

What's News

Business & Finance

- Federal Reserve officials agreed to hold interest rates steady after 10 consecutive increases but signaled that they were prepared to raise rates next month if the economy and inflation don't cool more. A1
U.S. stock indexes ended mixed in the wake of the Fed's policy meeting, with the S&P 500 and Nasdaq edging up 0.1% and 0.4%, respectively, while the Dow fell 0.7%. B11
Yields on shorter-term U.S. government bonds reversed earlier declines Wednesday, with the two-year Treasury note settling at 4.707%, up from 4.694% Tuesday. B1
West Coast dockworkers reached a tentative labor deal with port employers following more than a year of contentious negotiations that have disrupted trans-Pacific trade. B1
The European Union's parliament voted to push forward draft legislation, called the AI Act, that is positioned to be the West's first comprehensive set of artificial-intelligence regulations. B4
Europe's top antitrust regulator said it might seek the breakup of Google's ad-tech business as it charged the tech giant with abusing its dominance of the online advertising technology industry. B4
Shell CEO Wael Sawan said that the London energy giant would ratchet back low-profit clean-energy investments while pumping more fossil fuels. B3
The Biden administration is setting the stage for large companies to start buying clean-energy tax credits, kick-starting a new market at the core of last year's climate law. A3

Fed Pauses Rate Hikes but Signals More

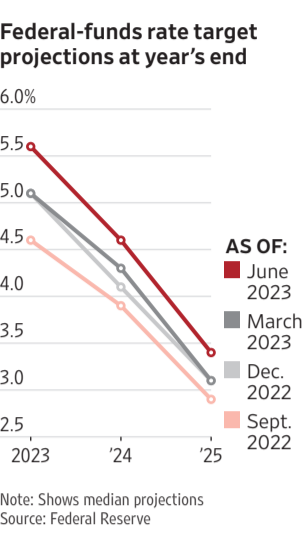
Most officials project two further increases in 2023 as inflation, growth stay elevated

WASHINGTON—Federal Reserve officials agreed to hold interest rates steady after 10 consecutive increases but signaled they were prepared to raise rates next month if the economy and inflation don't cool more.
New economic projections, released Wednesday after their two-day policy meeting,

strongly suggested officials were leaning toward slowing down their increases rather than stopping them. Most officials penciled in two more rate increases this year, which would lift them to a 22-year high, and boosted expectations for growth and inflation.
'They really needed to hammer home the message that this was not the end, which they did,' said Diane Swonk, chief economist at KPMG.
In its postmeeting statement, the Fed implied the decision to maintain the benchmark federal-funds rate in a range between 5% and 5.25% might be short-lived.

After holding the fed-funds rate near zero following the Covid-19 pandemic, the Fed had raised the rate at every meeting since March 2022 by a cumulative 5 percentage points, the most rapid series of increases since the 1980s. Officials slowed their increases this year, lifting the rate by a quarter percentage point at their past three meetings, most recently in May.
Wednesday's decision not to raise rates 'is a continuation of that process,' said Fed Chair Jerome Powell at a news conference. Given how much closer officials believe they are to their final destination, 'it's

common-sense to go a little slower.'
Stocks ended the day mixed. The S&P 500 rose 0.1%, while the Nasdaq Composite gained 0.4%. The blue-chip Dow Jones Industrial Average fell 0.7%, or 233 points, but most of that decline came from a 6.4% drop in UnitedHealth Group shares. The yield on the benchmark two-year Treasury note settled at
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Greg Ip: Markets tell Fed its work isn't done..... A2
S&P 500, Nasdaq edge higher, Dow slips..... B11
Heard on the Street: End of tightening still in sight.. B12



Italy Bids Farewell to Flamboyant Former Leader



POMP: Pallbearers carry the coffin of former Italian Prime Minister Silvio Berlusconi during his state funeral in Milan on Wednesday. Berlusconi died Monday at the age of 86 having been under treatment for a chronic form of leukemia. A9

U.S. Begins Quiet Push To Reduce Tensions With Iran

WASHINGTON—The Biden administration has quietly restarted talks with Iran in a bid to win the release of U.S. prisoners held by Tehran and curb the country's growing nuclear program, people close to the discussions said.
As contacts between the two sides resumed, Washington also approved 2.5 billion euros, equivalent to \$2.7 billion, in payments by the Iraqi government for Iranian electricity and gas imports, U.S. and Iraqi officials said. The money had been frozen by U.S. economic sanctions.
U.S. officials described the transfer of funds as routine and unrelated to the discussions. Similar funds have been released in the past, though this time it was done in euros and not local currencies.
After discussions started between senior U.S. and Iranian officials in New York in December, White House officials have traveled to Oman at least three times for further indirect contacts, the people said. Omani officials passed messages between the two sides.
President Biden took office pledging to revive an international nuclear pact that imposed limits on Iran's nuclear programs in exchange for the removal of economic sanctions, before declaring in November that such a deal was dead. The U.S. withdrew from the pact under former President Donald Trump.
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Japanese Taxi Scion Takes Fight To Uber

TOKYO—Uber Technologies has been outmaneuvered in one of the world's largest taxi markets by the man known as Japan's taxi prince.
Ichiro Kawanabe is chairman of Japan's biggest taxi company, founded by his grandfather nearly a century ago. People in the industry have said that over the past decade the taxi-dynasty scion has played a central role in keeping Uber from pole position in the \$17 billion market.
First he campaigned to make ride-hailing apps work only with licensed Japanese taxis. Then Kawanabe started his own taxi-hailing app called Go, and some taxi operators said he pushed them to avoid becoming partners with Uber.
Go said it now controls nearly three-quarters of the Japanese mobile ride-hailing market. The rest is largely split among Uber and two other companies. Go recently drew investment by Goldman Sachs.
'Go is uniquely designed for Japan and to work within its regulatory environment,' said Stephanie Hui, Goldman's global co-head of growth equity.
Kawanabe is chairman of Go, which declined to make him available for comment.
Uber said it is investing and growing in Japan, including with its successful Uber Eats business. The market will continue to be a large part of its global mobility strategy, it said.
Local players in other markets overseas have also had success in combating Uber after observing the company's rise in the U.S.
In South Korea, regulators blocked Uber-style private-car ride-hailing services, and local app Kakao Taxi rose to dominance capitalizing on ties with the domestic taxi industry. Homegrown players similarly
Please turn to page A6

Rift Widens Between GOP And Big Corporate Donors

WASHINGTON—Once considered natural political allies, the Republican Party and big business are drifting apart. One sign of their estrangement: GOP lawmakers are wearing themselves off money from corporate political-action committees.
Republicans are now less dependent on corporate and industry PACs than at any time in the past three decades, according to a Wall Street Journal analysis based on data from the nonpartisan Center for Responsive Politics. Instead, they are turning to smaller donations from millions of individuals who tend to be wary of big-business priorities such as free trade.
Conservatives say the fault for the breakup lies with CEOs who increasingly meddle in politics by taking progressive stances on divisive social issues. Executives who had hoped such rancor would fade when Donald Trump left office are now facing a hostile GOP in Congress.
Republicans have emerged as the unlikely champions of reining in industries from Big Tech to Wall Street. Some are taking up causes once associated with old-school Democrats, advancing bills that give more power to the federal government to raise wages for blue-collar workers and lower drug costs for consumers.
'Gone are the days that Republicans are going to sit on the sidelines as big behemoths take advantage of the American people,' said Sen. Marsha
Please turn to page A4

World-Wide

- The Biden administration has quietly restarted talks with Iran in a bid to win the release of U.S. prisoners held by Tehran and curb the country's growing nuclear program, people close to the discussions said. A1
Garland defended special counsel Smith in his first public comments since the federal indictment of Trump, who has lashed out at prosecutors and called himself the victim of a political prosecution. A5
Russia unleashed a barrage of missiles and drones in southern and eastern Ukraine, killing at least six people, as Moscow seeks to undermine Kyiv's efforts to retake occupied territory in a counteroffensive. A8
China's foreign minister put the onus on the U.S. to improve ties between the two global powers in a phone call with Blinken ahead of the secretary of state's visit to Beijing. A10
Nearly three dozen U.S. senators wrote a letter to Wall Street Journal reporter Evan Gershkovich, expressing their 'profound anger and concern' over his detention by the Russian government. A8
Southern Baptists overwhelmingly reaffirmed a prohibition on women serving as pastors, rebuffing one of their most prominent ministers. A6
The Marine Corps veteran who placed Jordan Neely in a fatal chokehold on a New York City subway was indicted on a second-degree manslaughter charge, according to a person familiar with the matter. A3
Died: John Romita Sr., 93, Marvel Comics artist. A6
Robert Gottlieb, 92, celebrated literary editor. A2

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INSIDE



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BUSINESS & FINANCE
A lawsuit from a group of music publishers says Twitter infringed copyrights. B1

Pre-Wedding Hurdle: A Splashy, \$4,500 Proposal
In South Korea, 'marry me?' is asked at a glitzy hotel, with a new Chanel handbag

BY DASL YOON
SEOUL—As Oh Hae-rim started looking toward marriage, she bristled when she thought about the financial extravagance such a milestone would entail. She planned to be satisfied with a modest ring and to hunt around for a reasonable wedding hall.
But the 29-year-old office worker did have her heart set on one luxury: her next set on a swanky hotel where her future husband would pop the question.
The number of South Korean marriages has sunk to an all-time low as the population shrinks and fewer view marriage as necessary. Likely not helping is a wedding trend
Please turn to page A11

How a Russian Surrendered To a Ukrainian Drone

Trying to survive bombardment, draftee begged camera to stop bombs
KUPYANSK, Ukraine—Russian draftee Ruslan Anitin was being hunted by Ukrainian drones dropping small bombs. For hours, he scurried up and down a narrow trench.
of Bakhmut. Col. Pavlo Fedosenko conferred with other officers, then sent an order over the radio to the drone pilots.
Try to take him alive.
If Anitin's experience is any indication, Russian morale appeared to be fraying even before the recent Ukrainian counteroffensive began. A Ukrainian hotline for Russians who want to surrender has received more than 17,000 inquiries since September, Ukrainian officials said. Ukrainian officials show draftees pleading for more equipment and their wives back home complaining that they are ill-equipped and under heavy bombardment at the front despite be-
Please turn to page A12
Russian strikes kill at least six in Ukraine..... A8



U.S. NEWS

CAPITAL ACCOUNT | By Greg Ip

Markets to Fed: Your Work Isn't Done



Federal Reserve officials took a break from raising interest rates Wednesday because they think monetary policy is already plenty tight.

To which the markets say: no, it ain't.

The Fed's mission has been to get interest rates high enough to slash inflation from its current 4%-to-5% range to 2%, even if that means pushing the economy into recession and unemployment higher. If the Fed had succeeded, you probably wouldn't be seeing these things: stocks entering a new bull market, a rebounding housing market or long-term Treasury yields well below the inflation rate.

In other words, the premise behind the Fed's pause is suspect. Yes, interest rates are up a full 5 percentage points since early 2022, the steepest pace of increases since the 1980s. Despite that, monetary policy simply isn't very tight, and that explains why the economy remains stronger and inflation is more stubborn than Fed officials expected.

On Wednesday, Fed chair Jerome Powell conceded as much, telling reporters, "You're just not seeing a lot of progress" on inflation. Fed officials now see core inflation ending this year at 3.9%, up from 3.6% in their March fore-

casts. As a result, they expect to raise interest rates twice more this year.

The problem is global. The Reserve Bank of Australia and Bank of Canada had both raised rates rapidly, then paused to await an economic slowdown and lower inflation. Neither happened, and both resumed raising rates in recent weeks.

Monetary policy appears tight because the Fed has raised the nominal federal-funds rate so much—from near zero to a range between 5% and 5.25%. The Fed paused this week because of "how far and how fast we've moved," Mr. Powell said.

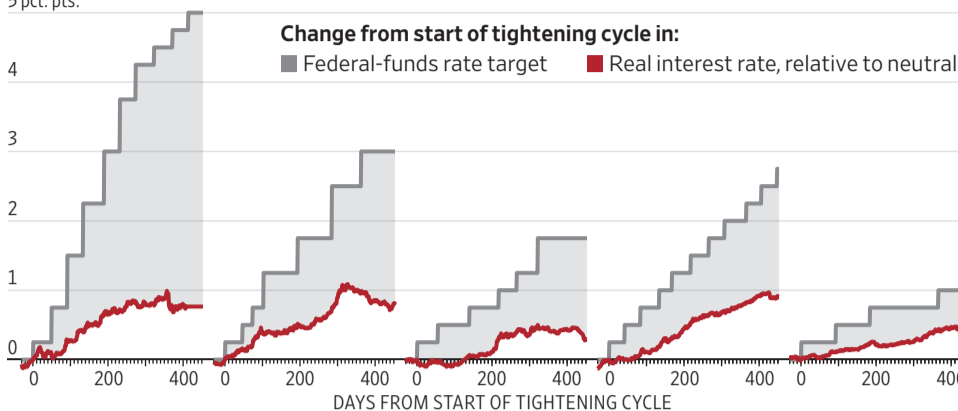
But it's the real (inflation-adjusted), not nominal, rate that matters for the economy, and that has risen much less because inflation is higher than in previous cycles.

The level of real rates depends on the inflation rate used. Based on the 5.3% increase in consumer prices excluding food and energy in the past 12 months, the real rate is around zero.

Using inflation-protected Treasury bond yields, Benson Durham, an analyst at Piper Sandler, estimates that the real rate is now about 1.4%.

The Fed considers a real rate of 0.5% neutral, meaning it neither stimulates nor slows

An extremely steep interest-rate cycle, in nominal terms, but a not so steep increase in real rates



economic activity. Anything above that is seen as restrictive enough to nudge unemployment higher and inflation lower. That said, a real rate of 1.4% isn't that restrictive. The real rate was higher before every previous recession at least since 1960.

Unlike nominal rates, the real rate has risen less relative to neutral than in 1994 and 2004, though more than in 1999 and 2016, Durham calculates. "Not much to write home about," he says.

Typically, when the Fed raises short-term rates, stock prices fall, and long-term bond yields and the dollar rise. It's this tightening of

conditions more broadly, not a rise in short-term rates alone, that slows the economy. That happened for the first six months of Fed tightening.

But since October, all have changed direction. The S&P 500 is up 22% since last fall's low. This reflects excitement about artificial intelligence, and a higher price/earnings ratio, meaning investors are willing to pay more for a dollar of future profits. That, in turn, is due to a decline in the 10-year Treasury yield, which is now well below both short-term interest rates and the inflation rate, a relatively unusual configuration.

Behind the rally in stocks is

a belief that inflation will soon plummet as pandemic-related distortions of prices for cars, apartment rents and houses all reverse, and that the economy will slow in response to past rate increases and moves by banks to tighten lending as deposits flee to money-market funds and investors lose confidence.

Then, the Fed will cut interest rates, the thinking goes. It's not a crazy scenario, one with which Fed officials sympathize. Many argued in favor of a pause because monetary policy operates with lags. If you squint, you might see signs of those lagged effects. Inflation stripped of

pandemic-era distortions did cool in May. Banks are tightening lending. Real gross domestic product grew 1.6% in the year through March, a tad below what Fed officials consider its long-run rate, and unemployment rose to 3.7% in May from 3.4%.

But rather than slowing further, the economy seems to be chugging along. The Fed raised its projection for growth this year to 1% from 0.4% in March. The housing market, usually a key channel through which Fed tightening affects growth, crumpled last year but is now recovering. With so many homeowners unwilling to move and give up their low mortgage rates, demand is being channeled into newly built homes. As a result, construction employment is growing briskly and shares of home builders are on a tear. Much of this is because financial conditions remain easy.

If the Fed had hoped to tighten financial conditions with Wednesday's warning of higher rates to come, it failed. The S&P 500, after initially diving on the Fed's announcement, finished higher on the day. Treasury yields initially rose, then ended lower. Weirdly, the more investors bet on a soft landing, the less likely one becomes.

Central Bank Keeps Rate Steady

Continued from Page One
4.707%, according to Tradeweb, up from 4.694% Tuesday.

The Fed fights inflation by slowing the economy through raising rates, which causes tighter financial conditions such as higher borrowing costs, lower stock prices and a stronger dollar.

Officials had signaled growing disagreement in recent weeks over whether to keep raising rates. Some officials became more doubtful in March of the need to lift rates more after the run on Silicon Valley Bank, which resulted in a total of three failures of midsize banks. They judged that the increase in funding costs for many other banks risked a credit crunch that would allow them to raise rates by less than otherwise.

"We don't know the full extent of the consequences of the

banking turmoil that we've seen," Powell said on Wednesday. "It would be early to see those."

Other Fed officials have expressed more concern that inflation, hiring and consumer spending haven't slowed more.

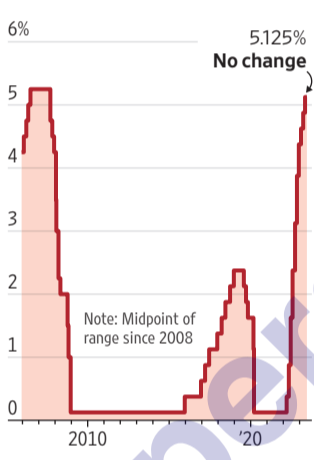
Powell and some colleagues had hinted at a potential compromise last month in which officials would forgo a June rate rise while leaving open the prospect of an increase at their July 25-26 meeting.

