, down from its previous outlook of \$560 million to \$620 million. Mr. Brown said the company would focus on reducing operating expenses and manufacturing costs through the rest of the year. The company expects to incur expenses of \$1 million in the third quarter from the layoffs.

—Jesse Newman contributed to this article.

BIGGEST 1,000 STOCKS

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (formerly National) and Chicago Stock Exchange, Cboe, NYSE Bats and Nasdaq ISE.

Footnotes:
N=New 52-week high
H=New 52-week low
L=Stock loss in the most recent four trading days
FD=First day of trading
H=Does not meet continued listing standards
IF=Listing
Q=Temporary exemption from Nasdaq requirements
N=NYSE bankruptcy
V=Trading halted on primary market
V=In bankruptcy or receivership or being reorganized under the Bankruptcy Code, or securities assumed by such companies.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices at 4 p.m. the previous day.

Table with columns: Stock, Sym, Close, Net Chg. Lists various stocks like ABB, AECOM, AEF, etc.

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Table with columns: Stock, Sym, Close, Net Chg. Lists various stocks like ABB, AECOM, AEF, etc.

New Highs and Lows

The following explanations apply to the New York Stock Exchange, NYSE Arca, NYSE American and Nasdaq Stock Market stocks that hit a new 52-week intraday high or low in the latest session. % CHG-Daily percentage change from the previous trading session.

Table with columns: Stock, Sym, Hi/Low, % Chg. Lists various stocks like ABB, AECOM, AEF, etc.

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Table with columns: Stock, Sym, Hi/Low, % Chg. Lists various stocks like ABB, AECOM, AEF, etc.

Mutual Funds

Top 250 mutual-funds listings for Nasdaq-published share classes by net assets.

Table with columns: Fund, NAV, Chg, % Ret. Lists various mutual funds like American Century, AmFunds CI A, etc.

Table with columns: Fund, NAV, Chg, % Ret. Lists various mutual funds like American Century, AmFunds CI A, etc.

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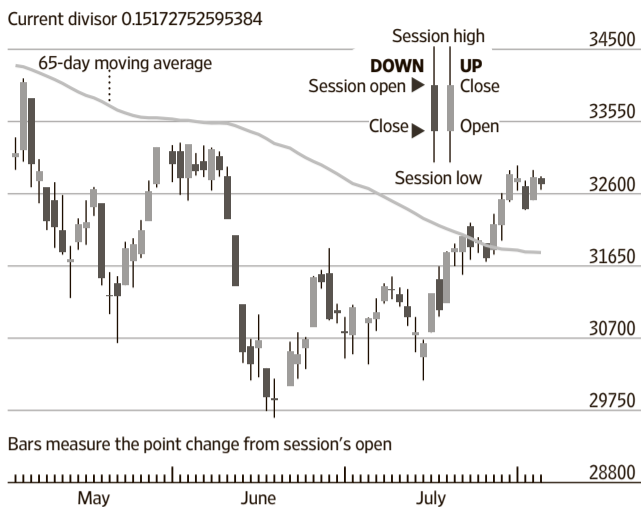
MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

32726.82 ▼85.68, or 0.26%
 High, low, open and close for each trading day of the past three months.

Last Year ago
 Trailing P/E ratio 19.44 23.91
 P/E estimate * 17.43 19.45
 Dividend yield 2.14 1.79
 All-time high 36799.65, 01/04/22

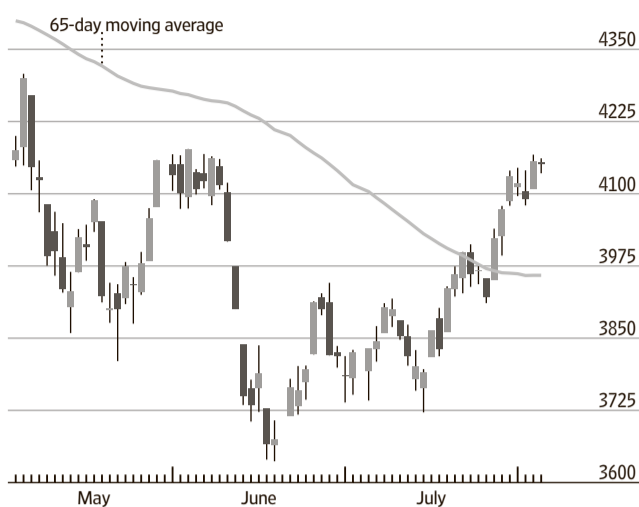


Current divisor 0.15172752595384
 Bars measure the point change from session's open
 *Weekly P/E data based on as-reported earnings from Birinyi Associates Inc. †Based on Nasdaq-100 Index

S&P 500 Index

4151.94 ▼3.23, or 0.08%
 High, low, open and close for each trading day of the past three months.

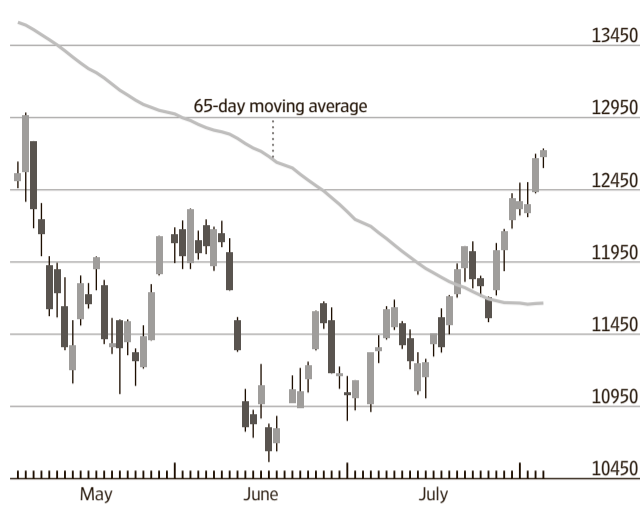
Last Year ago
 Trailing P/E ratio * 22.20 33.75
 P/E estimate * 18.01 22.52
 Dividend yield * 1.59 1.31
 All-time high 4796.56, 01/03/22



Nasdaq Composite Index

12720.58 ▲52.42, or 0.41%
 High, low, open and close for each trading day of the past three months.

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



Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD	% chg 3-yr. ann.
Dow Jones										
Industrial Average	32829.22	32652.63	32726.82	-85.68	-0.26	36799.65	29888.78	-6.7	-9.9	7.3
Transportation Avg	14528.67	14407.26	14478.74	52.13	0.36	17039.38	12868.60	0.4	-12.1	11.8
Utility Average	1031.87	1020.08	1021.62	-4.12	-0.40	1071.75	869.74	9.8	4.2	7.7
Total Stock Market	41875.82	41614.99	41785.89	-36.88	-0.09	48929.18	36759.60	-9.2	-14.1	11.5
Barron's 400	954.94	946.75	947.49	-7.45	-0.78	1127.20	852.16	-8.0	-14.4	12.1

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD	% chg 3-yr. ann.
Nasdaq Stock Market										
Nasdaq Composite	12736.19	12600.78	12720.58	52.42	0.41	16057.44	10646.10	-14.6	-18.7	16.7
Nasdaq-100	13326.72	13170.44	13311.04	57.78	0.44	16573.34	11127.57	-12.3	-18.4	20.1

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD	% chg 3-yr. ann.
S&P										
500 Index	4161.29	4135.42	4151.94	-3.23	-0.08	4796.56	3666.77	-6.3	-12.9	12.3
MidCap 400	2505.69	2489.28	2490.51	-18.34	-0.73	2910.70	2200.75	-8.0	-12.4	9.2
SmallCap 600	1243.18	1231.65	1233.30	-10.07	-0.81	1466.02	1087.48	-8.0	-12.0	9.5

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD	% chg 3-yr. ann.
Other Indexes										
Russell 2000	1911.57	1899.46	1906.46	-2.47	-0.13	2442.74	1649.84	-14.7	-15.1	7.5
NYSE Composite	15283.98	15214.80	15224.21	-42.95	-0.28	17353.76	14097.05	-8.8	-11.3	5.8
Value Line	573.29	570.33	570.81	-2.30	-0.40	696.40	510.18	-13.9	-15.1	3.2
NYSE Arca Biotech	5079.00	4932.36	5065.84	133.48	2.71	6019.57	4208.43	-15.6	-8.2	3.2
NYSE Arca Pharma	812.42	801.83	803.71	-3.63	-0.45	887.27	732.23	2.6	-2.8	11.3
KBW Bank	108.26	106.94	107.18	-1.18	-1.09	147.56	98.36	-13.7	-18.9	3.0
PHLX ^S Gold/Silver	109.58	105.03	108.18	3.62	3.47	167.76	100.65	-22.6	-18.3	6.0
PHLX ^S Oil Service	65.63	62.58	62.72	-3.11	-4.73	88.37	48.31	19.3	19.0	-4.8
PHLX ^S Semiconductor	3087.44	3037.95	3081.41	27.95	0.92	4039.51	2458.46	-10.0	-21.9	27.5
Cboe Volatility	22.66	21.44	21.44	-0.51	-2.32	36.45	15.01	24.1	24.5	6.8

†Nasdaq PHLX Sources: FactSet; Dow Jones Market Data

Late Trading

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

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
Southwestern Energy	SWN	9,862.9	6.52	0.03	0.46	6.54	6.46
AMC Entertainment Hldgs	AMC	8,103.1	17.39	-1.27	-6.81	19.69	15.95
Lyft	LYFT	6,569.5	18.88	1.49	8.57	19.04	16.55
Amicus Therapeutics	FOLD	4,789.6	10.90	-0.04	-0.37	10.90	10.90
SPDR S&P 500	SPY	3,905.5	414.21	0.04	0.01	414.59	413.92
Viatis	VTRS	3,665.4	9.67	0.05	0.52	9.74	9.62
fuboTV	FUBO	3,328.5	3.53	0.56	18.86	3.58	2.92
Annaly Capital Mgmt	NLY	3,147.4	6.62	...	unch.	6.64	6.61

Percentage gainers...

Company	Symbol	Last	Net chg	% chg	High	Low
Atlas	ATCO	108.7	14.16	2.59	22.39	14.40
Cloudflare	NET	1,294.1	70.80	12.37	21.17	74.61
fuboTV	FUBO	3,328.5	3.53	0.56	18.86	3.58
DoorDash	DASH	1,988.5	93.43	12.07	14.84	100.58
Yelp	YELP	78.7	37.01	4.69	14.51	38.80

...And losers

Company	Symbol	Last	Net chg	% chg	High	Low
Hyzon Motors	HYZN	266.6	3.25	-1.24	-27.62	4.64
Doximity	DOCS	561.9	33.45	-6.86	-17.02	40.31
Momentive Global	MNTV	72.1	7.50	-1.08	-12.59	8.58
Warner Bros. Discovery A	WBD	2,700.6	15.45	-2.03	-11.61	17.48
B&G Foods	BGS	61.7	22.95	-2.38	-9.40	25.33

Trading Diary

Volume, Advancers, Decliners

	NYSE	NYSE Amer.
Total volume*	873,106,209	22,327,319
Adv. volume*	367,138,660	8,363,230
Decl. volume*	494,987,408	13,309,830
Issues traded	3,373	289
Advancers	1,523	153
Declines	1,670	125
Unchanged	180	11
New highs	29	1
New lows	37	3
Closing Arms*	1.10	1.65
Block trades*	4,416	270

Total volume 5,401,703,287 227,395,053
 Adv. volume* 3,599,088,536 155,839,204
 Decl. volume* 1,685,384,699 70,028,207
 Issues traded 4,849 1,702
 Advancers 2,659 967
 Declines 1,905 710
 Unchanged 285 25
 New highs 68 7
 New lows 50 3
 Closing Arms* 0.65 0.72
 Block trades* 33,466 884

*Primary market NYSE/NYSE Amer/NYSE Arca only.
 †(TRIN) A comparison of the number of advancing and declining issues with the volume of shares rising and falling. An Arms of less than 1 indicates buying demand; above 1 indicates selling pressure.