"The bank failures in March are leading the Fed to hike less aggressively than they would have otherwise," said Dean Maki, chief economist at hedge fund Point72 Asset Management. "It is defensible to slow down the pace of hiking at this point. But it does make communication more difficult."

Because recent economic data on hiring and inflation has been stronger than anticipated by many forecasters, the logic behind raising rates this week and then holding steady in July would have been more straightforward and easier to explain, Maki said.

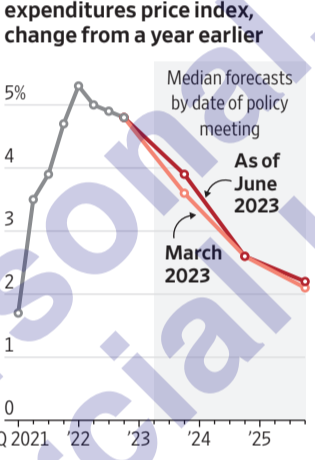
"What they're doing, exactly, is less clear," Maki said. "It's not clear what the criteria

Federal-funds rate target



Sources: Federal Reserve via St. Louis Fed (rate), PCE forecasts; Commerce Department (actual PCE)

Core personal-consumption expenditures price index, change from a year earlier



are for when the next hike would be. It seems to come down to how they're feeling at each meeting."

The projections Wednesday showed 12 of 18 officials think they will need to raise rates to between 5.5% and 5.75% this year—or higher—if the economy performs in line with their expectations. That would imply two additional quarter-point increases at any of four meetings later this year.

Four other officials projected rates would need to go

up by only a quarter point. Two anticipated rates could stay at their current levels for the rest of the year.

In March, most officials projected no further increases after lifting the fed-funds rate to its current level.

Powell has kept the committee united since inflation surged two years ago, with only one dissent since the central bank began unwinding its pandemic-era stimulus policies at the end of 2021. Wednesday's decision was also unanimous.

Officials' projections penciling in two further increases this year, which was more aggressive than many interest-rate strategists had anticipated, offered a way to unite hawkish Fed officials who would have favored lifting rates this week and those who were more dovish, including Powell, who wanted to wait, Swank said.

"This was the ultimate way that Powell corralled the cats, yet again," she said. "He clearly is more dovish than some of his colleagues right now, but by all but guaranteeing a July rate hike, he was able to keep everyone on the same page."

Powell offered few clues about what would lead the central bank to raise rates next month. Some analysts said Powell's decision to forgo a rate rise Wednesday would prove to be a mistake.

"It will be harder next time to raise rates than they realize," said Vincent Reinhart, a former senior Fed economist who is now chief economist at Dreyfus and Mellon. "The data probably will be a little bit more ambiguous. Their headline explanation is that they will know much more in six weeks, but the fact

is they won't know much more in six weeks. Chances are, they'll be more confused in six weeks."

The economy has shown only modest signs of cooling. The share of workers voluntarily leaving their jobs has returned closer to pre-pandemic levels, suggesting the tight labor market has eased a bit.

But steady hiring and wage gains could sustain elevated inflation. The Fed's preferred inflation gauge, the personal-consumption expenditures price index, rose 4.4% in April from a year earlier, down from 5.4% in January. Core prices, which exclude volatile food and energy prices, have been more stubborn. On a year-over-year basis, they rose 4.7% in April, 4.6% in March, and 4.7% in February and January. The Fed targets 2% inflation over time.

The housing market—one of the sectors hardest hit initially by last year's rate increases—has seen some improvement, illustrating how difficult it has been for the Fed to slow the economy and to balance supply and demand. The S&P 500 in recent days has edged up to 2023 highs, powered by big tech stocks that slumped last year.

U.S. WATCH



OLD GLORY: The George Washington Bridge in New York City was in the proper spirit for Flag Day on Wednesday.

PHILADELPHIA

AFL-CIO Set to Endorse Biden

President Biden is expected to be endorsed by the AFL-CIO this week ahead of a Saturday union rally in Philadelphia, according to people familiar with the process, marking the earliest presidential endorsement in the labor federation's history as the two major parties battle over working-class voters.

The AFL-CIO, which includes 60 unions representing more than 12.5 million workers, has long supported Democratic presidents and presidential nominees. While its support of Biden has been widely anticipated, the endorsement will land more than 16 months before the 2024 election.

—Ken Thomas

MIAMI

Mayor Enters GOP Contest

Miami Mayor Francis Suarez, one of America's few Republican big-city mayors, on Wednesday entered the crowded race for the 2024 GOP presidential nomination.

Suarez filed paperwork with the Federal Election Commission indicating his plans to run ahead of a speech Thursday evening at the Ronald Reagan Presidential Library in California.

There will now be three Florida residents in the GOP contest. The two others, former President Donald Trump and Gov. Ron DeSantis, are the leading contenders in national polls. The mayor is the only Latino so far in a field of Republican candidates

—John McCormick

CONGRESS

Push on to Let Older Pilots Fly

Lawmakers are advancing a push to allow pilots to fly beyond the current mandatory retirement age of 65.

The House Transportation Committee on Wednesday backed a measure to raise the mandatory retirement age for commercial airline pilots to 67 as the industry grapples with a shortage of aviators. By a vote of 32-31, the panel decided to include the provision as an amendment to a proposed bill to reauthorize the Federal Aviation Administration's programs for the next five years.

The move sets up a fight with unions that represent pilots, which oppose to raising the mandatory retirement age.

—Alison Sider

OBITUARY

Literary Editor Dies at 92

One of the greatest literary editors in modern times, Robert Gottlieb, died Wednesday. He was 92.

Gottlieb had one of the most remarkable runs of any editor after World War II, helping shape the modern publishing canon. His projects included Joseph Heller's "Catch-22" and fiction by future Nobel laureates Toni Morrison and V.S. Naipaul. He also edited spy novels by John le Carré, science thrillers by Michael Crichton and Robert Caro's "The Power Broker" and Lyndon Johnson books. Caro said in a statement that he remembers "how Bob was always, always, for half a century, there for me."

—Associated Press

CORRECTIONS & AMPLIFICATIONS

The magistrate judge for Donald Trump's arraignment Tuesday ordered the former president and his aide and former valet, Walt Nauta, who also was charged, to have no communications about the case with each other or with a list of people the government identifies as witnesses. In some editions Wednesday, a Page One article about the arraignment incorrectly said they were to have no communications with each other or with a list of people the government identifies as wit-

nesses in the case.

Some U.S. intelligence agencies, military units and federal law-enforcement agencies buy highly revealing personal information about Americans. A U.S. News article on Tuesday about commercially available information incorrectly said they also sell the information.

In some editions Wednesday, a photo caption with a U.S. News article about the 2024 presidential election mis-

spelled the first name of Beth Nye's son, Jacob, as Jacon.

Angelita Baeyens is vice president of international advocacy and litigation at Robert F. Kennedy Human Rights. In some editions Wednesday, a World News article about the deaths 11 years ago of two Cuban rights activists incorrectly said Baeyens is a lawyer for the Inter-American Commission on Human Rights.

Modelo Especial in May was the leading U.S. beer by

dollar sales. In some editions Wednesday, a headline with a Business News article about the U.S. beer market incorrectly said Modelo Especial took the top spot in sales volume.

Mark Stone scored a short-handed goal for the Vegas Golden Knights in the first period of Tuesday's Stanley Cup Final game. In some editions Wednesday, a Sports article about the game incorrectly said a short-handed goal occurred in the second period.

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U.S. NEWS

Rules Set For Green Tax Credits

By RICHARD RUBIN

WASHINGTON—The Biden administration is setting the stage for large companies to start buying clean-energy tax credits, kick-starting a new market at the core of last year's climate law.

The system is designed to bring fresh sources of capital to projects that produce wind energy, solar power, clean hydrogen and batteries, among others. President Biden, his advisers and many climate analysts see using tax credits to expand the number of investors in clean-energy projects as critical to meeting U.S. emissions-reductions targets.

The Treasury Department on Wednesday proposed rules explaining how clean-energy developers can sell the credits. The government also issued related rules so that state and local governments, nonprofits, universities and tribes can claim tax credits, even though they don't pay income taxes.

Many companies that generate clean energy don't make enough profit to use all of the tax credits they could claim. Under the new rules, a utility-scale solar installation could sell its tax credits to a tech company that had no involvement in the project but was looking for a lower tax bill. A school district, meanwhile, could get a direct cash payment for buying electric vehicles, equal to the tax credit a for-profit entity could get.

The previous path to monetizing otherwise unusable tax credits was a relatively clunky system known as tax-equity financing. It requires significant transaction costs and mostly attracted interest from banks and insurance companies. Market participants have been negotiating simpler tax-credit transfers since the passage of the new climate law, but they have been waiting for the government's rules to finish those deals.

—Amrith Ramkumar contributed to this article.

Man Indicted In Chokehold Subway Death

By JAMES FANELLI AND JIMMY VIELKIND

Daniel Penny, the Marine Corps veteran who placed Jordan Neely in a fatal chokehold on a New York City subway, was indicted by a grand jury on a second-degree manslaughter charge, according to a person familiar with the matter.

The indictment follows Penny's surrendering to police last month when Manhattan District Attorney Alvin Bragg's office pressed charges. Penny was released on bail.

Penny's lawyers said in a statement Wednesday that he acted to protect himself and other passengers on a subway train traveling through lower Manhattan on May 1 when Neely began acting erratically.

"While we respect the decision of the grand jury to move this case forward to trial, it should be noted that the standard of proof in a grand jury is very low and there has been no finding of wrongdoing," his lawyer Steven Raiser said.

Lawyers representing Neely's family said the indictment was the right result. "We believe in our criminal justice system and believe it worked today," said a statement from the firm Mills & Edwards.

A spokesman for Bragg declined to comment.

Supporters of Neely, a Michael Jackson impersonator who was homeless, held protests around the city after his death. The case attracted wide attention and raised questions about public safety and mental illness in the nation's largest city. Some progressive officials, including Rep. Alexandria Ocasio-Cortez (D., N.Y.), have said Neely was murdered. Other people have raised money for Penny's legal defense.

Neely was threatening and scaring passengers in a subway car when Penny placed him in a chokehold, Bragg's office has said, adding that Penny held Neely in the chokehold for several minutes—even after the train reached the next station.

California Grapples With Reparations

By CHRISTINE MAI-DUC

SACRAMENTO, Calif.—The first task force in the nation exploring how a state could make reparations to Black Americans hurt by slavery and discrimination is set to issue a nearly 1,000-page report to the California Legislature this month. Following two years of work, the task force is likely to suggest dozens of measures that could cost hundreds of billions of dollars.

State political leaders, including Black legislators who support reparations, say it could take years for many of the task force's recommendations to be adopted. Direct financial compensation to Black Californians, they say, might not happen at all.

"I'm not going to sit here and make the promise that everybody's going to get a check," said state Sen. Steve Bradford, a Democrat on the task force. "I want people to have a broader view on what reparations could be and a greater acceptance that it might take a little time."

The Legislative Black Caucus, which includes Bradford, is expected to lead any effort to act on the task force's recommendations. While many members have said they support monetary reparations, some have also said programs to help Black descendants of slaves access higher education, buy a home or start a business may be more feasible in the short term.

California's Legislature passed the law creating the task force in 2020, soon after the killing of George Floyd by Minneapolis police. Reparations are intended to compensate Black Californians for the legacy of slavery and racist policies such as redlining.

While California joined the Union as a free state, task force research showed hundreds if not thousands of Black slaves were brought to the state during the gold rush. It passed a fugitive-slave law allowing slaves brought into California before it became a state to be captured and returned to their owners.

The task force's report argues that the lingering effects of slavery and racist policies in the U.S. and California have contributed to longstanding inequities.

Black Californians make up 6% of the state population but 40% of people experiencing homelessness, according to federal data. The life expectancy for a Black person in California is 75.1, six years shorter than the state average, according to a 2021 state study on health disparities. A 2020 study by



Matthew Burgess, top, with a portrait of his great-great-grandfather Rufus Burgess, a former slave, at his home in Sacramento, Calif. Left and above, Matthew Burgess with siblings Tonia Burgess and Jonathan Burgess (seated), with family documents and photographs.

Zillow showed that Black-owned homes in California are valued at an estimated 86% of the typical U.S. home value, while white-owned homes are valued at about 108%.

The task force chose not to suggest specific dollar amounts for how much Black Californians should receive. Instead, it will recommend only that eligibility be restricted to Black Americans who can show they are descendants of slaves or of a person who was living in the U.S. before 1900.

Legislators aren't expected to act on the task force's report until the next legislative session begins in January, according to people with knowledge of discussions in the Legisla-

ture about reparations.

Some people in the Democratic-dominated Legislature say they are waiting for a signal from Democratic Gov. Gavin Newsom, who would have to sign any policy proposal into law. In a statement last month,

Newsom said, "Dealing with that legacy [of slavery] is about much more than cash payments." A spokesman later clarified that the governor was "not ruling anything out."

His spokesman declined to comment further, saying he is waiting for the final report to be submitted to the Legislature on June 29.

Among those who have testified to the task force and are hoping for legislative action is

Jonathan Burgess. His great-great-grandfather, Rufus Burgess, was a former slave who was forced to sell his land to the state for far less than it was worth under eminent domain laws, according to Burgess.

Burgess, a battalion chief for the Sacramento Fire Department, said such racism has been present in California in the distant past and persists today, which is why he believes reparations are necessary.

"There were lynchings, there are our people buried under bodies of water, mass graves...most of my friends I grew up with are dead or have been in prison," he said.

The task force has held more than two dozen public hearings and solicited public comment. Many have argued that current taxpayers shouldn't bear the burden of wrongs committed in the past and that members of other groups that

have been oppressed shouldn't have to help foot the bill for reparations.

"Who is paying for this?" read one public letter to the task force. "Should Japanese-Americans whose families were interned pay? Or women, who were long considered chattel and couldn't even own property during slavery pay?"

Economists hired by the state task force estimated the combined impact of redlining and aggressive policing on Black Californians could top \$800 billion.

They also pegged Black Californians' estimated losses to the dollar: \$966,921 per person for a lifetime of adverse health outcomes; \$115,248 for decades of over-policing and incarceration; \$148,099 for the impacts of housing discrimination; and \$70,000 for stunted access to capital and business opportunities.

Moon of Saturn Is Found to Contain All Ingredients Needed to Sustain Life

By AYLIN WOODWARD

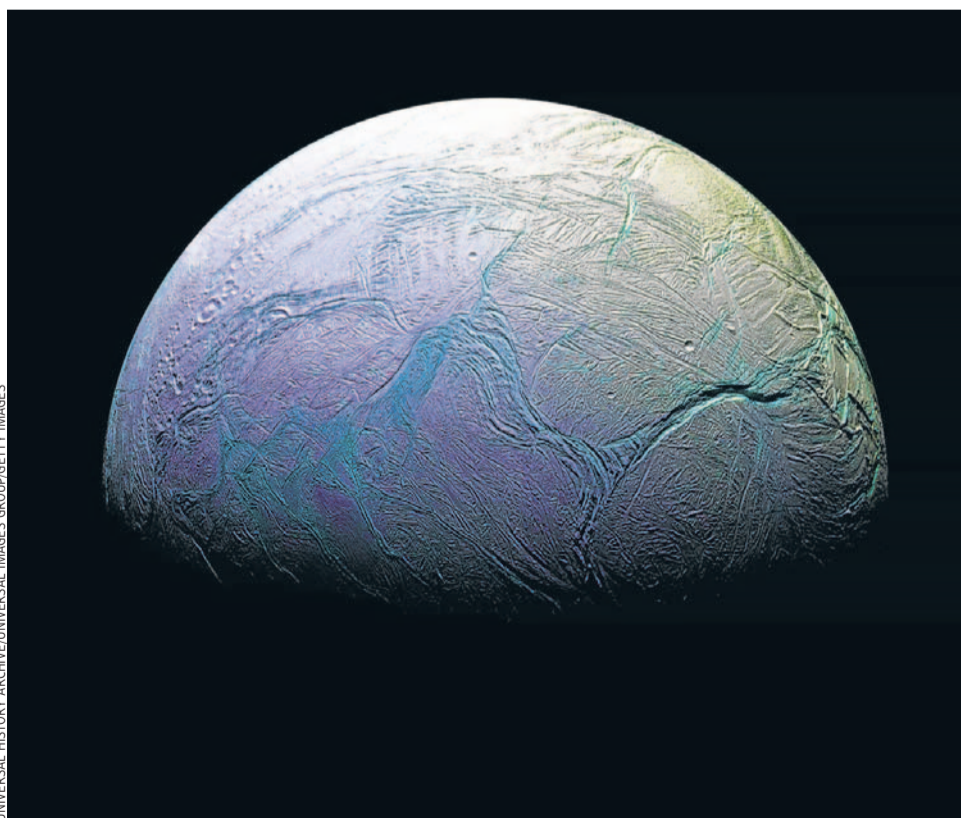
A salty ocean hidden under the icy shell of a tiny moon orbiting Saturn has all the key building blocks of life, suggesting the world is habitable, according to new research.

Enceladus, a moon about 300 miles in diameter, harbors a global, subsurface ocean more than 30 miles deep. Continuously erupting plumes at its south pole spray bits of icy particles from that ocean hundreds of miles into space through cracks in the moon's crust at supersonic speeds.