International Stock Indexes

Region/Country	Index	Close	Net chg	Latest % chg	YTD % chg
World					
MSCI ACWI	640.94	1.94	0.30	-15.1	
MSCI ACWI ex-USA	285.65	2.44	0.86	-17.0	
MSCI World	2761.65	6.40	0.23	-14.5	
MSCI Emerging Markets	994.59	8.78	0.89	-19.3	
Americas					
MSCI AC Americas	1580.63	0.14	0.01	-13.5	
Canada S&P/TSX Comp	19577.04	31.10	0.16	-7.8	
Latin Amer. MSCI EM Latin America	2121.39	44.00	2.12	-0.4	
Brazil BOVESPA	105892.22	2117.54	2.04	1.0	
Chile S&P IPSA	3188.88	-19.36	-0.60	13.6	
Mexico S&P/BMV IPC	46916.17	-73.44	-0.16	-11.9	
EMEA					
STOXX Europe 600	439.06	0.77	0.18	-10.0	
Eurozone Euro STOXX	414.19	2.22	0.54	-13.5	
Belgium Bel-20	3775.27	-10.81	-0.29	-12.4	
Denmark OMX Copenhagen 20	1754.67	23.82	1.38	-5.9	
France CAC 40	6513.39	41.33	0.64	-8.9	
Germany DAX	13662.68	75.12	0.55	-14.0	
Israel Tel Aviv	1956.96	11.01	0.57	-1.1	
Italy FTSE MIB	22645.84	70.94	0.31	-17.2	
Netherlands AEX	731.58	-2.95	-0.40	-8.3	
Russia RTS Index	1104.77	-1.22	-0.11	-30.8	
South Africa FTSE/JSE All-Share	68717.02	106.45	0.16	-6.8	
Spain IBEX 35	8161.10	19.00	0.23	-6.3	
Sweden OMX Stockholm	816.35	5.69	0.70	-21.3	
Switzerland Swiss Market	11202.66	23.67	0.21	-13.0	
Turkey BIST 100	2723.67	39.21	1.46	46.6	
U.K. FTSE 100	7448.06	2.38	0.03	0.9	
U.K. FTSE 250	20155.76	136.92	0.68	-14.2	
Asia-Pacific					
MSCI AC Asia Pacific	160.38	1.41	0.88	-17.0	
Australia S&P/ASX 200	6974.90	-1.05	-0.01	-6.3	
China Shanghai Composite	3189.04	25.36	0.80	-12.4	
Hong Kong Hang Seng	20174.04	406.95	2.06	-13.8	
India S&P BSE Sensex	58298.80	-51.73	-0.09	0.1	
Japan NIKKEI 225	27932.20	190.30	0.69	-3.0	
Singapore Straits Times	3269.86	17.81	0.55	4.7	
South Korea KOSPI	2473.11	11.66	0.47	-16.9	
Taiwan TAIEX	14702.20	-74.82	-0.51	-19.3	
Thailand SET	1598.75	4.02	0.25	-3.6	

Sources: FactSet; Dow Jones Market Data

Percentage Gainers...

Company	Symbol	Close	Net chg	% chg	High	Low	% chg
ChemoCentryx	CCXI	50.43	26.32	109.17	50.90	13.11	221.4
InVivo Therapeutics	NVIV	8.00	3.58	81.00	20.23	3.50	-50.2
Minerva Neurosciences	NERV	4.70	2.02	75.37	17.04	2.51	-67.5
Cognition Therapeutics	CGTX	3.60	1.38	62.16	13.80	1.50	...
NanoViricides	NNVC	3.65	1.19	48.37	7.86	1.04	-6.6
Yellow	YELL	6.70	1.99	42.25	15.24	2.82	18.8
Global Blood Therapeutics	GBT	47.99	14.06	41.44	48.49	21.65	43.7
Applied DNA Sciences	APDN	5.74	1.64	40.00	7.35	0.62	-12.5
ZeroFox Holdings	ZFOX	14.71	3.76	34.34	15.73	9.20	48.0
Forge Global	FRGE	6.05	1.50	32.97	47.50	4.49	-37.9
Legacy Housing	LEGH	17.62	4.11	30.42	28.84	11.96	-2.6
GeoVax Labs	GOVX	3.57	0.83	30.29	7.50	0.55	-18.3
GreenLight Biosciences	GRNA	4.16	0.90	27.61	15.80	1.91	-57.2
Save Foods	SVFD	5.25	1.10	26.51	9.91	2.74	-41.7
BridgeBio Pharma	BBIO	9.98	2.04	25.69	57.44	4.98	-82.2

Most Active Stocks

Company	Symbol	Volume (000)	% chg from 65-day avg	Latest Session Close	% chg	52-Week High	52-Week Low
Miss							

COMMODITIES

wsj.com/market-data/commodities

Futures Contracts

Metal & Petroleum Futures						
	Open	Contract High	Low	Settle	Chg	Open interest
Copper-High (CMX) -25,000 lbs.; \$ per lb.						
Aug	3.4600	3.5085	3.4600	3.4830	0.0135	1,408
Sept	3.4770	3.5205	3.4610	3.4815	0.0145	106,681
Gold (CMX) -100 troy oz.; \$ per troy oz.						
Aug	1769.40	1789.60	1767.70	1788.50	30.50	5,632
Sept	1765.80	1793.80	1764.10	1791.20	30.10	3,610
Oct	1771.90	1799.10	1769.50	1796.20	30.10	40,277
Dec	1782.10	1809.90	1779.40	1806.90	30.50	383,958
Feb'23	1795.20	1822.40	1795.20	1819.60	30.60	13,809
April	1812.60	1834.00	1812.00	1831.30	30.20	6,727
Palladium (NYM) -50 troy oz.; \$ per troy oz.						
Aug				2075.30		70.90
Sept	2014.50	2096.50	1989.00	2077.50	69.60	4,832
Platinum (NYM) -50 troy oz.; \$ per troy oz.						
Aug				922.40		36.80
Oct	891.00	929.00	887.80	924.90	36.40	64,194
Silver (CMX) -5,000 troy oz.; \$ per troy oz.						
Aug	19.905	20.105	19.960	20.099	0.234	156
Sept	20.045	20.380	19.930	20.122	0.228	95,654
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.						
Sept	90.95	91.90	87.55	88.54	-2.12	274,142
Oct	89.99	90.88	86.62	87.56	-2.18	174,550
Nov	89.47	90.12	85.91	86.81	-2.26	97,825
Dec	88.55	89.35	85.14	85.99	-2.33	201,631
June'23	84.28	84.85	80.80	81.49	-2.46	138,224
Dec	81.40	81.86	77.91	78.60	-2.41	126,403
NY Harbor ULSHD (NYM) -42,000 gal.; \$ per gal.						
Sept	3.4248	3.4548	3.2813	3.3372	-0.076	75,340
Oct	3.3794	3.4060	3.2433	3.2992	-0.099	37,412
Gasoline-NY RBOB (NYM) -42,000 gal.; \$ per gal.						
Sept	2.9319	2.9370	2.7575	2.7935	-0.1187	92,899
Oct	2.6820	2.6863	2.5345	2.5631	-0.1013	41,540
Natural Gas (NYM) -10,000 MMBtu; \$ per MMBtu.						
Sept	8.281	8.450	7.825	8.122	-0.144	155,148
Oct	8.279	8.432	7.800	8.114	-0.148	95,841
Nov	8.366	8.495	7.971	8.184	-0.147	84,578
Jan'23	8.482	8.634	8.133	8.344	-0.146	73,958
April	4.996	5.040	4.813	4.961	-0.041	70,008
May	4.800	4.850	4.700	4.778	-0.034	67,304

	Open	Contract High	Low	Settle	Chg	Open interest
Soybean Meal (CBT) -100 tons; \$ per ton.						
Aug	481.80	514.70	480.00	513.70	32.60	872
Dec	398.10	422.60	397.00	420.70	22.00	180,321
Soybean Oil (CBT) -60,000 lbs.; cents per lb.						
Aug	67.03	67.03	65.69	66.04	.96	41
Dec	61.00	61.81	60.20	61.42	.42	135,890
Rough Rice (CBT) -2,000 cwt.; \$ per cwt.						
Sept	17.05	17.35	16.99	17.33	.27	7,337
Nov	17.35	17.57	17.26	17.57	.25	945
Wheat (CBT) -5,000 bu.; cents per bu.						
Sept	768.00	789.50	758.25	782.50	18.75	127,081
Dec	789.75	808.25	778.00	802.00	18.50	97,281
Wheat (KC) -5,000 bu.; cents per bu.						
Sept	836.00	865.25	831.00	860.25	24.75	64,696
Dec	844.75	873.00	840.00	868.00	24.25	59,185
Cattle-Feeder (CME) -50,000 lbs.; cents per lb.						
Aug	179.150	179.700	177.900	179.075	-0.275	6,270
Sept	182.525	183.375	181.250	182.575	-0.325	14,626
Cattle-Live (CME) -40,000 lbs.; cents per lb.						
Aug	137.900	138.050	137.475	137.700	-0.200	21,254
Oct	143.875	144.050	143.300	143.650	-0.200	114,239
Hogs-Lean (CME) -40,000 lbs.; cents per lb.						
Aug	120.475	121.350	120.050	120.650	-0.350	17,084
Oct	94.500	98.050	93.825	97.600	1.750	92,062
Lumber (CME) -110,000 bd. ft.; \$ per 1,000 bd. ft.						
Sept	491.00	502.00	470.60	500.00	6.80	1,765
Nov	499.00	507.00	480.00	504.20	-3.00	612
Milk (CME) -20,000 lbs.; cents per lb.						
Aug	20.09	20.15	19.83	19.94	-0.21	4,228
Sept	19.80	19.90	19.38	19.48	-0.42	5,741
Cocoa (ICE-US) -10 metric tons; \$ per ton.						
Sept	2,273	2,359	2,259	2,349	68	99,483
Dec	2,329	3,394	2,314	2,388	52	108,234
Coffee (ICE-US) -37,500 lbs.; cents per lb.						
Sept	214.80	220.45	214.15	219.30	4.65	75,776
Dec	211.55	216.50	210.60	215.75	4.50	67,101
Sugar-World (ICE-US) -112,000 lbs.; cents per lb.						
Oct	17.63	17.86	17.53	17.55	-0.22	333,991
March'23	17.74	17.95	17.66	17.68	-0.21	197,431
Sugar-Domestic (ICE-US) -112,000 lbs.; cents per lb.						
Sept	34.25	34.25	33.50	34.00	-0.30	1,093
Jan'23				35.25		2,216
Cotton (ICE-US) -50,000 lbs.; cents per lb.						
Oct	100.29	100.29	99.78	100.12	-0.24	120
Dec	94.33	95.10	93.00	94.62	-1.9	108,646
Orange Juice (ICE-US) -15,000 lbs.; cents per lb.						
Sept	178.00	183.15	177.15	179.45	2.80	6,894
Nov	171.80	175.80	171.00	175.05	3.80	2,800

Interest Rate Futures						
Ultra Treasury Bonds (CBT) -\$100,000; pts 32nds of 100%						
Sept	159.040	159.300	158.030	158.270	18.0	1,320,316
Dec	158.110	159.180	158.010	158.200	18.0	2,761

Agriculture Futures						
Corn (CBT) -5,000 bu.; cents per bu.						
Sept	591.50	607.00	585.75	602.25	10.75	319,106
Dec	596.25	610.75	590.50	606.25	10.00	637,083
Oats (CBT) -5,000 bu.; cents per bu.						
Sept	415.00	419.25	409.00	416.00	5.50	498
Dec	401.25	403.00	391.00	399.25	4.50	1,848
Soybeans (CBT) -5,000 bu.; cents per bu.						
Aug	1552.00	1618.00	1552.00	1615.00	57.00	879
Nov	1368.75	1424.00	1359.50	1417.75	48.00	320,085

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

Thursday, August 04, 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.

Energy	Thursday	Thursday	Thursday
Iron Ore, 62% Fe CFR China-s		103.8	
Shredded Scrap, US Midwest-s		810	
Steel, HRC USA, FOB Midwest Mill-s		810	
Battery/EV metals			
BMI Lithium Carbonate, EXW China -99.2%-w		69825	
BMI Lithium Hydroxide, EXW China -56.5%-w		70000	
BMI Cobalt sulphate, EXW China -20.5%-w		9909	
BMI Nickel Sulphate, EXW China -22%-w		5364	
BMI Flake Graphite, FOB China -100 Mesh, 94.95%-w		795	
Fibers and Textiles			
Burlap, 10-oz, 40-inch NY yd-n-w		0.7825	
Cotton 1 1/16 std lw-md Mphs-u		1.0912	
Cotlook 'A' Index -T		113.25	
Hides, hv native Steers piece fob-u		n.a.	
Wool, 64s, staple, Terr del-u-w		n.a.	
Grains and Feeds			
Barley, top-quality MnpIs-u		n.a.	
Bran, wheat middlings, KC-u		199	
Corn, No. 2 yellow, Cent IL-bp-u		6.3900	
Corn gluten feed, Midwest-u-w		192.0	
Corn gluten meal, Midwest-u-w		660.0	
Cottonseed meal-u		388	
Hominy feed, Cent IL-u-w		185	
Meat-bonemeal 50% pro MnpIs-u-w		425	
Oats, No. 2 milling, MnpIs-u		4.6550	
Rice, Long Grain Milled, No. 2 AR-u-w		33.75	
Sorghum, (Milo) No. 2 Gulf-u		n.a.	
Soybean Meal, Cent IL, rail, ton 48%-u-w		502.30	
Soybeans, No. 1 yllw IL-bp-u		15.5500	
Wheat, Spring 14%-pro MnpIs-u		10.5925	
Wheat, No. 2 soft red, St. Louis-u		8.0350	
Wheat - Hard - KC (USDA) \$ per bu-u		9.2525	
Wheat, No. 1 soft white, Portld, OR-u		9.0750	
Food			
Beef, carcass equiv. index		231.67	
choice 1-3,600-900 lbs.-u		206.34	
select 1-3,600-900 lbs.-u		1.4322	
Broilers, National comp wtd. avg.-u-w		3.0500	
Butter, AA Chicago-d		174.75	
Cheddar cheese, bbl, Chicago-d		176.50	
Cheddar cheese, bbl, Chicago-d		157.25	
Milk, Nonfat dry, Chicago lb-d		2.0877	
Coffee, Brazilian, Comp-y		2.8634	
Coffee, Colombian, NY-y		3.1350	
Eggs, large white, Chicago-u		21.75	
Flour, hard winter KC-p		1.18	
Hams, 17-20 lbs, Mid-US fob-u		116.65	
Hogs, Iowa-S, Minn. State-u		n.a.	
Pork bellies, 12-14 lb MidUS-u		1.3482	
Pork loins, 13-19 lb MidUS-u		135.00	
Steers, Tex.-Okla. Choice-u		193.38	
Steers, feeder, Okla. City-u-w			
Fats and Oils			
Degummed corn oil, crude wtd. avg.-u-w		63.0000	
Grease, choice white, Chicago-h		0.7400	
Lard, Chicago-u		0.7160	
Soybean oil, crude, Cent IL-u-w		0.8100	
Tallow, bleached, Chicago-h		n.a.	