These geysers enable a spacecraft flying by to study the chemical makeup of Enceladus's ocean without plunging beneath the ice. Data from previous National Aeronautics and Space Administration missions suggested this moon possessed every chemical building block needed for life to form except one—the element phosphorus.

"Life as we know it doesn't operate without it," said Christopher Glein, a geochemist from the Southwest Research Institute in San Antonio and a co-author of the new work. "It is absolutely critical to your DNA."

Now, that final seed of life has been detected among icy particles orbiting Saturn that originated from Enceladus's ocean plumes, researchers reported in a study published Wednesday in the journal Nature. The finding underscores how ocean worlds like Enceladus in the outer solar system



Data from NASA missions indicated phosphorus in an ocean of Saturn's moon Enceladus.

are among the best places to search for life in our planetary neighborhood.

Until this point, scientists had evidence that Enceladus contained five of the six essential elements—carbon, hydrogen, nitrogen, oxygen and sulfur, according to Morgan Cable, a chemist who studies astrobiology at NASA's Jet Propulsion Laboratory who wasn't involved in the new study. The detection of phosphorus—

which on Enceladus comes in the form of phosphate, or when the element is bound to oxygen—doesn't necessarily indicate that there is life on the moon, Cable said, but that life could be sustained on it.

"The next step is to figure out if indeed it is inhabited, and it is going to take a future mission to answer that question," she said. "But this is exciting, because it makes Enceladus an even more compelling

destination to go and do that kind of search."

The research team behind the new study examined information collected by NASA's Cassini spacecraft, which completed a half-dozen or so close passes by Enceladus as part of a 13-year mission orbiting Saturn and exploring the planet's rings and family of moons. The spacecraft then executed a final death plunge into Saturn's atmosphere in 2017.

Soldier Pleads Guilty in Terror Case

By CORINNE RAMEY

A U.S. Army soldier pleaded guilty Wednesday to attempting to assist Islamic State in attacking American troops in the Middle East.

U.S. Army Private First Class Cole Bridges, 22 years old, pleaded guilty to both criminal counts he faced: attempting to provide material support to Islamic State and attempting to murder U.S. military service members. Each count carries a maximum sentence of 20 years in prison.

In 2021, Bridges was arrested after extensive correspondence with an undercover Federal Bureau of Investigation employee posing as an Islamic State supporter in contact with fighters in the Middle East, prosecutors said.

Prosecutors said that Bridges, who is from Stow, Ohio, joined the Army as a cavalry scout in September 2019. Also that year, he began researching online propaganda and expressing support for Islamic State on social media, prosecutors said. They said that the following year, Bridges began messaging with the FBI employee. Bridges provided parts of an Army training manual, prosecutors said, and offered advice about potential attack targets, including the 9/11 Memorial in New York City.

U.S. NEWS

Texas Sends Busload of Migrants To Los Angeles for the First Time

By Alicia A. Caldwell

A bus chartered by the state of Texas carrying 42 Central and South American migrants arrived in Los Angeles on Wednesday afternoon, the first such trip to go to America's second-most-populous city.

the south to transport migrants to Democratic-controlled jurisdictions. Texas has previously bused thousands of people to cities including New York, Chicago and Washington, D.C.

leaders approved its self-declared sanctuary status." Los Angeles Mayor Karen Bass described the migrant shuttling efforts as political stunts.

immigration enforcement. Angelica Salas, executive director of the Coalition for Humane Immigrant Rights, said volunteers were on hand to greet the migrants and have taken them to temporary shelter facilities in the city.

Oakland A's Vegas Move Gains, Funding Cleared

By Lindsey Adler

The state of Nevada has placed a big, publicly financed bet on the idea that the Oakland A's can become a Las Vegas tourist attraction. The Nevada legislature voted on Wednesday to give the A's as much as \$380 million in public funding to build a new ballpark on the Strip, a move that would enable the team to take a big step toward making good on its threat to relocate from its longtime home, the increasingly decrepit Coliseum in Oakland.

25-15 on Wednesday. The measure now goes to the desk of Gov. Joe Lombardo, the Republican who convened the special session after the bill didn't pass during the regular legislative session.

GOP Splits With Big Business

Continued from Page One Blackburn of Tennessee in a written statement to the Journal. "We are going to hold them accountable," she added. House Speaker Kevin McCarthy has lived through the cycle. In the 2016 election that swept Trump to the White House, pro-business groups saw an ally in the Republican from California's conservative-leaning agricultural heartland.



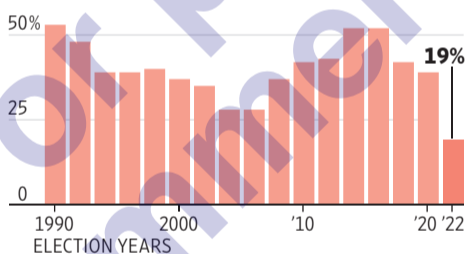
'I think the only enemy that can rein in tech companies is the federal government,' said Republican Sen. J.D. Vance.

More than 40% of the money given to his re-election campaign that year came from business PACs. As House majority leader, he pushed for business-friendly legislation that included reduced regulations on big banks, a historic tax cut for corporations and a sweeping free-trade deal with Mexico and Canada.

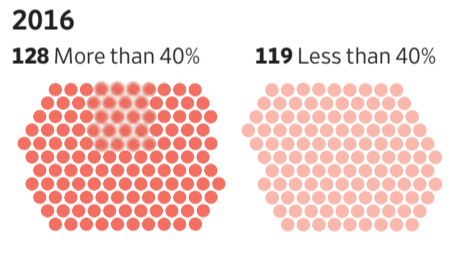
business is permanent. Most Republican members of Congress say they continue to embrace free-enterprise policies that have prevailed in the party for decades, such as reducing government regulation on industry, lowering taxes and limiting the clout of labor unions.

In the 2022 election, fewer House Republicans relied on business PACs to fund their campaigns than in any other election in the past 30 years.

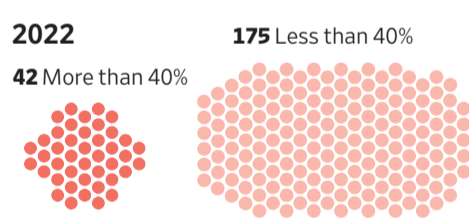
Percentage of House Republicans who received more than 40% of their campaign contributions from business PACs



In 2016, a majority of House Republicans received more than 40% of their campaign funds from business PACs, The Wall Street Journal found.



But in the most recent election, just 42 House Republicans, or 17% of the total, reached that threshold.

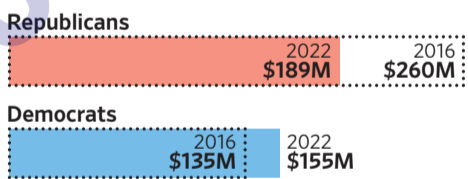


Progressive stands

These days, McCarthy is using his position to castigate Wall Street for taking progressive political stands. He opposed industry-endorsed measures to expand federal spending on infrastructure, liberalize immigration rules and a bill to provide \$53 billion in financial assistance and incentives for the U.S. semiconductor industry.

There are signs that some CEOs are reconsidering the wisdom of weighing in on sensitive political or social matters. Several financial-services CEOs have met with McCarthy to tell him that they are doing their best to avoid speaking publicly about such topics, according to people familiar with the meetings.

Republicans received less from business PACs in 2022 than they did in 2016, according to the nonpartisan Center for Responsive Politics, while Democrats increased their share.



Source: Center for Responsive Politics

The Republican Party's "shifting sentiment away from corporate America is a result of their increasing activism that alienates Republicans and their constituents," said Matt Sparks, an adviser to McCarthy and his former deputy chief of staff.

The Journal's analysis looked at the number of Republicans in the House who received at least 40% of their campaign war chests from industry and corporate PACs, which raise money through voluntary contributions from executives and managers.

In the 2022 election, just 19% of House Republicans hit the 40% threshold, compared with more than 50% in the 2016 election, according to the Journal's analysis.

Put another way, 42 House Republicans in the 2022 election received 40% or more of their funding from corporate and industry PACs, down from 128 Republicans in the 2016 election.

Overall, corporate PACs are decreasing donations to Republicans while giving more to Democrats. In the most recent midterm congressional election, Republicans received \$189 million from corporate PACs, down from \$260 million in the 2016 election, according to the Center for Responsive Politics. Democrats increased their haul from corporate PACs to about \$155 million, up from about \$135 million in 2016.

It is still far from clear whether the break with big

Republican lawmakers "appreciate when these guys come in and acknowledge the elephant and say, 'I am the leader of a big institution with lots of perspectives and I am doing my best as a CEO to avoid talking about some of these issues and focus on running my company,'" said John Stipicevic, a former longtime aide to the speaker who is now a corporate lobbyist.

Recent Republican legislative initiatives include measures to break up the meatpacking industry, tighten safety regulations for railroads and allow the federal government to claw back bonuses from executives whose banks fail. They're also turning to the Justice Department, the Federal Trade Commission and other federal agencies to curb industries that they believe are harming Americans.

"At least on certain issues like tech, we're going to have to accept the fact that the DOJ, the FTC have a role to play here," said Sen. J.D. Vance (R., Ohio), one of a new group of populist Republicans recently elected to the Senate. "I think the only enemy that can rein in tech companies is the federal government."

The bad blood extends well beyond Washington. Republican Florida Gov. Ron DeSantis and Walt Disney are locked in a high-stakes legal battle over corporate power, governmental control and freedom of speech.

In Texas, Republican Gov. Greg Abbott and the GOP-run state house banned the state

from doing business with BlackRock, JPMorgan Chase and several other banks after accusing them of boycotting investments in the oil industry in favor of renewable-fuel companies. In January, Texas banned Citigroup from the state's municipal-bond business after the state attorney general said the bank discriminates against gun manufacturers.

A spokesman for Citigroup said the bank doesn't discriminate against gun manufacturers and "simply uses industry best practices in terms of firearms sales."

'Red-blooded'

A BlackRock spokesman said the company supports investments in both fossil fuels and renewable energy. A spokesman for JPMorgan referred to comments CEO Jamie Dimon made during the company's annual shareholder meeting in May, in which he called himself "a red-blooded, patriotic, free-enterprise and free-market capitalist (properly regulated, of course)."

The proposed \$20 billion merger between grocery giants Albertsons and Kroger has come under fire from Republicans not only on anti-trust grounds but also over issues of corporate culture.

At a Senate hearing on the merger in November, Sen. Tom Cotton (R., Ark.) questioned Kroger CEO Rodney

McMullen about why the company had fired two employees who refused to wear an apron with a gay-pride insignia.

The senator cited the firings as an example of a corporation imposing progressive social positions on employees—and said Republicans were growing weary of reflexively defending the biggest U.S. companies.

"They probably shouldn't come and ask Republican senators to carry the water for them," he said, "whenever our Democratic friends want to regulate them or block their mergers."

In response to the senator, McMullen said "we think it's incredibly important to be an inclusive, open culture to welcome all associates."

Some academics say that

big corporations are increasingly taking progressive stances on issues such as gay rights, gun control and climate-change policy, often to cater to liberal workforces.

"Most large corporations are located in cities and companies are looking for young, educated workers, who increasingly have left-wing values—both of which push companies to be more progressive," said Romain Wacziarg, a professor of economics at the UCLA Anderson School of Management.

Those stances have sparked cultural friction with many in the Republican Party, who increasingly represent less educated, blue-collar workers in rural areas who often tend to hold more conservative views on those issues. The result is a



House Speaker Kevin McCarthy has shifted his funding base.

widening divide between U.S. companies and many Republicans.

Vance, the freshman GOP senator, said some Republican lawmakers are replacing their deep-seated distrust of the federal government with a realization that only the government is powerful enough to rein in such large corporations.

"This is not just a sort of mild shift," said Vance. "There is something structural here."

Sen. Steve Daines (R., Mont.) first ran for Senate in 2014 on a pro-business platform, with corporate PACs bankrolling about 25% of his \$7.5 million war chest.

By the time Daines ran for re-election in 2020, Mr. Daines raised more than \$30 million for his campaign, but just about 10% came from corporate PACs.

Small donors

Much of Daines's campaign funds came from small-dollar donors, who contribute \$10, \$25 or \$50 each. In his second term, Daines changed some of his positions on business priorities, voting against reauthorizing the U.S. Export-Import Bank, bucking a lobbying push by Boeing, General Electric and the U.S. Chamber of Commerce.

In June of 2021, he joined seven Senate Republicans to require union-scale wages on certain public-works projects, a rare move for a member of the Republican Party.

Sen. Marco Rubio of Florida was one of the Republicans who backed higher wages as part of a broader bill to give billions of dollars in federal money and incentives to encourage semiconductor companies to build new plants in the United States.

"As we invest tens of billions of dollars into critical industries," he said at the time, "it is only right that we require that those funds also invest in the men and women who will build and maintain these cutting-edge facilities."

Rubio was once a traditional conservative who espoused Ronald Reagan's pro-business agenda.

Rubio has since reversed course on some issues. He publicly endorsed permitting employees of Amazon.com to form a labor union and has questioned free-trade agreements, especially with China. He calls his economic policy "common-good capitalism," aimed at raising wages for blue-collar workers.

Replacing Pelosi

Many industry chiefs initially cheered the results of the November elections because the win by Republicans ousted Democratic Leader Nancy Pelosi and replaced Democratic committee chairs with a group of Republicans they thought would be aligned with the interests of industry.

Instead, newly empowered Republican committee chairs launched investigations into Wall Street firms, Big Tech companies and others.

In the Senate, every Republican incumbent who ran in both 2016 and 2022 received a smaller share of their money from corporate PACs in the most recent election than the prior one, the Journal found.

"I don't see any reason to take a dime from those folks," said Sen. Josh Hawley, the Missouri Republican senator who has endorsed several populist bills. "I'm not going to be beholden in any way to their agenda."

U.S. NEWS

Plan to Reopen I-95 Moves Ahead



TRAFFIC SNARL: Pennsylvania officials said Wednesday that 2,000 tons of lightweight glass nuggets will be used to help rebuild and reopen a collapsed section of Interstate 95 in Philadelphia. Above, a worker cuts mangled reinforcing bars there.

Garland Says Special Counsel Is Committed to Rule of Law

WASHINGTON—Attorney General Merrick Garland defended special counsel Jack Smith in his first public comments since the unprecedented

By Sadie Gurman, Alex Leary and Deborah Acosta

federal indictment of former President Donald Trump, who has lashed out at prosecutors and called himself the victim of a political prosecution.

“As I said when I appointed Mr. Smith, I did so because it underscores the Justice Department’s commitment to both independence and accountability,” Garland said Wednesday, a day after Trump’s arraignment in Miami. “Mr. Smith is a veteran career prosecutor. He has assembled a group of experienced and talented prosecutors and agents who share his commitment to integrity and the rule of law.”

The attorney general declined to discuss specifics of the 37-count indictment related to Trump’s handling of classified documents at his Mar-a-Lago resort.

Garland, who has deliberately kept his distance from the special counsel’s investiga-

tion, said he had adhered to regulations that give Smith broad discretion to make decisions and bring charges. Those rules require Smith to notify the attorney general of significant events, meaning Garland would have been consulted about the indictment and allowed it to proceed.

No new court dates for the former president were set at his arraignment Tuesday in federal court in Miami, where he pleaded not guilty to charges that he illegally retained and shared classified national-security documents after leaving the White House.

Legal observers expect the defense in coming weeks to present motions to U.S. District Judge Aileen Cannon, the Trump-appointed judge randomly assigned to the case, with an eye to slowing its move toward trial.

As that case quietly advances, other legal actions loom over Trump’s 2024 presidential campaign, which he has said he would maintain no

matter what happens.

A local prosecutor in Georgia said she planned to present criminal charges in August related to efforts by Trump and his allies to overturn his loss in the 2020 election there.

Trump, who turned 77 years old on Wednesday, already faces criminal charges in New York stemming from the Manhattan district attorney’s investigation into his role in a hush-money payment that was made during the final stretch of the 2016 election to a porn star who alleged she had an affair with him. Trump has denied wrongdoing in the New York and Georgia matters, and accused prosecutors of pursuing him for political reasons.

Republican elected officials and leaders have broadly criticized the prosecutions, though some are expressing concern over Trump’s handling of the documents.

“This indictment contains serious charges, and I cannot defend what is alleged,” former Vice President Mike

Pence, a 2024 presidential contender, said Wednesday on CNBC.

Former New Jersey Gov. Chris Christie, who also recently joined the presidential race, was critical of Trump in a Fox News interview Wednesday. “This next administration, if Donald Trump is president, will be all about retribution for him personally,” he said.

Trump doesn’t have any scheduled campaign events this week and plans to remain at his golf club in Bedminster, N.J., aides said. The campaign has been pushing out fundraising emails, looking to quickly build up millions of dollars in donations in the immediate aftermath of the indictment.

“Today we witnessed the most evil and heinous abuse of power in the history of our country,” Trump said Tuesday night in Bedminster, surrounded by supporters and a crush of reporters.

Federal prosecutors Friday unsealed a 49-page indictment, including color photographs, alleging the former president held on to documents he knew he shouldn’t have retained access to, shared them with others and directed his staff to help him evade authorities’ efforts to get them back.

Some Republicans Take Out Anger On FBI Project

By Lindsay Wise and Siobhan Hughes

WASHINGTON—Some Republicans in Congress are threatening to block nominees and funding for the Justice Department and the Federal Bureau of Investigation in response to the prosecution of Donald Trump, the former GOP president.