KEY TO CODES: A=ask; B=bid; BP=country elevator bids to producers; C=contracted; 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=Seoland 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 8/3

Source: Dow Jones Market Data

Exchange-Traded Portfolios | WSJ.com/ETFResearch

Largest 100 exchange-traded funds, latest session									
ETF	Symbol	Closing Price	Chg (%)	YTD (%)	ETF	Symbol	Closing Price	Chg (%)	YTD (%)
CsmrDiscSelSector	XYLV	167.16	0.41	-18.2	iShMSCIEAFEValue	EFV	44.00	0.05	-12.7
CmsStapleSelSector	DXF	74.81	-0.66	-3.0	iShNatMuniBd	MUB	108.59	0.02	-6.6
CmsDimeSelSector	PLP	25.38	-0.33	-12.4	iSh1-5YIGCorpBd	IGSB	51.13	0.29	-5.1
FinSelSectorSPDR	XLF	33.45	-0.33	-14.3	iShPrdInc	PPF	35.35	...	-10.3
HealthCareSelSector	XLI	131.50	-0.49	-6.7	iShRussell1000Gwth	IWF	249.53	0.31	-18.3
IndSelSectorSPDR	XLU	95.97	0.37	-9.3	iShRussell1000Val	IWD	153.88	-0.47	-8.4
InvsQQQ	QQQ	324.40	0.47	-18.5	iShRussell2000	IWM	189.35	-0.21	-14.9

BANKING & FINANCE

CFPB Examines Goldman Cards

Investigation involves how the bank handles billing disputes, as well as its advertising

By CHARLEY GRANT

Goldman Sachs Group Inc. said Thursday that regulators are investigating business practices at its credit-card unit.

The bank said in a securities filing that the Consumer Financial Protection Bureau is looking into several areas, in-

cluding how the bank handles customer refunds and resolves billing disputes. The regulator is also looking into Goldman's advertisements and how it reports consumer information to credit bureaus, the bank said.

A Goldman spokesman said the bank is cooperating with the investigation.

A spokesman for the CFPB declined to comment.

Credit-card lending is a key part of the bank's plan to grow its consumer finance arm, which launched about six years ago. Goldman expects

the consumer bank to top \$4 billion in annual revenue by 2024, roughly double what it is on pace to bring in this year.

Goldman launched its credit-card business via a partnership with Apple Inc. in 2019. It also offers cards in partnership with General Motors Co., and CEO David Solomon said last month on an investor call that Goldman is looking for opportunities to add more.

The bank had about \$12 billion in credit-card loans outstanding at the end of June.



Workers walk toward Goldman Sachs headquarters in New York.

Apollo Reports Loss of \$2 Billion

By LUIS GARCIA AND TED BUNKER

Apollo Global Management Inc. reported its second straight quarterly loss, with a \$2 billion deficit stemming largely from rising interest rates that drove down the value of assets held by the firm's retirement-services operations.

Apollo's net loss of \$2.05 billion, or \$3.53 a share, for the second quarter came as its Athene Holding Ltd. retirement-services subsidiary bolstered Apollo's total revenue, which surged 64% to \$2.27 billion from \$1.38 billion a year earlier.

By one widely watched measure, adjusted net income—which Apollo previously called distributable earnings—the firm posted a nearly 13% gain to \$566 million, or 94 cents a share, from a year earlier.

Fee-related earnings climbed 7% to \$341.1 million from \$318.9 million a year earlier. The latest total represents a quarterly record for the New York-based firm.

"You should expect FRE to accelerate in the back half of the year and into 2023," consistent with earlier guidance, Chief Executive Marc Rowan told analysts during an earnings call Thursday.

The latest quarterly loss compares with net income of \$649 million, or \$2.70 a share, a year earlier, when Athene results weren't included, Apollo said. The firm said interest-rate increases helped produce unrealized losses on reinsurance assets held by its retirement-services operations.

For this year's first quarter, Apollo reported a loss of \$870 million, or \$1.50 a share, which was the first quarter to reflect Athene results. Apollo also cited the effects of rising rates producing unrealized losses on reinsurance assets.

Apollo's asset-management arm generated a \$195 million investment loss, compared with an \$812 million gain a year earlier. The firm's flagship

Apollo is accelerating the pace of its investments.

private-equity strategies lost 4.9% for the most recent quarter. By comparison, the S&P 500 index lost more than 16% in the same period.

Apollo expects fee-related earnings growth from expanding its existing strategies and through the launch of a new secondary-solutions strategy and the establishment of a new product for wealthy individuals linked to Athene investment holdings, Martin Kelly, Apollo's chief financial officer, and Mr. Rowan said on the call.

The firm's assets under management increased 9.1% to \$515 billion, including \$381 billion in fee-generating assets, at the end of the quarter compared with the end of June 2021. Apollo ended the most recent quarter with about \$50 billion of uncommitted capital.

Apollo is accelerating the pace of its investments, particularly in its credit business, as a retreat by traditional lenders creates opportunities for the firm, said Jim Zelter, Apollo's co-president.

"In moments like this, where levels of uncertainty are high and market volatility is elevated, we often will put significant amounts of capital to work," Mr. Zelter said. "We see a growing pipeline of attractive investing opportunities to deploy the \$50 billion of dry powder we have across our yield, hybrid and equity-investing strategies."

As an example, he mentioned a \$2 billion joint venture that Apollo formed with New Fortress Energy Inc., an energy infrastructure company focused on liquefied natural gas. The new business bought 11 LNG infrastructure vessels from New Fortress, Apollo said recently.

Overall, Apollo invested \$40 billion in the second quarter and \$175 billion during the past 12 months, Mr. Zelter said.

Glencore Profit Doubles, Fueled by Coal

By ALISTAIR MACDONALD

Commodities giant Glencore PLC said profit more than doubled in the first six months of the year, boosted by significant market volatility stirred up by macroeconomic and geopolitical events—a theme it expects to continue for markets through the rest of 2022.

The mining and trading company on Thursday reported a jump in first-half adjusted earnings before interest, taxes, depreciation and amortization—a closely watched figure—to a record \$18.92 billion, up from \$8.65 billion in the year-earlier period. Net profit in the six months ended June 30 was \$12.09 billion, up from \$1.28 billion last year.

Buoyed by the bumper earnings, Switzerland-based Glencore said it would pay

\$4.5 billion of what it called "top-up" shareholder returns, consisting of a special distribution of cash to investors and share buybacks.

The results were powered by coal prices, with earnings from this business hitting \$8.9 billion, as prices jumped as a result of Russia's invasion of Ukraine and as other energy sources became more expensive. Coal was fetching \$134 a metric ton at the start of the year and is now selling for up to \$400 a ton. Glencore's large trading arm also capitalized on the dislocations in energy markets.

"It's been a terrific financial half year for the group," Chief Executive Gary Nagle said in a call with reporters. "Global macroeconomic and geopolitical events during the half created extraordinary energy market dislocation, volatility, risk and supply disruption," he

said. Still, Glencore is also contending with the downside of geopolitical and economic turmoil, not least a fall-off in metals prices and increase in inflation, which makes mining more expensive.

\$400

Recent price for coal, per ton, up from \$134 early this year

Mr. Nagle said he has never experienced such a confluence of geopolitical and economic uncertainty in his career. He said he expects tightening financial conditions—as central banks raise interest rates—and slowing economic growth to present

uncertainty for commodity markets in the second half of the year.

Metals prices have fallen recently amid a slowdown in growth in China, the largest consumer of these commodities, and economic uncertainty in the West. Copper is down by 22% so far this year and aluminum has fallen 15%.

Mr. Nagle, though, expects energy prices to remain buoyant in the second half of 2022.

"With few short-term solutions to rebalance global energy markets, coal and LNG prices look set to remain elevated during this period, particularly given the current challenge of securing sufficient and reliable energy supply for the Northern Hemisphere winter ahead," he said.

Despite the company's earnings beating analyst forecasts, shares in Glencore were

little changed in early trading in London on Thursday.

Long a laggard among major mining companies, shares in Glencore have outperformed this year, rising 19%, after settling a series of regulatory investigations into allegations of corruption and as coal prices soared and markets stayed volatile.

Glencore said that net debt was reduced to \$2.31 billion in the first half, allowing it to boost returns to shareholders. The \$4.5 billion of top-up shareholder returns includes a special distribution of \$1.45 billion, or \$0.11 a share, and a new share buyback of \$3 billion, or \$0.23 a share. The company said those measures would lift total 2022 shareholder returns to around \$8.5 billion.

—Jaime Llinares Taboada and Joe Wallace contributed to this article.



Glencore's coal business generated \$8.9 billion in quarterly profit. The company's Mount Owen coal mine sits adjacent to rehabilitated land in Ravensworth, Australia.

Commodity Speculation Is Waning

Continued from page B1

that the fund ran out of shares to sell in early March. Regulators granted the Teucrium Commodities Wheat Fund permission to sell more shares and its assets swelled to \$723 million in May from \$86.2 mil-

lion before Ukraine was invaded. Since then, more money has flowed from the fund than into it and its assets have dropped to \$314 million.

In futures markets, the selloff began after the Federal Reserve started raising interest rates to blunt inflation by slowing consumption. The strengthening dollar, which makes commodities more expensive for importers, and fears of recession prompted traders to unwind bets on rising prices. By late July the wager had been almost entirely disabanded, according to Peak Trading.

Benchmark futures prices

for corn and wheat have dropped 24% and 27%, respectively, over the past three months. Soybean futures are down 14% in that time.

Goldman Sachs analysts say the selloff has been "de-linked from physical fundamentals and driven by financial liquidation."

JPMorgan analysts say the collapse "is masking profound dislocations in global agricultural trade flows and in no way alleviates the risks of physical supply shortages through 2023." They say that prices have dropped below production costs and estimate

that there is 20% to 30% upside in grain prices due to supply issues.

The risks include the continuing war in Europe, dicey growing weather and inventories that remain low around the world.

Though Ukraine this week shipped out its first cargo of grain since Russia invaded, analysts warn that the pact allowing safe passage of food from the Black Sea could fall apart. Even if it holds it will take months to clear the backlog of grain siloed in the country. The U.S. Department of Agriculture predicts

Ukraine will export about half the tonnage of grains and seeds this season as it did the last.

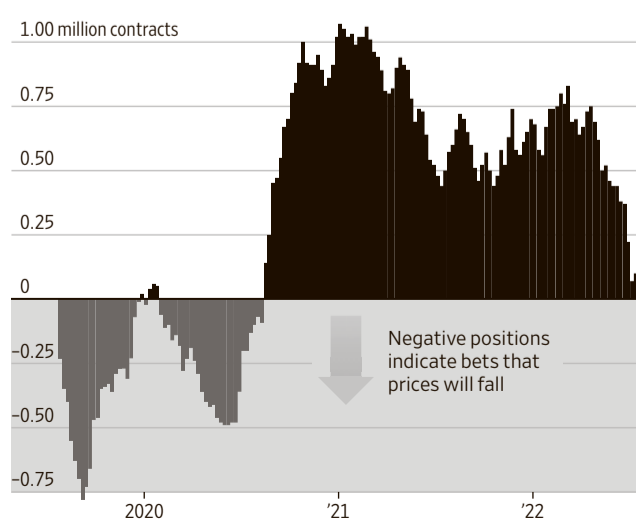
Meanwhile, some of the hottest summer weather on record and drought are threatening U.S. crops.

"Corn, soy and spring wheat conditions have declined near-continuously for the past six weeks," Goldman analysts wrote in a report Wednesday, estimating that a decrease of 2% to 3% in U.S. crop yields could push corn and soybean inventories relative to consumption to record lows.



Corn futures prices have dropped 24% over the past three months. An Ohio farmer transfers corn.

Weekly net positions of hedge funds and other speculators in agricultural futures



Source: Peak Trading Research

MARKETS

Nasdaq Advances, But Dow, S&P Fall

Yield on 10-year Treasuries falls after Bank of England cuts its key interest rate

By JOE WALLACE
AND VICKY GE HUANG

Stocks closed mixed as investors considered a fresh batch of corporate earnings reports and the number of Americans applying for unemployment benefits increased.