Trump pleaded not guilty to charges that he illegally retained and shared classified national-security documents after leaving the White House. His arrest has drawn mixed reactions from GOP lawmakers, with some rallying to his defense while others expressing exasperation with the latest scandal.

In recent days, some House Republicans have begun coalescing around a plan to eliminate funding for a new FBI headquarters in response to the bureau’s role in

the indictment, the most clearly defined piece of a multipronged attack on the Justice Department. House Speaker Kevin McCarthy (R., Calif.) has expressed support for the idea of scuttling the project.

“It sends a message to the FBI that they have to act more responsibly if they want us to spend over a billion dollars, way over a billion dollars,” said Rep. Andy Harris (R., Md.), a member of the House Appropriations Committee.

Judiciary Committee Chairman Jim Jordan (R., Ohio), a longtime critic of the Justice Department, has directed his staff to work with the Appropriations Committee on riders to restrict funds for the Justice Department and the FBI, efforts that were under way even before the indictment, according to a person familiar with the matter.

Democrats condemned Republicans for threatening to derail the long-awaited project. Sen. Mark Warner (D., Va.), who heads the Senate Intelligence Committee, said it would be “an enormous slap in the face of the literally thousands of FBI employees who work to protect the country.” Warner has lobbied for the new facility to be located in

suburban Virginia, while Maryland officials have pressed for it to be built in their state. The facility would replace the deteriorating J. Edgar Hoover Building in downtown Washington.

Senate Majority Leader Chuck Schumer (D., N.Y.) said: “No one’s above the law, including Donald Trump, and there ought to be no political or ideological interference as the case moves forward.”

Rep. Marjorie Taylor Greene (R., Ga.) also has proposed a measure that would defund special counsel Jack Smith’s office and its investigation into Trump’s handling of the classified documents, while Sen. J.D. Vance (R., Ohio) said he would put a hold on all Justice Department nominees indefinitely, except for those nominated to serve in the U.S. Marshals Service.

While many Republicans have defended Trump, his mounting legal problems are causing heartburn for others, who worry the escalating scandals bode ill for the party’s chances in next year’s elections.

“If you look at the record, in ‘18, ‘20 and ‘22, when he’s the issue, we lose,” Sen. John Thune (R., S.D.) said of Trump.

Republicans lost control of the House in the 2018 midterm elections and of the Senate in 2020. In 2022, a red wave that some Republicans predicted never materialized, and many Senate Republicans blamed Trump for elevating Senate candidates who couldn’t win general elections.

Thune said he would rather the focus be squarely on President Biden and his policies. “And I think the way that you do that is you get a different nominee,” said Thune, the No. 2 Senate Republican. He has endorsed fellow Republican Sen. Tim Scott of South Carolina.

Trump also is facing 34 felony counts of falsifying business records in New York. In May, a federal jury found Trump liable for sexually abusing and defaming advice columnist E. Jean Carroll and ordered him to pay \$5 million in damages. Trump denies wrongdoing.

The facility would replace the J. Edgar Hoover Building in Washington.

GOP Fails in Effort To Punish Rep. Schiff

By Siobhan Hughes

WASHINGTON—House Republicans failed in an effort to censure Rep. Adam Schiff (D., Calif.), a longtime nemesis of Donald Trump, a day after the former president pleaded not guilty to charges related to his handling of sensitive documents.

The House voted 225-196 to table, or kill, the censure measure, with most Democrats joined by 20 Republicans in the majority. Seven lawmakers voted “present.”

The resolution, written by Rep. Anna Paulina Luna (R., Fla.) and endorsed by House Speaker Kevin McCarthy (R., Calif.), would have forced the House Ethics Committee to investigate Republican allegations that Schiff used his prior position as House Intelligence Committee chairman to spread falsehoods about Trump and encourage abusive intelligence investigations. If the House Ethics Committee were to have found that Schiff lied, made misrepresentations and abused sensitive intelligence information, he could have been fined \$16 million under the resolution.

Schiff, who led the first impeachment proceedings against Trump, said he was proud of his work and called the charges false and defamatory. He said the resolution was an attempt by Trump allies to protect the former president from being held accountable. “Trump and his MAGA supporters view me as a threat. There’s a reason

they singled me out,” Schiff said after the vote. “They want to stop me.”

The House has censured 24 lawmakers in its history. Censure carries no practical weight, but is the highest form of discipline by the House short of expulsion.

McCarthy removed Schiff from the Intelligence Committee earlier this year, when the Republican was elevated to the speakership. Schiff is now running to fill the U.S. Senate seat being vacated by Sen. Diane Feinstein (D., Calif.)

After the vote, Luna sped past Schiff and said the fight wasn’t over. “I’ll be filing to censure you next week. And we’ll get the votes,” she told him. Luna later tweeted that she planned to refile the censure resolution without the proposed fine.

Schiff gained a national profile—becoming a hero to Democrats and one of the most vilified political figures within Republican circles—because of his efforts to investigate Trump. Starting in 2017, Schiff pushed for a congressional probe of ties between Russia and the Trump campaign as part of a broader investigation into Russian interference in the 2016 elections.

Trump Case Puts Judge in Spotlight

By C. Ryan Barber

Shortly after Donald Trump became the first former president to face federal charges late last week, a random assignment process in a South Florida court directed his case to one of his last judicial appointees, Judge Aileen Cannon.

It will now fall to her to make key decisions about the pace and extent of a court battle with possibly seismic consequences for American politics and for Trump personally.

Trump and his allies greeted Cannon’s appointment as an early stroke of luck in his defense against a 37-count indictment, according to people familiar with their reaction. The federal judge had ruled in the former president’s favor in a lawsuit he brought last year objecting to the Federal Bureau of Investigation’s search of his Mar-a-Lago estate in South Florida.

Cannon, who was confirmed to the federal bench days after Trump lost his 2020 re-election bid, granted Trump’s request last year to appoint an outside arbiter to review documents the FBI seized from Mar-a-Lago in an August 2022 search of the former president’s South Florida residence and private resort.

The ruling disrupted the documents investigation until a three-judge appeals panel overturned Cannon’s ruling and disbanded the review process, saying there was no justification for treating Trump differently from any other target of a search warrant. The panel comprised two Trump appointees to the U.S. Court of



Judge Aileen Cannon during her nomination hearing in 2020.

Appeals for the 11th Circuit and an appointee of former President George W. Bush.

In its unanimous decision, the panel issued a stern rebuke of Cannon’s legal reasoning, saying it involved a “radical reordering” of the judiciary’s role in criminal investigations.

“We cannot write a rule that allows any subject of a search warrant to block government investigations after the execution of the warrant,” it wrote. “Nor can we write a rule that allows only former presidents to do so.”

Special counsel Jack Smith’s team is unlikely to seek Cannon’s recusal, legal experts said, in part because of the high stakes of such a move. If the special counsel’s team tried and failed to disqualify her or prompt her recusal, it would be left to litigate the first-ever prosecution of a former president before a judge it tried to remove from the case.

Some legal experts said the mere reversal of a past rul-

ahead of the proceeding on what evidence and testimony the two sides present to jurors.

Like any other federal judge, Cannon could pre-empt the jury and acquit Trump of some or all of the 37 criminal counts he faces, either after the special counsel’s case or the former president’s defense. Such a ruling is allowed under federal rules of criminal procedure if a judge determines that the prosecution has failed to prove its case and that no reasonable jury could convict based on the evidence.

The proceedings are sure to shine a spotlight on Cannon, who maintained a relatively low profile before her role in Trump’s lawsuit last year over the Mar-a-Lago search.

Born in 1981 in Colombia, Cannon graduated from Duke University and the University of Michigan Law School. After working as an associate at the law firm Gibson, Dunn & Crutcher, she joined the U.S. attorney’s office in South Florida in 2013, where she prosecuted firearms, narcotics, fraud and immigration cases.

In the years leading up to her 2020 nomination, she worked as an appellate lawyer in the U.S. attorney’s office and defended criminal convictions and sentences before the 11th Circuit.

In 2019, she was approached by the office of Sen. Marco Rubio (R., Fla.) about a vacancy on the federal district court in South Florida, according to a questionnaire she submitted in connection with her nomination.

—Sadie Gurman contributed to this article.

U.S. NEWS

Southern Baptists Reject Women Pastors

Resounding vote comes despite plea from a top figure in the denomination

By FRANCIS X. ROCCA

Southern Baptists, the largest Protestant denomination in the U.S., overwhelmingly reaffirmed a prohibition on women serving as pastors, rebuffing one of their most prominent ministers.

Delegates to the annual meeting of the Southern Baptist Convention, gathering this week in New Orleans, voted to deny appeals by California's Saddleback Church and Fern Creek Baptist Church in Louisville, Ky., to overturn their expulsions from the SBC.

Both churches were "disfellowshipped" by the SBC's executive committee in February because they had appointed women as pastors, a role that the denomination's statement of faith states is reserved for men according to the teaching of the Bible. The vote counts were 9,437 to 1,212 against Saddleback and 9,700 to 806 against Fern Creek Baptist.

The delegates, known as messengers, on Wednesday also voted to enshrine the prohibition against women pastors in the SBC's constitution. That amendment was opposed by the SBC's executive committee on the grounds that the exclusively male nature of the role is already set forth in the statement of faith, adopted by the denomination in 2000. The



The delegates also voted on Wednesday to enshrine the prohibition against women pastors in the SBC's constitution.

convention will have to approve the amendment again next year before it takes effect.

The votes on Saddleback and Fern Creek Baptist, taken Tuesday with results announced the next morning, raise the possibility that other Baptist churches where women serve as pastors will eventually leave the SBC. Nearly 2,000 of the SBC's 47,000 affiliated churches have female pastors on staff, according to the Rev.

Rick Warren, founder and former leader of Saddleback.

"I was completely staggered by the overwhelming vote to kick these churches out," said Beth Allison Barr, a professor of history at Baylor University. "I think there's two levels going on here. I think there's true belief because of what they've been taught and I think there's a protection of male power."

She said it was possible that SBC churches with women pas-

tors could form a new body of Baptists or else join one of the country's other Baptist denominations that allow women in that role.

"Though saddened by the doctrinal confusion that necessitated this vote, I am thankful that the #SBC23 messengers voted to uphold Saddleback's removal from the #SBC by an overwhelming majority of 88%. Praise the Lord that we are not a paper denomination!"

tweeted the Rev. Peter Witkowski, senior pastor of Amisville Baptist Church in Virginia.

Saddleback was the second-largest congregation in the SBC and has 14 campuses in California and four abroad. After Warren retired in 2022, the church selected the Rev. Andy Wood as its lead pastor, and his wife, the Rev. Stacie Wood, became a teaching pastor.

"Saddleback is eager to turn the corner and focus our atten-

tion on the exciting ministry in our near future," said Andy Wood in a statement Wednesday. "We wish the best for the SBC and pray for God's grace upon its future."

On Tuesday afternoon in New Orleans, Warren called on the approximately 12,000 delegates representing more than 13 million Southern Baptists to observe the SBC's tradition of autonomy for individual churches by agreeing to disagree on the issue of women's role in the church.

"Since Southern Baptists have always allowed disagreement on doctrines, including the essential doctrines of salvation, why should this one issue cancel our fellowship?" he said.

Earlier in the afternoon, the Rev. Linda Barnes Popham, who has served as a pastor at Fern Creek Baptist church since 1990, made a similar appeal.

"We don't all interpret every scripture the same way. We believe that the Bible allows women to serve in ways in which all of you do not agree," she said.

In other business, delegates on Tuesday voted to re-elect the Rev. Bart Barber as president of the SBC, in a race that was seen as a referendum on the body's response to sex abuse. Barber's opponent, the Rev. Mike Stone, had criticized plans to include those who have been credibly accused but not convicted of abuse in a database that churches will be able to use for vetting job candidates and volunteers.

Sesame Labels Backfire for Allergic

By KRISTINA PETERSON

WASHINGTON—Congress passed legislation intended to make life better for people allergic to sesame seeds. Instead, it made things worse.

The bill, passed with overwhelming bipartisan support and signed into law by President Biden in 2021, requires manufacturers to label sesame on their products starting this year.

In response, some companies began adding sesame to products that hadn't included it in the past—saying it was safer to add sesame and label it, rather than certify they had eliminated all traces of it.

People with sesame allergies say the result is fewer sesame-free food options, as well as new and unexpected risks in foods they used to eat without worry.

"It hurt me more than it helped me," Scott Schramm, a real-estate agent in Murrsville, Pa., said of the law.

Schramm said he got a severe allergic reaction twice

this year by eating sesame in products that never had it in the past, including a bagel and a white seedless bun for a spicy chicken sandwich at Chick-fil-A.

Chick-fil-A said it didn't want its bun suppliers to add sesame flour and is discussing the issue with them.

Sesame can be used as a flavoring agent in foods such as candy and salad dressings, making it hard to detect. Lawmakers intended manufacturers to spell out its presence rather than lumping it in under a broad category such as natural flavors and spices.

Before the law was passed, "families were constantly having to call manufacturers to ask 'does this have sesame in it?'" said Jason Linde, senior vice president of advocacy at Food Allergy Research and Ed-

ucation, which advocates for people with allergies.

A 2004 law required manufacturers to label the eight most common food allergens, including milk, eggs and peanuts. Congress added sesame to the list as evidence accrued that it posed a potentially severe health risk to roughly 1.5 million Americans.

"We have seen this growing prevalence everywhere," said Dr. Ruchi Gupta, a pediatrics professor specializing in food allergies at the Northwestern University Feinberg School of Medicine.

A 2019 study Gupta helped lead found that around 65% of people with a sesame allergy had gone to the emergency room at least once because of a food allergy reaction.

Before sesame was required to be labeled, accidental exposure was a particular risk for

people with sesame allergies. In 2016 a teenage girl died from an allergic reaction that began on a flight after she ate a sandwich that contained unlabeled sesame.

The baking industry said eliminating small, lightweight sesame seeds from their equipment is difficult, as they are often sprinkled on top of buns inside long baking tunnels.

"When things are dropped on as toppings, they tend to disperse across the equipment," said Rasma Zvaners, vice president of regulatory and technical services at the American Bakers Association.

That has led some companies to decide to add sesame, often through sesame flour, and note on the label that the product contains sesame.

The law's supporters noted that some companies have managed to label without adding sesame to their products and said bakers have other options, such as separating sesame products onto different lines or making products with sesame last before cleaning.

Some food makers began adding sesame to products that hadn't had it.

Taxi Scion Fights Uber In Japan

Continued from Page One

beat out Uber in Southeast Asia and China in recent years.

Uber's international reach has long been considered a competitive advantage over more U.S.-focused Lyft. Uber has invested billions of dollars in its global expansion plans and expressed a goal of having all the world's taxis listed on its app by 2025.

It concluded a deal last year to list all New York City taxis on its app and has built a significant share in the U.K., Latin America and some other regions. Still, some countries pose a challenge.

Uber does business in more than 70 countries. Two—the U.S. and Canada—account for nearly three-fifths of its revenue.

Keeping busy

In addition to running his family taxi company, Kawanabe, 52 years old, leads Japan's main taxi-industry groups and is married to the granddaughter of a former prime minister. He is also well-versed in U.S. business, with an M.B.A. from Northwestern University's Kellogg School of Management and a stint at consulting firm McKinsey.

The taxi prince is known for aggressive driving when he

senses rivals on his tail.

In 2020, Kazutaka Tomita, the head of another top Japanese taxi company, signed up for an Uber partnership. Kawanabe summoned Tomita to a meeting at the Tokyo office of an industry group, according to people familiar with the meeting. A bronze bust of the Kawanabe dynasty's founder stood guard outside the building's entrance.

Kawanabe told Tomita he needed to pull his drivers out of Uber or give up his position as a committee chairman in the industry body, the people said. Tomita chose to stick with Uber and lose his post.

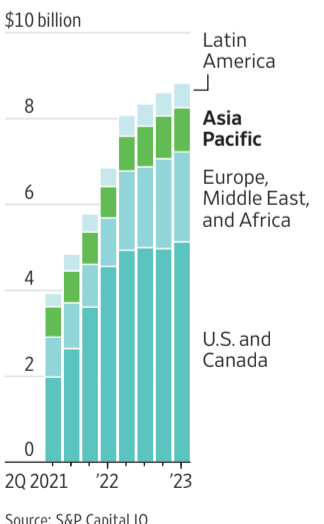
Go's president, Hiroshi Nakajima, said the past decade has been a fight for survival, first to keep private car owners from taking away licensed taxis' business and then to sign up taxi-company partners for the app.

"Our share of the market grew swiftly and so did our sense of responsibility," Nakajima said. "The things that are OK and not OK to do today have changed." He said external experts were advising Go on training employees how to act appropriately when they approach prospective taxi-company partners.

Uber's expansion

Uber entered Japan in 2014 with a lobbying blitz aimed at persuading the government to embrace its model of private-car ride hailing. Kawanabe argued at the time that Uber's disruptive model would bring trouble to a country where riders expect white-gloved drivers

Uber's quarterly revenue by geography



Source: S&P Capital IQ

in spotless taxis. Tokyo regulators agreed.

In 2018, Uber boss Dara Khosrowshahi said the company would abide by existing Japanese regulations and seek to get licensed taxis to sign up for the app. That move meant wooing the very people whose business Uber had vowed to disrupt.