THURSDAY'S MARKETS
The S&P 500 lost 3.23 points, or less than 0.1%, to 4151.94. The technology-focused Nasdaq Composite added 52.42 points, or 0.4%, to 12720.58. The Dow Jones In-

AUCTION RESULTS

Here are the results of Thursday'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.

FOUR-WEEK BILLS	
Applications	\$157,437,271,800
Accepted bids	\$58,506,754,700
* noncompetitively	\$1,422,000,900
* foreign noncompetitively	\$0
Auction price (rate)	99.835889 (2.110%)
Coupon equivalent	2.143%
Bids at clearing yield accepted	31,415
Cusip number	912796XU8
The bills, dated Aug. 9, 2022, mature on Sept. 6, 2022.	

EIGHT-WEEK BILLS	
Applications	\$130,125,742,900
Accepted bids	\$53,187,897,900
* noncompetitively	\$541,069,700
* foreign noncompetitively	\$0
Auction price (rate)	99.645333 (2.280%)
Coupon equivalent	2.320%
Bids at clearing yield accepted	73,315
Cusip number	912796Y17
The bills, dated Aug. 9, 2022, mature on Oct. 4, 2022.	

dustrial Average shed 85.68 points, or 0.3%, to 32726.82.

Treasury yields fell, extending a spell of volatility as investors weighed high inflation and rising interest rates against a worsening outlook for the economy. The yield on 10-year Treasury notes fell to 2.674% from 2.747% Wednesday, a decline that accelerated after the Bank of England forecast a prolonged recession in the U.K.

Coinbase Global surged \$8.09, or 10%, to \$88.90 after the cryptocurrency exchange announced a partnership with money manager BlackRock. **Lucid Group** fell \$2, or 9.7%, to \$18.56 after the electric-vehicle maker cut its forecast for car production. **Clorox** lost \$6.81, or 4.7%, to \$137.76 after the cleaning-product manufacturer posted flat revenue for its latest quarter.

Eli Lilly lost \$8.04, or 2.6%, to \$305.79 after the pharmaceuticals company said revenue fell in the second quarter. **Alibaba's** New York-listed shares rose \$1.71, or 1.8%, to \$97.43 after the Chinese e-commerce company posted results.

Stocks have ripped higher in recent weeks, pushing the S&P 500 13% higher from its mid-June low. Broadly positive earnings reports, coupled with signs that some drivers of the inflation surge are easing, have boosted the partial recovery in stocks after a difficult first six months of the year.

"We are getting some updated outlook from a lot of the

management of these companies, it wasn't as pessimistic as some had feared," said Shawn Cruz, head trading strategist at TD Ameritrade. "I think the worst-case scenario has been pulled off the table and that's bringing some buyers back into the market."

But some investors say volatility is likely to return, especially if the slowing economy begins to take a toll on the outlook for corporate earnings later in the year.

Some money managers also say markets have been overly eager in predicting that the Federal Reserve will stop raising interest rates and then cut them next year.

"We could be in a bit of a bear-market rally," said Desmond Lawrence, senior investment strategist at State Street Global Advisors.

Investors appear to be reasoning that slowing economic growth will pull the Fed back from raising interest rates, which would boost the price of stocks and bonds, Mr. Lawrence said. "That might be a little bit premature," he said, adding that expectations of corporate earnings "are pretty elevated for what seems to be turning into a slowdown."

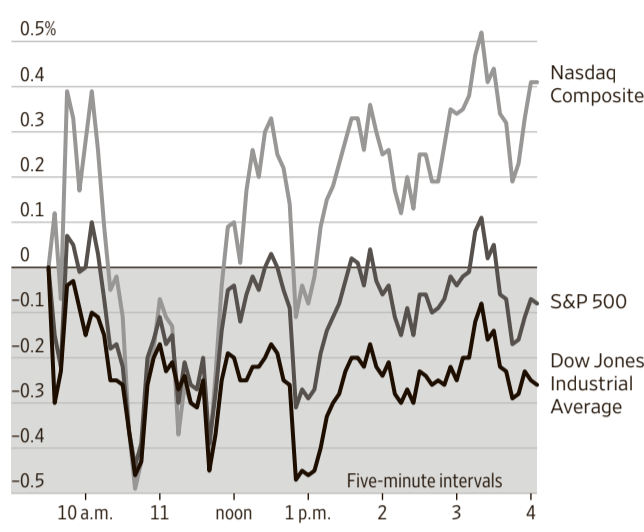
Saira Malik, chief investment officer at Nuveen, said market expectations of Fed rate cuts in early 2023 are "optimistic."

"We think the Fed will have to continue to increase rates for the foreseeable future until



Lucid shares fell after the EV maker cut its production forecast. A Lucid factory in Casa Grande, Ariz.

Index performance Thursday



Source: FactSet

inflation gets to a much lower level," Ms. Malik said. "And it could take a recession in order for us to get there."

The Bank of England raised its key interest rate by a half percentage point, the largest

single step in more than a quarter-century. The central bank's move follows the Fed in giving priority to the fight against inflation over the risk of hurting growth.

On the economic front, trad-

ers will be able to parse July's jobs data on Friday. Economists surveyed by The Wall Street Journal expect the Labor Department to report 258,000 jobs added.

On Thursday, the Labor Department said the number of people applying for unemployment benefits rose to 260,000 at the end of July, up 6,000 from the previous week. New filings fell as low as 166,000 in late March but have edged up as the economy has slowed.

Mortgage rates dropped to their lowest level since April. The average rate on a 30-year fixed-rate mortgage is 4.99% this week, down from 5.30% a week earlier.

In overseas markets, the Stoxx Europe 600 rose 0.2%, led by shares of retailers and travel and auto companies.

Early Friday, Japan's Nikkei 225 was up 0.7%, Hong Kong's Hang Seng Index was down 0.1% and the Shanghai Composite was up 0.1%. S&P 500 futures rose 0.3%.

KKR Sets Equity-Research Deal With Loop Capital

By CORRIE DRIEBUSCH

KKR & Co. is teaming up with a Chicago investment firm to get access to equity research the private-equity firm hopes will help it win more stock-underwriting assignments.

KKR agreed to team up with **Loop Capital Markets**, whose equity-research team will be available to cover the buyout firm's portfolio companies and other private clients going public, officials of the firms said.

Underwriting initial public offerings and other stock sales has become a big business for KKR, a pioneer in leveraged buyouts. Private-equity firms traditionally hired investment banks such as Goldman Sachs Group Inc. or Morgan Stanley to underwrite the stock and debt sales of their portfolio companies, and paid billions of dollars for the services.