People involved in Uber's pivot said the company has in some cases spent up to four years negotiating partnerships, sending employees to far-off taxi garages to win over drivers and their bosses.

With support from Tomita and some other taxi companies, Uber has made inroads, especially as foreign visitors, flooded into Japan following its reopening to tourists last fall. In April, its sales were up fivefold

from the same month in 2019, according to mobility-business head Shiro Yamanaka.

"We are seeing very strong growth in Japan at the moment, and we are able to partner at a speed at which we can support that growth," Yamanaka said.

Still, Go is easily No. 1 among locals.

Room to grow

Hui, the Goldman banker involved in the Go investment, estimated around 15% of taxi rides in Japan are booked via an app, up from around 5% in 2020. Goldman forecast that figure will rise at least into the range of 30% to 40% within six years.

Kawanabe's own taxi company, Nihon Kotsu, anchors Go's service. People in the business said the taxi prince has pushed others in the close-knit industry, where CEOs frequently talk to each other and deals move forward based on oral agreements, to follow him and stay away from Uber.

Masato Nakasawa, who has been driving taxis in Tokyo for more than two decades, said he wasn't eager to drive for a fleet operator tied up with Uber after what he heard from the industry's leader. "Japanese people are pretty wary," he said. "Comments made by a big taxi company chief obviously hold weight."

In May, a fundraising round led by Goldman Sachs valued Go at \$1 billion, 2½ years after its introduction. Go plans to list its shares in Tokyo within the next few years.

Spider-Man Artist Captured an Era

By JOSEPH DE AVILA

Acclaimed comic artist John Romita Sr., who drew Marvel characters Spider-Man and Wolverine, has died. He was 93 years old.

His son John Romita Jr., also a comic artist, said he

OBITUARY JOHN ROMITA SR. 1930-2023

died in his sleep Monday morning. "He is a legend in the art world and it would be my honor

to follow in his footsteps," Romita said of his father.

The elder Romita was born in Brooklyn, N.Y., in 1930. He was an avid reader of comics as a child and went to an arts high school in New York. He had stints drawing for Timely Comics and Atlas Comics, precursors to Marvel Comics.

He grew up admiring the work of Jack Kirby, another comic-book legend who co-created Captain America. He got his chance to follow in Kirby's footsteps by drawing Captain America for Atlas Comics.

"It was a dream come true," Romita said in an interview in 2002. "All I did was frustrate myself because it was never good enough for me. It was hard for me to do it. I wanted it to look just like Kirby."

He later spent eight years with DC Comics during the

late 1950s and mid-1960s.

Stan Lee, co-creator of Spider-Man, tapped Romita in 1966 to take over drawing "The Amazing Spider-Man" series at Marvel Comics. As Marvel's art director starting in 1973, he shaped the appearance of its comics.

He would go on to develop the looks of Marvel characters including Wolverine, Punisher and Luke Cage. He retired in 1996, although he continued working on some comics for years after, including a Superman cover for a 2014 comic drawn by his son.

"John Romita Sr. was an incomparable artist who brought so many iconic Marvel characters to life on the page and set the tone and look of Marvel's comics for decades," said Kevin Feige, president of Marvel Studios. "His version of Spider-Man has inspired so many of us at Marvel Studios."

Romita was inducted into the Hall of Fame of the Will Eisner Comic Industry Awards in 2002.

Romita's work as an artist and art director influenced generations of comic-book artists, said C.B. Cebulski, editor in chief of Marvel Entertainment.

"With his passing, the comic industry loses a true legend, but just like his artwork, his legacy will remain timeless," Cebulski said.



A self-portrait of John Romita Sr. with some of the characters he drew over the decades.

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Judith Abrams
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WORLD NEWS

Russian Strikes Kill at Least Six in Ukraine

Attacks aim to curb Kyiv's attempts to retake territory in counteroffensive

By Isabel Coles and Thomas Grove

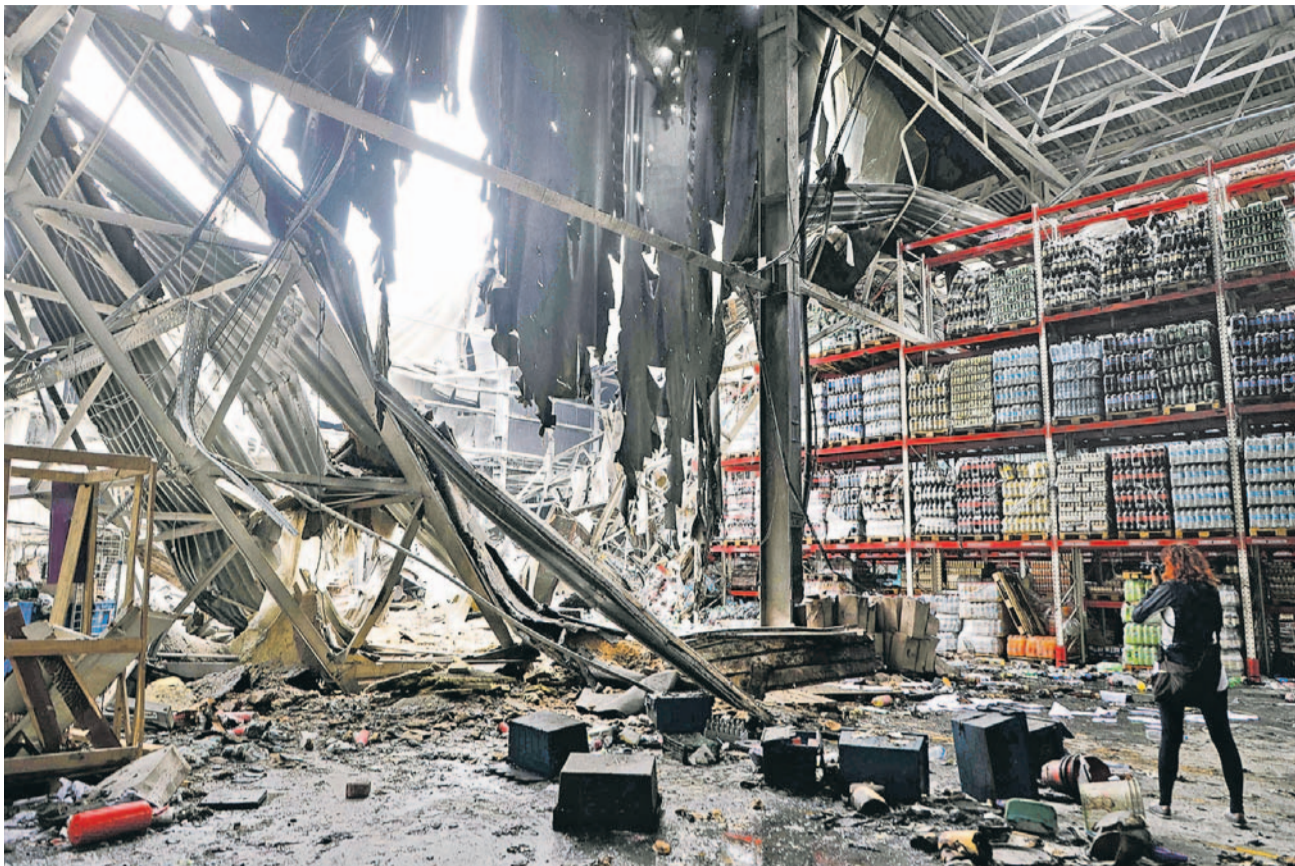
Russia unleashed a barrage of missiles and drones in southern and eastern Ukraine overnight, killing at least six people, as Moscow seeks to undermine Kyiv's efforts to retake occupied territory in a newly begun counteroffensive.

Ukraine's air force said it had shot down 12 of the 19 missiles and drones fired by Russia as fighting intensified along the front line in the south and east of the country.

A spokeswoman for the Ukrainian military's Southern Command said the attacks sought to disrupt Ukraine's counteroffensive.

"We can see that the enemy's long-range attacks are aimed at the rear regions, which, according to the enemy, should be a supply area for the front line," Natalia Humeniuk told a local news broadcast.

Ukrainian forces have made small inroads in the early days of their move to oust Russian forces from the 20% of Ukraine they now occupy, but the scale of the challenges they face is clear. While Kyiv's Western allies armed and trained Ukrainian troops in recent months, Russian forces were fortifying defenses in the south and east of the country.



A Russian attack aimed at disrupting Kyiv's offensive damaged a warehouse in the southern port city of Odesa on Wednesday.

Ukraine's President Volodymyr Zelensky has said the counter-offensive would take time and cost many soldiers' lives.

In his nightly address on Tuesday, Zelensky highlighted gains around the eastern city of Bakhmut, which Russian forces recently seized after months of grueling combat.

Ukrainian forces began launching counterattacks

against Russian positions around Bakhmut as they lost control of the city in May. Elsewhere along the front line, Ukrainian forces haven't reached the main line of Russia's defenses in the southeastern Zaporizhzhia and eastern Donetsk regions, where they are probing for weak spots.

Ukrainian Deputy Defense Minister Hanna Malyar on

Wednesday said Ukrainian forces had gained just under a third of a mile of ground along some parts of the front line around Bakhmut over the past day. In the southeastern Zaporizhzhia region, they advanced around 1,000 feet, she said. Fighting was under way near the village of Makarivka.

Some of the initial assaults last week appeared to lack air-

defense support, which left tanks and other vehicles vulnerable to attacks from Russian drones and helicopter gunships. In the southern Zaporizhzhia region, flat, open fields offer almost no cover for an attacking force.

The U.K.'s Ministry of Defense said there had been an uptick in Russian tactical combat air sorties in recent

weeks, especially over the south of Ukraine, in response to Kyiv's offensive operations.

Ukraine's top military commander, Gen. Valeriy Zaluzhnyi, said he highlighted the need to strengthen air defense, artillery and counterbattery capabilities in a call with the U.S.'s chairman of the Joint Chiefs of Staff, Mark Milley.

Separately, Belarusian President Alexander Lukashenko told Russian state television that he had initiated an agreement between Moscow and Minsk to base tactical nuclear weapons on Belarusian territory.

Also Wednesday, Microsoft published new cyberthreat research tracking what it called a "wave of cyberattacks" from a hacking group it had linked to Russia's main military intelligence agency, the GRU. Dubbing the group Cadet Blizzard, Microsoft said the onslaught of attacks—a mix of traditional cyber espionage and more disruptive behavior—began in February and had been targeting Ukrainian government agencies and IT service providers.

Though Microsoft described the attacks as achieving minimal success, the activity indicated that Russia's use of low-level, often tactical cyber operations against Ukraine since the start of the war showed few signs of easing. Microsoft also linked the group to the "wiper" attacks against Ukraine that took place in January 2022, ahead of Russia's invasion.

—Dustin Volz contributed to this article.

Moscow to Court Its Allies at Forum

By Ann M. Simmons

President Vladimir Putin will attempt to present Russia as primed for investment despite economic erosion from more than a year of war and sanctions, as he addresses some of the Kremlin's remaining allies this week at the country's annual economic conference.

His aim, according to analysts, is to inspire economic confidence at home while cementing links with those abroad who haven't shunned Russia over its invasion of Ukraine.

The theme of this year's edition of the St. Petersburg International Economic Forum—Russia's place in the new world—underlines Moscow's efforts to reorientate toward Asia and the developing world as relations with the West deteriorate.

Putin is likely to paint a glowing picture of the nation's economy, some analysts predict, ridiculing what Moscow says is the West's failure to bring Russia to its knees financially.

"He will be pretty optimistic about the shape of the economy [and] will go to the public with really shiny numbers," said Alexandra Prokopenko, a former Russia Central Bank official and now a nonresident scholar at the Carnegie Russia Eurasia Center in Berlin.

The visibility of the conference—Russia's answer to the World Economic Forum held in Switzerland—has waxed and waned over the years. Before Putin's 2014 annexation of Crimea, it was a calendar fixture for Western business executives eager to invest in Russia's vast energy sector.

Later, it became a kind of neutral meeting ground for Russian officials, businesspeople and Western counterparts, many of whose governments



President Vladimir Putin arriving for a Russia Day event in Moscow this week.

imposed sanctions on Moscow after Crimea.

Since the Kremlin's full-scale invasion of Ukraine last year and tougher accompanying penalties, the forum's international allure has diminished dramatically—delegates taking part in bilateral discussions this year include a much smaller cast led by China, India, Algeria and the United Arab Emirates. The world leaders attending are from the economic lower leagues.

"Russia is trying to show itself and the countries of the Global South that Russia isn't alone," said Prokopenko, who left Russia shortly after the invasion.

The Russian economy so far has defied the deep slump expected following the imposition of Western sanctions, supported by a windfall from oil and gas sales, ample government stimulus and its ability to find workarounds. But a steep drop in energy revenue this year, the mounting impact of

technology sanctions and the state's slide toward economic isolation spell a troubled future.

The 2022 post-invasion sanctions are much broader than post-Crimea, making it in many cases illegal or risky for U.S. or European entities to court business ties with much of the Russian economy.

Putin is expected to address the forum on Friday, the Kremlin said. The event takes place against a backdrop of fierce fighting in Ukraine, as Kyiv's forces battle to oust Russian troops from the nearly 20% of Ukrainian territory they now occupy.

"Recent years have witnessed an intensification in the crisis of trust between nations, making it all the more important to maintain a fair and constructive dialogue between business communities across the globe," the forum's organizer, the Roscongress Foundation, said ahead of the event.

Western business elites are absent from the program, and

journalists from countries such as the U.S. and U.K. are barred from attending.

The main discussion panels will comprise countries that have mostly refrained from condemning Russia's war. For example, representatives will include China, whose president has offered diplomatic support to Putin and is among a few world leaders to visit the Kremlin in the past year, during which time Moscow has become more economically dependent on Beijing.

In 2022, bilateral trade between the two economies reached a record of over \$190 billion after a year-to-year increase of 29.3%, according to Roscongress.

Beijing has touted its relationship with Russia as a "friendship without limits" and sought to soften the impact of Western sanctions on Moscow by buying more Russian oil and natural gas and boosting shipments of electronics, computer chips and other goods.

Germany Incorporates Feminism, Climate Issues Into Security Strategy

By Bertrand Benoit

BERLIN—As war rages on NATO's eastern edge, Germany's new national-security strategy focuses not just on more military spending but also on climate change and feminism.

The 76-page document, the first such government strategy in Germany's post-World War II history, marks Berlin's response to mounting global threats, from armed conflicts and pandemics to broken supply chains and cyber espionage.

"It is not just about defense and the army," Chancellor Olaf Scholz said on Wednesday. "It marks the start of a process that will see government, business and society cooperate to strengthen our security."

Work on the strategy predates Moscow's invasion of Ukraine, but the attack, which caught Berlin largely unprepared, gave the initiative considerably more urgency. The war cast light on Germany's depleted military after years of underinvestment and highlighted its dangerous reliance on Russian energy supplies and global trade flows.

Before the attack, Russia accounted for more than half of German natural-gas imports and Germany's largest gas-storage facility was owned by Russian state-controlled giant Gazprom. As Russia began to throttle supplies, Berlin rushed to buy expensive liquefied natural gas from others, contributing to a spike in energy prices.

Thanks to the measures outlined in the strategy, future governments would make sure such situations never occurred again, Foreign Minister Annalena Baerbock said.

Billing itself as an "integrated security strategy," the paper encompasses concrete measures not just to diversify raw-material supplies, build national food, medicine and energy reserves and improve cyber defenses, but also to combat climate change, promote biodiversity and better target development aid.

"Our security is linked to the security and stability of other regions of the world," the document states. "The government will pay special attention to the interests of women and disadvantaged groups as part of its feminist foreign and development policies."

Security also meant reassuring citizens that their private communications weren't being spied on by China or that the water they used was monitored for safety, Baerbock said.

On defense, the strategy repeats Germany's commitment to raise spending to the North Atlantic Treaty Organization's target of 2% of gross domestic product a year. Last year, Germany spent 1.5% on defense.

A €100 billion, equivalent to \$108 billion, five-year special defense fund created just after Russia's attack should help the government reach the goal in the short term. But based on current spending trends, the Cologne-based German Economic Institute forecast in December that Berlin would fall back under the 2% target for 2026.

Defense Minister Boris Pistorius said the strategy encompassed lessons from the conflict in Ukraine, for instance, stressing the need to expand and strengthen Germany's air defenses.

Senators Write a Letter of Support to Imprisoned Journal Reporter



Evan Gershkovich has been held in Russia for months.

By Vivian Salama

WASHINGTON—Nearly three dozen U.S. senators wrote a letter to Wall Street Journal reporter Evan Gershkovich, expressing their "profound anger and concern" over his detention by the Russian government.

The letter, initiated by Sens. Chris Coons (D., Del.) and James Risch (R., Idaho), says a "free press is crucial to the foundation and support of human rights everywhere," and that every day he spends in prison "is a day too long."

"We applaud you for your efforts to report the truth

about Russia's reprehensible invasion of Ukraine, a conflict that has resulted in untellable atrocities, tragedies, and loss of life," the letter read.

Gershkovich, 31 years old, was detained by Russian security services on March 29 while on a reporting trip in the Russian provincial city of Yekaterinburg. He is accused of espionage in the interests of a foreign state. The Journal and the U.S. government vehemently deny the allegation, and the U.S. has said Gershkovich isn't a spy and has never worked for the government.

Russian authorities haven't

publicly provided evidence to support the allegation. Western governments, global news organizations, press-freedom advocates and human-rights groups have joined the Journal and the Biden administration in demanding his release. Russia has said it is acting in accordance with its laws.

The State Department has designated Gershkovich as "wrongfully detained." The designation launches a broad U.S. effort to exert pressure on Russia. Another American, former Marine Paul Whelan, has been held by Russia since 2018 and was convicted of espionage.

He denies the charge, and the U.S. has also designated him as wrongfully detained.

"Please know that the supporting for you and Paul go well beyond the walls of the United States Senate, and that the American people are with us in demanding your release," the letter read.

In an interview with the Journal, Coons said he and Sen. Mike Rounds (R., S.D.) had introduced the Stop Tax Penalties on American Hostages Act to prevent the Internal Revenue Service from levying fines and penalties on American hostages and wrongful detainees

for late tax payments while they are held abroad. This, he said, was driven by the experience of Jason Rezaian, a Washington Post reporter who was wrongfully detained by the Iranian government for more than a year. Rezaian came home to find he owed a large sum because of nonpayment of taxes.

The letter will be sent to the Free Evan Gershkovich campaign, which will translate it to Russian—a requirement by the Russian security services, which screen letters before he can receive them—and have it sent to him in Russia's Lefortovo prison.

WORLD NEWS

Poland To Oppose NATO Chief Candidate

By Vivian Salama

WASHINGTON—The front-runner to be the next chief of the North Atlantic Treaty Organization will face opposition from Poland, European officials said, underscoring a rift among the alliance's member states over its future 18 months into Russia's invasion of Ukraine.

Resistance from Warsaw could cost Danish Prime Minister Mette Frederiksen a shot at the job, since the NATO secretary-general must be selected by consensus of all 31 member states, European officials said.

Poland's concerns include a desire to install a leader from NATO's eastern flank in the alliance's top job and complaints that Denmark has fallen short of its defense-spending commitments, European officials said. And after nearly 15 years of former Nordic prime ministers at the helm, Warsaw is wary of installing yet another Scandinavian in the alliance's top job, European officials said.

The selection of a successor to Secretary-General Jens Stoltenberg is front and center in talks among allies ahead of NATO's summit in Lithuania's capital, Vilnius, in July. Frederiksen, who visited the White House last week, is widely viewed as the preferred candidate of most NATO members.

But a number of states on NATO's eastern flank are concerned that Frederiksen's potential candidacy, while largely well-deserved, undermines the alliance's needs in the face of Russia's invasion of Ukraine and the realization across Europe of those countries' vulnerability, European and U.S. officials said.

The governments of Poland and Denmark didn't respond to requests to comment.

At Least 79 Die After Migrant Ship Capsizes Off Greece



At least 79 people drowned and dozens more were missing off the coast of Greece after a fishing vessel carrying migrants from North Africa capsized in stormy weather, state-owned broadcaster ERT reported, the latest disaster stemming from a surge in crossings over the Mediterranean this year.

The Greek coast guard said a large search-and-rescue operation was launched in the area early Wednesday some 47 nautical miles southwest of the town of Pylos in the Peloponnese region. Authorities said 104 people had been rescued and transported to the city of Kalamata, about 150 miles southwest of Athens.

At left, survivors rested in a warehouse at the port in Kalamata on Wednesday.

The United Nations' International Organization for Migration said initial reports suggested there may have been as many as 400 people aboard. —James Hookway

Berlusconi Given State Funeral as Legacy Debated

By Eric Sylvers

MILAN—Italy said goodbye to its flamboyant former Prime Minister Silvio Berlusconi with a state funeral in his native Milan on Wednesday, as the country debated the controversial leader's legacy and questions hung over the future of his business empire and political party.

Crowds gathered outside the cathedral on Wednesday amid tight security on the ground and snipers on the rooftops overhead. Inside, Italian President Sergio Mattarella and Prime Minister Giorgia Meloni joined other political leaders and foreign dignitaries at the ceremony officiated by the archbishop of Milan.

Berlusconi, Italy's longest-serving postwar prime minister, died on Monday at the age of 86 having been under treat-

ment for a chronic form of leukemia.

The divisive figure, known in Italy and abroad for his off-color jokes and sex scandals, combined a career in politics with ownership of a sprawling media empire.

Huge screens in front of the cathedral allowed onlookers to follow the funeral. People cheered as the screens showed the car carrying Berlusconi's casket making its way from his villa north of the city toward the cathedral square. As the car pulled up in front of the cathedral people began chanting, "Silvio. Silvio, Silvio." Fans of the AC Milan soccer team Berlusconi owned for many years waved the team's flags and sang a song dedicated to him.

Berlusconi celebrated many of his political successes in the same square but also

emerged to show his bloodied face to the crowds. He is one of only a handful of prime ministers to be honored with a state funeral since Italy became a republic in the wake of World War II. Meloni

also declared Wednesday a national day of mourning with flags at all government buildings flown at half-staff.

Berlusconi is survived by five children from two marriages. His two eldest have prominent roles in the family businesses and have promised continuity after their father's death. That has done little to quiet investor speculation that MediaForEurope, the media company controlled by the family, could soon take part in a merger or be sold.

Questions also remain regarding the future of Forza Italia, which Berlusconi founded in late 1993 a few months before becoming prime minister with 21% of the national vote. His electoral support peaked at 37% in 2008 and dropped to 8.1% in last year's election. Berlusconi didn't leave a clear successor.



Huge screens in front of the cathedral in Milan allowed onlookers to follow the funeral of the former Italian premier.



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WORLD NEWS

WORLDWATCH



PACKING IN: Dogs waited to be fed, after being left behind when residents were evacuated from Jakhau port before the arrival of cyclone Biparjoy—whose name means ‘disaster’ in Bengali—in the western state of Gujarat, India, on Wednesday.

SWEDEN Beyoncé Tour Tied to Inflation

Sweden’s higher-than-expected inflation in May was due in part to Beyoncé launching her Renaissance World Tour in Stockholm, an economist at Danske Bank said. Fans flocking to Sweden’s capital city sent hotel prices soaring, economist Michael Grahn said. He estimates that Beyoncé’s tour contributed about 0.2 percentage point to inflation. Inflation in Sweden was at 9.7% in May, falling from 10.5% the month before, according to Sweden’s government. “Beyoncé probably had an effect on hotel prices in Stockholm the week she performed here,” said Carl Mårtensson, a price statistician at Statistics Sweden, “but it should not have had any significant impact” on Sweden’s inflation.

—Joseph Pisani

JAPAN Three Shot At Army Base

An 18-year-old army trainee shot three fellow soldiers at a firing range on a Japanese army base on Wednesday, killing two of them, officials said. The suspect was arrested at the scene in Gifu prefecture in central Japan, police said. The suspect fired a rifle at the soldiers during a shooting exercise at the Hino Kihon firing range, police said. The Ground Self-Defense Force, Japan’s army, confirmed that two of those wounded were later pronounced dead at a hospital. Army Chief of Staff Gen. Yasunori Morishita said the suspect joined the military in April and the three soldiers were assisting his shooting exercise as instructors.

—Associated Press

GUATEMALA Journalist Gets Six-Year Term

A tribunal sentenced newspaper founder José Rubén Zamora to six years in prison on Wednesday in a money-laundering case, concluding a trial that press-freedom groups decried as political persecution aimed at silencing a critical voice. The three-judge panel convicted and sentenced the well-known journalist on a charge of money laundering that affected the national economy and stability of the financial system. The tribunal cleared Zamora of charges of blackmail and influence peddling. “I am innocent of the crimes,” Zamora said after his sentencing. “I continue being innocent and [President Alejandro Giammattei] continues being a thief.” Giammattei has denied there was any political motivation.

—Associated Press

SUDAN Fight Displaces Two Million

The conflict in Sudan has displaced more than two million people, the United Nations said on Wednesday, as a U.N. official warned that escalating attacks in Darfur city could amount to “crimes against humanity.” Sudan has plunged into chaos since mid-April when monthslong tensions between the military and its rival, the paramilitary Rapid Support Forces, exploded into open fighting in the capital, Khartoum, and elsewhere across the northeastern African nation. At least 959 civilians have been killed and about 4,750 others wounded as of Monday, according to Sudan’s Doctors Syndicate, which tracks civilian casualties. The medical group said the toll could be much higher.

—Associated Press

Chinese Official Tells Blinken the U.S. Needs To Take Lead on Ties

By WENXIN FAN

HONG KONG—China’s foreign minister put the onus on the U.S. to improve ties between the two global powers in a phone call with Secretary of State Antony Blinken, ahead of the top U.S. diplomat’s much-anticipated visit to Beijing. “The relationship between China and the U.S. has encountered new difficulties and challenges since the beginning of the year,” Qin Gang said to Blinken, according to a brief account of the call posted on the Chinese Foreign Ministry’s website on Wednesday. “It’s clear where the responsibility lies.” State Department spokesman Matthew Miller offered a similarly concise summary of the call, saying Blinken used it to stress the “importance of maintaining open lines of communication” between Beijing and Washington to avoid miscalculation and conflict. The call took place Tuesday evening in the U.S. and Wednesday morning in China. A few hours later, both governments formally announced that Blinken would travel to Beijing for talks Sunday and Monday. The visit is Blinken’s first to Beijing since the Biden administration came into office. It is part of a recent effort by the White House to re-establish high-level exchanges with Beijing and stabilize a critical diplomatic relationship that has been in free fall. Administration officials hope Blinken’s meetings could pave the way for more-focused economic meetings including Treasury Secretary Janet Yellen or climate envoy John Kerry. “Intense competition requires intense diplomacy if we’re going to manage tensions: That is the only way to clear up misperceptions, to signal, to communicate, and work together where and

when our interests align,” Kurt Campbell, coordinator of Indo-Pacific affairs at the White House National Security Council, told reporters on Wednesday. Beijing, in a brief online announcement by state broadcaster China Central Television, said the two sides agreed to the visit following consultations. Ties between the U.S. and China have been strained by differences over issues including trade, technology, Washington’s support for Taiwan and Beijing’s strengthening relationship with Moscow despite the Russian invasion of Ukraine. Blinken’s trip was originally planned for February but the White House postponed it following the discovery of a suspected Chinese spy balloon floating over the U.S. Tensions escalated after the U.S. shot down the balloon—an act Beijing derided as an overreaction. The Biden administration has lately pushed for improved communication, saying the two countries need to establish channels to manage competition between them so that it doesn’t devolve into conflict. Beijing has portrayed that stance as disingenuous, citing what it says are repeated U.S. violations of Chinese core interests. Qin called on the U.S. to stop using competition as a pretext for damaging China’s sovereignty and security, according to the Chinese readout. He also urged the U.S. to take steps to implement a plan to manage differences and stabilize ties laid out by President Biden and Chinese leader Xi Jinping on the sidelines of a Group of 20 meeting in Bali, Indonesia, in November. Blinken told Qin that the U.S. would continue to use “diplomatic engagements” to raise concerns as well as seek potential cooperation, Miller said.

Washington Aims to Ease Iran Rift

Continued from Page One
The latest attempt at diplomacy represents a delicate political balancing act for Biden and is focused on cooling tensions, which have soared this year as Iran has provided drones to Russia for its war in Ukraine, pushed ahead with uranium enrichment and seized oil tankers in the Persian Gulf. In exchange for a prisoner release and limits on nuclear work, Tehran is seeking billions of dollars in Iranian energy revenue trapped abroad by U.S. sanctions. Iranian officials have repeatedly tied the possible release of prisoners to winning access to \$7 billion in Iranian funds held in South Korea and demanded access to billions of dollars held in Iraq for deliveries of gas and oil. South Korean former government officials with knowledge of the matter said discussions are continuing with Iran and the U.S. over the release of that money for humanitarian purposes. The Biden administration is eager to avoid catapulting negotiations with Iran to the top of the political agenda as the presidential campaign approaches. Any formal agreement or even a less formal understanding, which appears far more likely, could force a review in Congress, where Republicans and some Democrats strongly oppose a nuclear deal with Iran. Even an informal understanding with Iran making U.S. sanctions concessions for limited steps by Iran to curtail its nuclear program will face criticism, with Prime Minister Benjamin Netanyahu of Israel saying Tuesday his government won’t be bound by any such deal. It is also a departure from the so-called stronger and longer nuclear deal Biden said he would negotiate. Since the U.S. reimposed sanctions in 2018, Iran has expanded its nuclear work and has been accumulating 60%-enriched uranium for over two years, the only non-nuclear-weapons state to do so. Iran



Iran’s Ayatollah Ali Khamenei at a nuclear exhibit on Sunday.

already has enough 60% material for at least two nuclear weapons and can convert it into weapons-grade enriched uranium in a matter of days, U.S. officials said. Among the kind of de-escalation steps the West is looking for from Iran are a pause in the accumulation of 60% enriched material and Iran not proceeding with its plans to install and operate advanced centrifuges, machines which enrich uranium more quickly, people familiar with the talks said. Iran had planned a big increase in the use of these advanced centrifuges but has so far held off. If tensions can be cooled over the summer, it could lead to broader talks, possibly even a resumption of discussions over the 2015 nuclear deal, the people said. Yet there is little optimism that would lead to a restored agreement. Western officials worry that a move by Iran to produce weapons-grade fissile material would trigger a diplomatic crisis. Israel has said that level of nuclear production could trigger a military strike. “Certain actions by Iran could lead us to a very, dangerous situation, Iran and the world knows that, so we’ve been clear they should avoid escalatory actions,” a senior Biden administration official said. “It is no secret that we have also been concurrently urging Iran to take a de-escalatory path after several months of negative developments.” There have been no formal

negotiations on the nuclear deal since last summer, when Iran walked away from a proposed deal. Amid a crackdown on protests in Tehran and escalating Iranian support for Russia in its war with Ukraine, contacts between Washington and Iran have dwindled. In late 2022, U.S. Iran envoy Robert Malley met in New York with Iran’s ambassador to the United Nations, beginning a series of gatherings that continued through April, according to people briefed on the talks. In February, March and May in the Omani capital Muscat, Omani officials shuttled messages between the White House’s Middle East senior adviser Brett McGurk and Iran’s chief nuclear negotiator, Ali Bagheri-Kani, according to people involved in or briefed on the talks. McGurk also traveled to Oman in late May, according to diplomats, shortly before Omani ruler Sultan Haitham bin Tariq traveled to Tehran to meet Iranian Supreme Leader Ayatollah Ali Khamenei. Bagheri-Kani attended that May Iran-Oman meeting. Axios reported the May proximity talks in Oman last week. Speaking on Sunday, Khamenei seemed to leave the door ajar for some accommodation with Washington. While insisting Iran’s nuclear infrastructure must not be removed, he said, “You may want to make some deals in some areas.” —Michael R. Gordon, Summer Said and Dasl Yoon contributed to this article.



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WORLD NEWS

Pakistan's Military Targets Opposition, Media

Mass arrests occur, TV news stations are warned not to name or show Khan

By SAIED SHAH

ISLAMABAD—Pakistan's military is carrying out a broad clampdown on the opposition and media, as the powerful institution asserts its authority more aggressively than it has in decades.

Thousands of supporters of opposition leader Imran Khan have been arrested after stag-

ing violent protests at military sites. When suspects couldn't be found, family members or domestic staff were picked up in some cases, human-rights groups alleged. More than 80 people face trials in military courts, which aren't open to the public, government officials said.

The military has warned television news stations not to show pictures of Khan or use his name and put pressure on them to stop reporting on the country's economic woes, media executives said. Instead, many are airing a near-constant stream of images of the

arson and vandalism that took place at military sites following Khan's May 9 arrest on corruption charges. Khan had branded military leaders traitors and accused them of being behind his ouster as premier last year.

Law-enforcement agencies have detained a range of people in recent weeks, including a high-profile human-rights activist and a lawyer, while a well-known journalist, Imran Riaz Khan, disappeared a month ago.

The military didn't respond to a request for comment. Military leaders have accused Khan of seeking to cre-

ate chaos in the country and said the protests over his arrest weren't spontaneous but rather preplanned attacks on military sites by Khan's party.

The interior minister, Rana Sanaullah Khan, on Tuesday said no innocent person would be punished. The opposition leader was "trying to sow insurrection and insurgency in this country," he said, including by trying to create division within the army.

Khan, who was backed by the military at one time, says he has only ever advocated peaceful protest.

Pakistan's military has long

wielded considerable power in the country. Decades ago, the army staged multiple coups over clashes with politicians. The country has seen its longest period of elected governments since 2008, when the most recent military ruler, Gen. Pervez Musharraf, gave up power.

Now, the military is reversing many of those democratic gains without staging a formal takeover, political analysts said.

The aim of the military clampdown appears to be to impose some measure of stability in this nuclear-armed nation of more than 220 million people that has faced

deepening economic and political turmoil. With economic growth essentially wiped out, the country is facing nearly 40% inflation and debt payments of some \$22 billion in the coming fiscal year.

The moves also seem designed to shape the electoral landscape ahead of elections, which are due to be held by the fall. Polls showed Khan was the most popular politician in the country, but he is facing charges and his party appears to be falling apart.

The government of Prime Minister Shehbaz Sharif has applauded the crackdown.

Koreans Like Glitzy Proposals

Continued from Page One

that is putting pressure on couples to take part in elaborately—and expensively—staged proposals at posh hotels.