But in 2009, KKR underwrote the IPO of Dollar General Corp., which it owned. Since then, it helped under-

write hundreds of debt and equity deals, winning top slots even in some cases for companies it didn't own, such as in Endeavor Group Holdings Inc.'s 2019 IPO.

Though the IPO market is the quietest it has been in more than a decade, in boom times such as a record-breaking year like 2021 equity-capital-markets fees can be huge.

That year, KKR's capital-markets revenue was \$847 million, more than 4.5 times what it brought in five years ago.

Still, KKR hasn't been able to cover the landscape of issuers as comprehensively as a full-service bank after it made a conscious decision to not expand into other traditional brokerage businesses like equity sales and trading or research, which are capital intensive and have narrow margins.

KKR hopes the partnership will help change that, and increase the number of new equity-capital assignments it can win outside of its portfolio

companies, according to Adam Smith, co-head of credit and capital markets at the firm.

"As we're marketing ourselves to a broader range of issuers, equity research makes us more competitive," Mr. Smith said.

Loop Capital is a Black-owned investment bank, brokerage and advisory firm, which KKR hopes will help expand its diversity efforts.

Loop first worked on a deal alongside KKR in 2011, when it was part of the team that ad-

vised on the IPO of media company Nielsen Holdings, then a KKR portfolio company. Loop, which has since grown to count 22 publishing research analysts, went on to underwrite about 15 deals with KKR over the years.

"What I'm excited about here is being able to have ongoing dialogue between transactions," said Jim Reynolds, Loop Capital's chief executive officer.

—Miriam Gottfried
contributed to this article.

U.S. Oil Prices Fall Below \$90 A Barrel

By HARDIKA SINGH

U.S. oil prices have fallen below \$90 a barrel for the first time since Russia invaded Ukraine. Analysts say weakening demand for gasoline is one key factor.

While gasoline demand for July was slightly above levels for July 2020, when the pandemic kept many drivers off the roads, it was still lower than every other July since 1997, according to a recent Standard Chartered note. Summer is peak driving season, with families fueling up for road trips or visits to the beach. It is also when high prices can weigh the most on demand, since a lot of consumption is discretionary, as opposed to fuel that is burned year-round by people making necessary trips to school, work and the supermarket.

Front-month West Texas Intermediate crude futures fell 2.3% to \$88.54 a barrel Thursday, their lowest settlement value since Feb. 2.

"We've never seen \$5 a gallon before and the shock and awe hit Americans very hard, and we did see demand destruction because of the record prices," said Patrick De Haan, head of petroleum analysis at GasBuddy.

The average price per gallon of unleaded regular gasoline has been on a seven-week slide and is now below \$4 a gallon in 20 states. Mr. De Haan said a few stations have started to post prices of \$2.99 a gallon.

The shift joins worries about a slowing economy in dragging West Texas Intermediate futures down from their recent highs near \$120 a barrel.

Muni Market's Transaction Costs Remain High

By HEATHER GILLERS

Municipal bond dealers set prices well above what they pay for the securities, reaping windfalls at the expense of individual investors despite recent regulation aimed at curbing markups, according to an academic study of trading data released Thursday.

"Dealers appear to use their pricing discretion to charge higher markups to small customers when investors are less likely to notice," wrote the study's authors, John Griffin and Samuel Kruger of the University of Texas at Austin, and Nicholas Hirschev of the Universidade NOVA de Lisboa.

State and local governments sell bonds in the roughly \$4 trillion municipal market to finance infrastructure such as roads, sewers and high schools. Most of the debt is held by households, either directly or through mutual or exchange-traded funds. The interest is typically exempt from federal and often state taxes, attracting high-net-worth individual investors.

Unlike in the stock market, there is no publicly searchable daily price information for municipal bonds. Muni borrowers and investors typically rely on the dealers in the middle of each trade—buying bonds from a government or an investor and selling them to another investor—to propose prices for the securities.

A 2019 Wall Street Journal investigation found that customers who bought newly issued bonds were immediately turning around and reselling them to dealers for higher prices than the original government issuer got. The bonds were then resold at even higher prices by the dealers, who often included the banks initially hired to price and sell the bonds, the Journal found.

Messrs. Griffin, Hirschev and Kruger studied markups on bonds purchased by cus-



State and local governments sell bonds to finance infrastructure such as high schools. The new Edward Little High School, in Auburn, Maine, under construction.

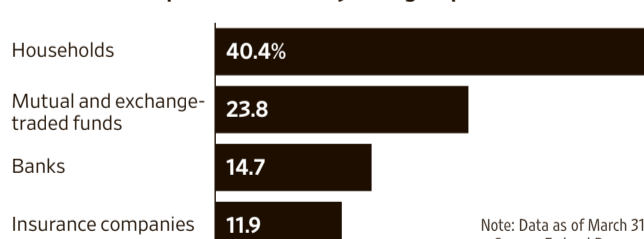
tomers—often individual investors buying in small quantities—from dealers. The researchers measured the difference between a bond's cost to the dealer and the price at which the customer purchased the bond and found that markups remain high and vary widely from customer to customer.

Even when the same dealer sold the same bond on the same day, researchers found a difference in price of 1% or more 18% of the time for bonds that changed hands within the first two weeks of trading, typically the most active trading period. The finding held even when they looked only at trades of the same size within the same hour.

"Customers should approach brokers with a high level of caution," Messrs. Griffin, Hirschev and Kruger wrote. "Some dealers provide customers with low and consistent markups, but this does not appear to be the industry norm."

The researchers found the highest markups on small trades, where customers are more likely to be amateur in-

Share of municipal market held by each group



Note: Data as of March 31
Source: Federal Reserve

vestors.

In response to the researchers' findings, the Municipal Securities Rulemaking Board, the muni market's self-regulatory organization, pointed to its own research showing that markups have shrunk over time. That 2019 study, which Messrs. Griffin, Hirschev and Kruger reference and cite in their paper, found the average difference between dealer and customer prices on a given bond had shrunk from about 1.4% to 0.66% over seven years.

The paper by Messrs. Griffin, Hirschev and Kruger found evidence that particularly on small trades, dealers exploit customer's lack of sophistication, for example the perception that a 3.01% yield is much higher than a 2.99% one.

Among recently issued, frequently traded bonds, yields were three times as likely to be just above an exact percentage point than just below one, and those just above had higher markups, the researchers found.

Their conclusion: "Dealers are raising prices as much as they can without reducing yields below percentage point thresholds."

For the period running from July 2011 to December 2017, markups of more than 1% on customer purchases of bonds amounted to \$1.83 billion and markups of more than 2% came to \$479 million, the researchers found.

Brokers say muni trades involve special risks and difficulties. The market has an es-