"Everyone prefers a hotel proposal," Oh said. "It's every woman's dream."

Oh's boyfriend chose Signiel Seoul, a luxury hotel, which sells an "Eternal Promise" package with flower decorations and Champagne that starts at \$1,200 a night. She snapped a photo of the rose petals and candles that her boyfriend prepared, and posed in front of "Marry Me" letter balloons holding a bouquet of flowers. She placed a blue Tiffany shopping bag containing a necklace next to her in the photo. Oh, for her part, gave her intended a fancy watch.

More than 40% of South Korean women want their wedding proposals to happen at a hotel, according to a recent poll by a local matchmaker. More than a third of men, in the same survey, cite "financial

burden" for not wanting to propose.

Originality matters less for marriage proposals in South Korea because most couples first seek permission from their parents, set the wedding date and often purchase the rings together—then get around to a formal proposal.

The Korean hashtag for hotel proposal exceeds 42,000 on Instagram. The proposal photos often feature flowers, balloons, a "Will you marry me" sign and, at the center, a luxury piece of jewelry or a designer handbag.

Kim Jae-hyun was stunned when his girlfriend showed him a photo of a Chanel handbag her friend received when getting proposed to at a hotel. "I started calculating how much it would all cost in my head," he said—probably at least \$3,000.

Over drinks, Kim and his friends, some married, others not, discussed whether they could afford a Chanel bag, and if it was really necessary for a proposal. His single friends thought a sincere expression of love before asking would be enough. His married friends disagreed, arguing Kim might hear about his lack of proposal panache the rest of his life.

He originally planned to propose this summer. But now he has decided to wait until the end of the year. "It will give me



Oh Hae-rim during her wedding proposal stay at the Signiel Seoul luxury hotel.

some time to save up," Kim said.

Hotel proposals got a boost from the pandemic. Unable to travel elsewhere and keen to avoid big crowds, more young couples splurged on five-star staycations that many realized were ideal places to propose.

Grace Hong, a veteran party planner, said she used to receive inquiries to help with hotel proposals just a couple of times a month before the pandemic. Now, she gets 20 to 30

requests a month. She charges up to \$750 to decorate a hotel room with flowers and balloons.

"I tell them: 'Cut back on your lunch money for a month,'" Hong said. For the ideal social-media post, Hong tells men to book something bigger than a standard room, since it's a once-in-a-lifetime event.

Dozens of hotels have created proposal stay packages that come with pre-decorated

rooms.

On average, Signiel's "Eternal Promise" package is booked 38 times a month, with the most demand seen in the springtime, according to the hotel. It plans to launch a more luxurious proposal package soon. Conrad, another five-star hotel in Seoul, offers an "All For Love" proposal package that includes a heart-shaped cake, flowers and wine. The package was launched because many guests inquired about

proposing at the hotel, according to Conrad.

Ha Myung-eon, a 30-year-old office worker, shelled out about \$4,500 for a room, decorations, dinner and the ring. He booked six months in advance to lock in at the best price. He set up three cameras to capture him asking the question. He uploaded the photos onto social media: "She said yes!" he wrote.

"I won't lie. It's a financial burden," Ha said. "But my friends were jealous, especially my female friends."

No country spends more per capita on luxury goods than South Koreans do, according to a January report by Morgan Stanley.

Lee Ye-rim, a 27-year-old office worker, received a Dior handbag from her proposing boyfriend at a five-star hotel in the city of Incheon just outside of Seoul.

"It's not easy to be original in Korea," Lee said, "so you might as well follow the trend."

The luxury-proposal trend creates some awkwardness for those going the old-fashioned way. Kim Myung-hyun, a 34-year-old office worker, can sense some letdown from others when he admits he didn't propose at a fancy hotel.

"I become a bit timid when I tell people I just asked over dinner," Kim said.



I asked what kind of family Amina wanted. She said, 'A family like yours.' That's when I knew I had to adopt her.

Denise, adopted 17-year-old Amina

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Russian Surrenders To Drone

Continued from Page One
ing promised jobs in the rear. Russian President Vladimir Putin said Tuesday that Moscow had been able to fight off Ukraine's counteroffensive so far but acknowledged losing a significant number of tanks.

Anitin is one of the few Russian soldiers to try to surrender to a drone. Drone footage reviewed by The Wall Street Journal captured in its entirety the frantic efforts of a man trying to survive bombardment in the trenches.

Anitin, 30 years old, a slight man with a receding hairline, studied to be a veterinarian and never expected to end up in the middle of a war. When Russia invaded Ukraine on Feb. 24 of last year, he was a marshal at Penal Colony No. 3, a prison near his hometown of Idritsa. His social-media posts at the time, including images of the Russian flag and comments such as "Let's punish the fascists," suggested he supported the war.

A tattoo on his hand reading "Za-VDV," or "For the Airborne Forces," was a memento from the year of mandatory military service he completed nearly a decade ago, he said in a recent interview. He said he assumed only the professional army would be fighting in Ukraine. "It felt like it was never going to involve us at all," he said.

That changed in September, when Russia mobilized civilians into the army after a string of battlefield losses. By then, Anitin was managing a liquor store in Idritsa, a town of 5,000 near the Latvian border. His income and his wife's provided a comfortable middle-class lifestyle.

Draft call

After his shift ended one Sunday, he said he received a call to report to his local draft office. Officials there told him they were going through names alphabetically. One told him to go home to pack and show up the next morning or face jail time for evasion.

Anitin left home before dawn the next day. His wife sobbed when he told her he had been drafted, so he said his goodbyes the night before and didn't wake her or their 3-year-old daughter before he left. "I didn't see the point," he said.

He and three other villagers were bussed to a larger town. So many men were being mobilized that officials skipped medical checks. They were given uniforms and Soviet-era rifles. In weeks of training they got only two chances to fire the weapons, Anitin said.

Commanders told the men they would stay in Russia to fortify the border. Within a month, Anitin was shipped into Ukraine. His unit performed guard duties and built fortified positions in Luhansk, an eastern region of Ukraine partially seized by Russia in 2014. For months, he said, they saw no fighting.

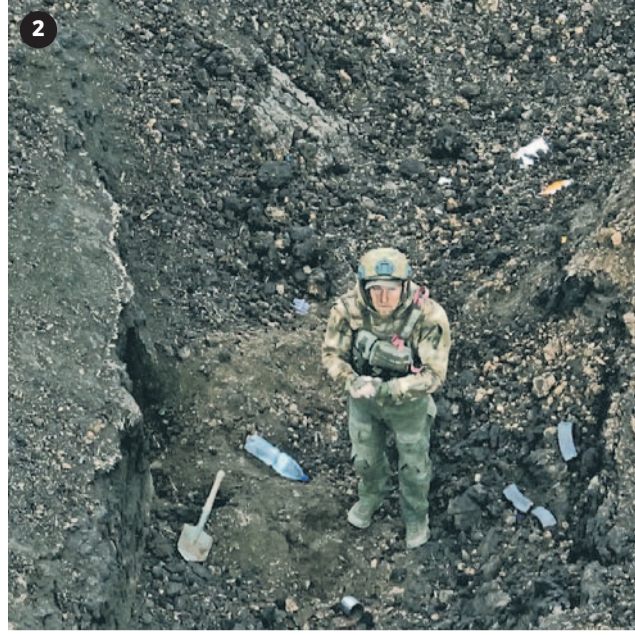
That changed in early May. The commander of his platoon said they were moving to Bakhmut to cover for retreating assault teams. Yevgeny Prigozhin, founder of Wagner Group, had just threatened to withdraw his men after they sustained tens of thousands of casualties in their push to capture the city.

"We understood that they wanted to throw us into that meat grinder," said Anitin.

The next evening, he rode in a military truck to a patch of woodland a few hundred yards from the front line. His commander picked him out along with two other recruits, including Dmitri Ivanov, a 21-year-old restaurant worker whom Anitin had befriended. They were told to advance into the trench system closest to Ukrainian lines, take shelter and sit tight, Anitin said.

The men carried a total of four meals and six bottles of water. Around 1 a.m., a Wagner fighter guided them to the nearest trench, where they immediately came under mortar fire that lasted about 40 minutes. The Wagner fighter warned them: "If you refuse to execute a mission, you get shot. And if you try to retreat, you also get shot."

During a short pause in the



Footage from Ukrainian drones captured the frantic efforts of Russian draftee Ruslan Anitin to survive bombardment in the trenches. 1. Anitin walking through a trench on the front near the city of Bakhmut, hunted by drones dropping small bombs. 2. Anitin pleading to the drone camera to spare his life. 3. Anitin crossing his arms in an effort to stop the bombardment. 4. A Ukrainian drone pilot shows a note written in Russian, 'Surrender follow the drone,' to be attached to a drone and flown to Anitin. 5. Anitin following the lead of drones through perilous terrain toward Ukrainian-held territory.

shelling, Anitin and the others ran to the next trench. It was hard to find shelter from the shelling just 200 yards from Ukrainian positions. The men groped around in the darkness, stepping on discarded bags, weapons and, as they discovered once dawn broke, dozens of dead bodies.

"They weren't fresh. They must have been there for a week or two," said Anitin.

He and Ivanov eventually discovered burrows in the walls of the trench. They climbed inside for protection.

Drone menace

Small Chinese-made drones driven by four propellers, the kind used for panoramic wedding videos, were a constant menace. They sent live video that corrected targeting for Ukrainian artillery. Some had been modified with claws that dropped explosive rounds, originally made for a rocket-propelled grenade launcher, directly into the trench.

Around 7 a.m., a blast injured Ivanov and wounded Anitin in the head, chest and shoulder. Anitin found a walkie-talkie and radioed commanders for help. No response. They hadn't been given an evacuation point, either.

A few hours later, he was crouched inside a burrow when Ivanov ran past. An explosion sent shrapnel into Ivanov's lower back. He shouted to Anitin that he couldn't feel his legs. Moments later, a third explosion hit him.

"I'm not well, brother," Anitin recalled him saying.

All this time, the Ukrainians piloting the drones were watching everything the terrified Russians were doing. Anitin moved to another position. Ivanov pulled the pin from a hand grenade and detonated it next to his head. The third man in their group was seriously wounded. He later shot himself with his own rifle, the Ukrainians said.

Anitin was on his own. Drone and mortar attacks continued all afternoon. By around 5 p.m., he had no energy left. "I thought I would end up staying in that trench forever," he said.

Then he got an idea: Surrender to the drone.

He stood up without his rifle and gestured with his hands to stop attacking. Footage recorded by the drones shows him drawing his finger across his neck and shaking his head—his plea to the Ukrainians not to kill him if he surrendered.

He didn't have a clear plan, he said, but thought it was worth a shot.

In another set of trenches a few hundred feet away, the Ukrainian drone pilots were suspicious, they later recalled, fearing a trap.

Body language

The pilots watched Anitin's body language and used the drones to respond—up and

down for yes, left and right for no. They would flash a light on the drones—once for yes and twice for no—a system that he proposed to them through a series of hand gestures.

Anitin didn't know whether he would be understood. When the drone started moving away, he said, he was filled with relief and decided to follow it.

Ukrainian drone pilots had been operating in the area since March. The Wagner troops leading the fight, they noticed, moved quickly and hid well. Regular Russian army recruits were slower and moved in groups, making them easier to pick off, the pilots said.

All day, the pilots had been

using drones to kill the Russians with small grenades—a few dozen in all.

An assault drone had already set out to kill Anitin, according to its pilot, a 26-year-old Ukrainian who uses the call sign Boxer. After seeing the high-definition images of Anitin pleading for his life, Boxer aborted his mission and dropped the grenade short of his position.

"Despite that he is an enemy, even though he has killed our boys, I still felt sorry for him," he said.

Ukrainian officers at the command post told Boxer to make contact. He took a Sharpie marker from his medical kit and wrote in Russian on packaging from his food rations, "Surrender follow the drone." He filled the packaging with dirt for heft.

The drone flew a four-minute route and dropped the note to Anitin, who clambered over the wall of the trench to retrieve it. That's when he knew this was for real. "They made their will known, and I showed them that I agreed," he said.

No-man's land

The drones watched Anitin set off into no-man's land. He stepped over discarded rifles, grenades and helmets, and navigated around severed limbs and decaying bodies. "He was walking like a zombie. He was walking on top of his dead comrades lying around him," said a second lieutenant in the 92nd Brigade's Achilles drone company who uses the call sign Touareg.

Achilles and another drone unit called Code 9.2 took turns leading Anitin on a winding route through trenches to minimize the danger, flying for 30 minutes at a time and then replacing their batteries. The Russian soldier looked up at them occasionally, seeking confirmation that he wasn't going to be harmed. He stopped frequently to sip water from a bottle lying on the ground, smoke a cigarette or just rest.

When he reached the end of one trench, he walked along a main road, then paused beside a disabled armored personnel carrier. Seconds later, an explosion erupted on the other side of the vehicle. Russian artillery appeared to be targeting him.

The drones watched him continue down the road, raising his hands in the air as Ukrainian trenches came into view. Caught between two clashing armies, he took cover in artillery craters. Mortars rocked the ground and bullets whizzed overhead. Shrapnel from an explosion downed one of the drones.

Anitin was within sight of a Ukrainian position ringed by barbed wire. He made a run for it, dodging a Russian mortar. Wary of spooking the Ukrainians, he dropped to his knees and removed his helmet and flak jacket. He rose and hurried toward a trench, where two soldiers pointed their rifles at him. They pinned him to the ground, bound his hands and loaded him into a Humvee truck.

In detention

Less than a week later, advancing Ukrainian forces captured the trench where Anitin's ordeal began. By then, he was sharing a cell at a detention facility in the Kharkiv region with three other captured recruits.

He spoke to the Journal there on May 19 in the presence of a guard. The room's lime-green walls were bare except for a poster with instructions for making calls on one of four phones.

The head of the facility said prisoners of war could contact their relatives by letter conveyed by the Red Cross. Anitin said he hadn't attempted to get in touch with his family. His daughter turned 4 the day before he was captured.

Even though he could face jail if returned to Russia in a prisoner swap, Anitin said that is all he wants now.

"Let them lock me up," he said. "I'd like to return home to my family, and never experience the sorts of things that I have seen here."

—Kate Vtorygina contributed to this article.



Watch a Video

Scan this code to watch a video of the Russian soldier's drone surrender.

PERSONAL JOURNAL.

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THE WALL STREET JOURNAL.

Thursday, June 15, 2023 | A13



Finding Your Bliss by Floating

It may sound woo-woo, but the time in a tank can help reduce stress, anxiety and depression



BONDS
ELIZABETH BERNSTEIN

I got naked to report this column.

Then I stepped into an 8-by-6.5-foot sensory-deprivation tank containing about a foot of water with half a ton of Epsom salt dissolved in it.

I closed the door, lay back and floated in the pitch black for 60 minutes.

Welcome to float therapy. Neuroscientists say that it's one of the most effective ways to recharge the nervous system. And in our hyper-stimulated world, an hour without light, sound or external sensations may be the ultimate luxury.

Float tanks are designed to relieve our brain of all auditory, visual or tactile sensations. They're dark and quiet inside. The water is so salty that we float like a cork. With nothing external to process, the brain has no choice but to power down.

The science of floating

"Floating creates an environment that can quickly get you in a meditative state," says Mark Stephenson, director of the Center for Sports Performance and Research at Mass General Brigham, in Foxborough, Mass.

You may think of float tanks as a wacky, fringe idea. But floating is actually a growing area of serious

study. Researchers are finding that regularly spending time in a float tank can help restore physical and mental health, says Justin Feinstein, a clinical neuropsychologist and director of the Float Research Collective, a nonprofit that conducts and promotes research on floating. Studies show it can reduce stress, anxiety and depression, as well as physical pain and blood pressure. It can improve sleep.

Neuroscientists began studying the effects of floating in the 1950s, submerging astronauts in upright vats of water while they wore masks with breathing tubes. Recreational floating enjoyed a moment in the early 1980s with celebrities and New Agey types. Yet the practice never caught on widely.

Now it's having a revival. Companies are popping up, offering roomy pods, 7-foot-tall chambers and even open rooms. Prices vary, from \$60 an hour at a flotation center in Des Moines to \$99 for half an hour at a high-end spa in Miami.

Navy SEALs float. So do athletes, cancer patients, veterans with PTSD and business executives.

Floating isn't a silver bullet—and it isn't for everyone. Some people are turned off by the idea of being in a constricted space, or worry that sensory deprivation will make them hallucinate. Others find it boring.

You don't necessarily need a tank. You can reap some of the benefits by floating quietly in a pool, pond or lake, researchers say.

What happened to me

To check it out for myself, I floated twice last week at the research center that Stephenson runs at Mass General Brigham. To measure my brain waves, I wore a water-resistant electroencephalogram system. I also used it to monitor my sleep before and after floating and to test my focus and motor control.

Before I got in the tank, the researchers told me to float naked so I wouldn't be distracted by the feel-

ing of a bathing suit on my body, to take my time settling in, and to expect it to be weird at first.

Stephenson told me to find something to focus on, such as my breath, a mantra or prayer, or a soothing image. This would help my brain settle down. If my mind wandered, he told me to return my focus to that one thing.

Before my first float, I scored high on an anxiety test that the researchers gave me. I wasn't surprised: I'd received word that a tree had fallen on my house during a storm that morning.

Yet stepping into the tank, I felt myself relax. There were twinkly lights on the ceiling and I watched them for a few minutes while I got acclimated. Then I switched them off and listened to my breath. For good measure, I pictured my dog, Scout—always a happy image.

Suddenly, I heard a loud and steady sound: my heartbeat. I became mesmerized by the shapes that were shifting behind my closed eyelids. And I had the oddly pleasant sensation that I was floating away, down a dark passageway. It was then that I understood what the chief executive of Neuroverse, the company that makes the brain-scan device I wore, had told me earlier.

"I'm a neuroscientist and definitely not woo-woo," Ricardo Gil-da-Costa said. "But when I float, I feel like I've entered a portal to another world."

After my 60 minutes were up, I felt euphoric and desperate to do it again. That night, I fell asleep almost immediately—unusual for me—and slept deeply.

Seeing the effects

I floated for 90 minutes the next day. I was agitated at first, eventually calming and losing track of time.

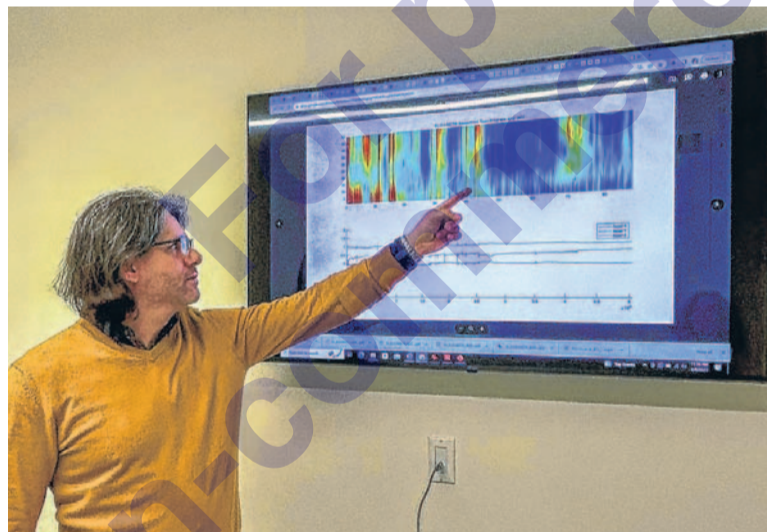
This energy shift showed up on the brain scan Gil-da-Costa showed me later. My brain stayed active for about half an hour. Then the high-frequency brain waves associated with attention and executive functioning subsided, replaced by low-frequency brain waves related to relaxation and interoception, or the brain's monitoring of the body's internal state.

Other tests Gil-da-Costa conducted showed that my visual attention and motor control improved after floating. I slept more, and better. My anxiety levels fell.

Days after floating, I felt calmer and better able to deal with stress, including on the bumpy plane ride home. This experience was consistent with a study published this month in the *Journal of Mood and Anxiety Disorders* that shows that the positive effects of a float can last at least 48 hours.

I plan to keep floating—in a tank when I can get to one, but also in a pool or the ocean when I can't. Because the positive effects are cumulative, Feinstein says.

"You're teaching your brain to disconnect from daily life," he says.



Columnist Elizabeth Bernstein wore an EEG system to measure brain waves. Neuroverse CEO Ricardo Gil-da-Costa analyzes the author's brain scan.

MY RIDE | A.J. BAIME

Rare Vintage Pickup Towed a Legend

Matthew Steinfeld, a financial adviser living in New York City, on his 1955 Chevrolet Cameo, as told to A.J. Baime.

As a teenager growing up in New Jersey, I was inclined to buy cars that were total basket cases. At times, I bought cars that were literally parts in boxes. I was interested in vehicles of the 1950s and '60s, and the standout engineers and racing drivers of that time—what I thought of as the glory years of the American car in-

dustrial. One day, while in high school, I was reading *Hot Rod* magazine and saw an article about a pickup truck that Chevrolet produced starting in 1955. It was called the Cameo, and it was considered the first "Gentleman's Pickup."

Up until this time, pickups were thought of as strictly utilitarian vehicles, for farm work or deliveries and such. The Cameo was something different. You could get it with the same 265 cubic-inch V-8 engine that was available in the Corvette. It had chrome bumpers



and some fiberglass bodywork made by the same company Chevrolet contracted to build Corvette bodies. The grille and dashboard were styled to align aesthetically

with Chevrolet's fancy Bel Air. In 1955, Chevrolet offered the Cameo in only one interior and exterior package—white with red accents.

The truck you see here is my second Cameo, and it has a wonderful claim to fame. I found it on the internet and bought it sight unseen from a woman in North Carolina. She had inherited this truck from her father, and she told me its story over the phone. The original owner was "Ohio George" Montgomery, who bought this truck new in Dayton, Ohio, to use as his tow vehicle. Ohio George was one of the most dominant drag-racing drivers of the 1960s. The racing car he towed with his Cameo was called the World's

"Whenever I take the Cameo out, I get questions about its age and its origin," says Matthew Steinfeld.

Wildest Willys. Today that drag-racing car sits in the Henry Ford Museum in Dearborn, Mich.

When I got this truck in 2017, I got in contact with Ohio George Montgomery, who is still alive. His son Gregg is operating George's Speed Shop in Dayton, which has been called the oldest continuously operated speed shop in the country.

George and I talked many times. He sent me pictures of the Cameo from when he owned it and, at one point, I told him that I happened to be going to a wedding near Dayton. He said, "Come on by." So I went to George's Speed Shop. He showed me memorabilia, and he told me about modifications that he had made to his Cameo. He talked about all the places his Cameo had taken him.

In its day, the Cameo came at a hefty price premium. Accordingly, Chevrolet didn't make a lot of them—only about 10,000 between 1955 and 1958. There aren't many of them left. I keep mine in an old body shop I own in Bergen County, N.J. Whenever I take the Cameo out, I get questions about its age and its origin. Most folks agree they can't recall ever seeing one before. To me, it's a time capsule, and I'm honored to be a caretaker of both this truck and Ohio George Montgomery's legacy.



PERSONAL JOURNAL.

Turning Gifts Into Annuities

Retirees can now earn money for life by giving some IRA savings to colleges, other charities

By ASHLEA EBELING

At college reunions and your favorite charity, there is a new ask: Donate up to \$50,000 from your individual retirement account and get back retirement paychecks at fixed rates of up to 9.7% a year, depending on your age.

Charities are making this pitch in the wake of a series of retirement changes Congress passed in December. As of Jan. 1, retirees age 70½ or older are now able to donate up to \$50,000 from their IRAs to fund gift annuities.

The new law comes as the wealthiest generation in history begins to retire, with much of that wealth in retirement accounts. While charities have offered gift annuities for years, the donations previously couldn't be made directly from retirement accounts.

Charitable gift annuities offer benefits to both giver and receiver. Small liberal-arts colleges and huge charities such as the American Red Cross and the Salvation Army, are signing up donors for the contracts, including those funded with IRA dollars. They appeal to retirees as a way to make a charitable splash while generating income.

Catherine Ribnick, a retired Federal Deposit Insurance Corp. lawyer in Washington, jumped at the chance to use the new law to make a big gift to her alma mater, Smith College, in Northampton, Mass., where she just celebrated her 55th reunion as a member of the class of 1968.

Smith was already in Ribnick's will, and in addition to her annual gifts, she already had a Smith deferred gift annuity she funded with cash. This year, she took \$25,000 out of her IRA to set up a second gift annuity, with a fixed payout rate of 7%. That will help lessen

the tax bite on her 2023 IRA required minimum distributions, and it will provide her with \$1,750 a year for the rest of her life.

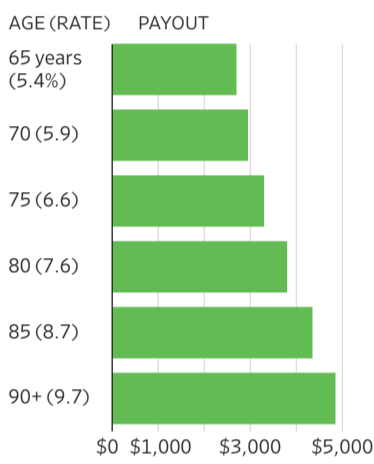
"I'm not flying to Europe on what I'm getting on the annuities. It's doing good, and it has the tax advantage," she said.

The gifts count toward required minimum distributions, the annual withdrawals older Americans must make from retirement accounts. Normally these withdrawals are taxed as income, but when directed to charity they are tax-free. In exchange for the gift, the charity agrees to make fixed annual payments to the giver, much like a traditional annuity purchased from an insurance company. Any money left over when the donor dies goes to the charity.

About 1,600 charities run gift annuity programs, with a market value of more than \$4.4 billion, estimates Bryan Clontz, a charitable-giving consultant in Jacksonville, Fla.

Americans hold \$12.5 trillion in

Annual payout for \$50,000 gift annuity



Note: Suggested maximum rates as of Jan. 1, 2023 for single life
Source: American Council on Gift Annuities



Charitable-gift annuities offered by colleges such as Smith College provide benefits to both giver and receiver.

IRAs, an increasing percentage of their overall financial assets, according to the Investment Company Institute.

"You've got this huge generation with all that money in IRAs, and when you hit age 73, you have to start taking it out," said Philip Purcell, a tax lawyer and adjunct faculty member at Indiana University's Lilly Family School of Philanthropy. "Some people, they're tired of the stock market and they yearn for that fixed income."

Carlos Garcia, 71, a retired marketer in Palm Desert, Calif., saw his IRA balance rise and fall recently and was intrigued by the certainty of a gift annuity's fixed payouts.

He and his husband, Wallace Colvard, a 74-year-old artist, each set up a \$50,000 IRA-funded gift annuity for their joint lifetimes at Garcia's alma mater, Pomona College in Claremont, Calif. They get \$616.68 a month, until the second of them dies.

"It's a very convenient and self-serving way to do something good," Garcia said.

Charities have been pushing to make it easier for taxpayers to do-

nate IRA dollars for decades. In 2006, Congress enacted a law allowing direct transfers, known as qualified charitable distributions, from IRAs to most public charities of up to \$100,000 annually by donors age 70½ or older. It became a permanent part of the tax code in 2015 and has been widely used for its tax advantages.

The giving opportunity under the new law combines IRA qualified charitable distributions with gift annuities. Here are the questions to consider:

What are the tax benefits of an IRA-funded charitable gift annuity?

The IRA withdrawal doesn't count as income, and it can count toward any required minimum distribution amount for the year. The IRA owner gets a minimum payout of 5% annually, taxed as ordinary income.

Are there restrictions on the donations?

IRA-funded gift annuities come with special rules. A donor can

make the gift in one tax year only. That could be one \$50,000 gift, or several smaller gifts up to the \$50,000 limit. The \$50,000 amount counts toward a separate \$100,000 limit per taxpayer for outright gifts to charity made with IRA dollars. The annuity can make payments to the donor or to the donor and spouse only. Payments have to start within a year of funding it.

How safe is a gift annuity?

It is as safe as the charity is sound, Purcell said. When a charity issues a gift annuity, it is pledging its assets to back it. No matter how long you live, the charity is on the hook to make payments.

Can you shop around for the best rate?

Yes, although most charities use the American Council on Gift Annuities suggested payout rates, which reset higher twice in the past year. Those rates anticipate a 50-50 split, with the charity ending up with half of the initial donation amount upon the donor's death. Actual results show close to 70% going to charity, according to the ACGA.

'Nature's Ozempic' Supplement Is Touted, but Research Is Limited

By NIDHI SUBBARAMAN

The Ozempic weight-loss craze has fueled new interest in a dietary supplement with roots in ancient traditional medicine as a cheap way to shed pounds.

Posts mentioning berberine, dubbed "nature's Ozempic," have racked up millions of views on the social network TikTok, where some people claim it can help with weight loss, as well as other ailments.

Berberine, a bright-yellow compound, can be extracted from the stem, roots or bark of a variety of plant species. Plants that produce berberine have been used for thousands of years in traditional medicine practiced in China, India and the Middle East—as a salve for stings and bites, to heal wounds and to treat disorders including diabetes, infection and jaundice.

In the U.S., it is available in the form of a pill or powder from a range of manufacturers, though like other supplements, it isn't regulated by the U.S. Food and Drug Administration.

Small studies involving people and research in rodents found that berberine can decrease blood glucose and cholesterol, and improve resistance to insulin.

Still, researchers warn that studies linking the supplement to weight loss are limited, and that other lifestyle changes such as exercise and healthier eating habits might be contributing to shifts. The supplement does have mild side effects including stomach pains, diarrhea and constipation, but it is harmless for most people, according to doctors.

Kiki Mahoney of Knebworth, England, said she hopes berberine can help her shed a few extra

pounds that she has picked up since Christmas. She said she bought berberine in tablet form online recently after mentions of its weight-loss benefits flooded her TikTok feed. She has been taking a 500-milligram pill twice a day, though she said she doesn't consider herself overweight and lives a relatively healthy lifestyle. She knew Ozempic was hard to get—expensive, in short supply and needed a prescription.

It was vanity, she joked. "I like to look nice in my

says Lisa Kroon, a diabetes specialist and professor at the University of California San Francisco School of Pharmacy. "It isn't going to be the quick fix that people are pursuing in terms of weight loss," she said.

Kroon said the so-called placebo effect might be at play, where, "If you believe it is going to help you lose weight, maybe it does."

Berberine's potential weight-loss effects might be triggered in a similar way to the diabetes drug metformin, said Jim Backes, a



Like other supplements, berberine isn't regulated by the FDA.

pictures," she said.

In Cleveland, some of Dr. Elizabeth Bradley's patients who are overweight or obese have experienced moderate weight loss of 5 to 10 pounds over a period of a few months.

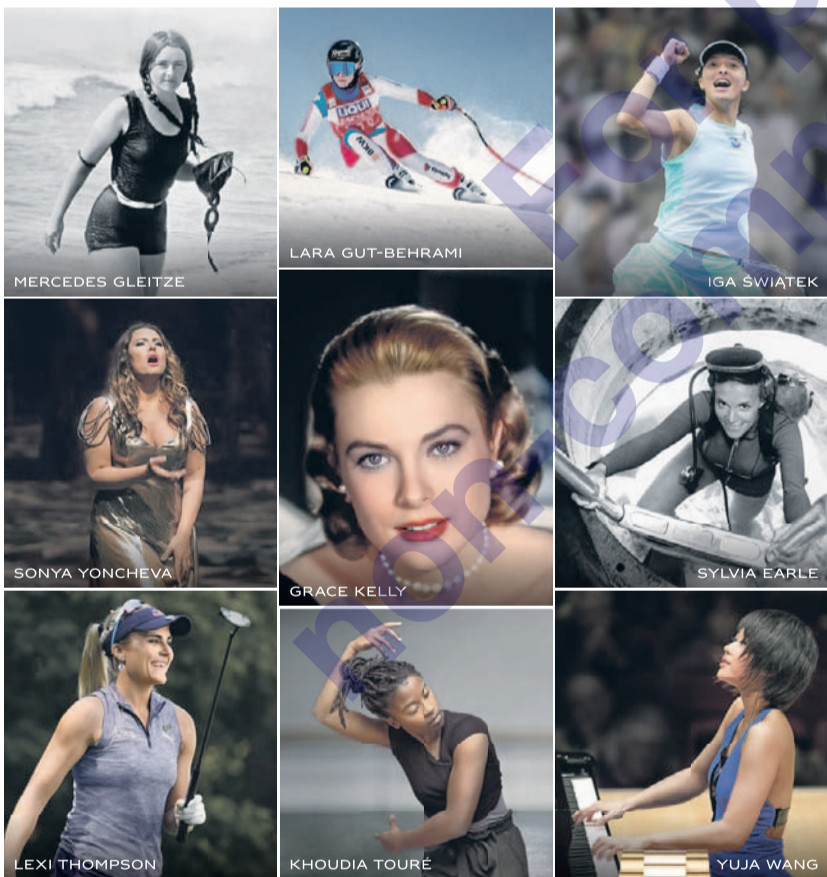
"I'm pleasantly surprised at the impact," said Bradley, medical director at the Cleveland Clinic's Center for Functional Medicine, about the weight loss in her patients, and the drop in cholesterol and blood glucose. She noted that people taking the supplement might also be making other changes to their lifestyle, which could contribute to the changes. People who are breast-feeding or pregnant should avoid the supplement, she said.

It is a very mild agent,

clinical pharmacist at the Atherosclerosis and LDL-Apheresis Center at the University of Kansas Medical Center. But as far as berberine's effect on weight loss alone, "The evidence is still weak," he said.

Backes warned that the quality of berberine supplements varies widely among brands. Of 15 different berberine products sold in the U.S., Backes and his colleagues found that only six of those products contained at least 90% berberine, they reported in the Journal of Dietary Supplements in 2017.

"With some products, you might get 100%, berberine, you might get 33%, berberine. But then, what's the other 67%? We don't always know," he said. "I would say be very careful."



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EXHIBITION REVIEW

Raphael's Masterly Foundations

An exhibition highlights a lesser-known side of the great Renaissance painter's career

By CAMMY BROTHERS

Raphael's fresco "The School of Athens" in the Vatican is among the most famous images in art history. Part of what makes it so striking is the barrel vault towering over the figures. In creating this fictive space, modeled on the ruins of the ancient Basilica of Maxentius in Rome, Raphael (1483-1520) was thinking not just as a painter but as an architect. Broadly, he was thinking more imaginatively about what the ancient world looked like than perhaps any of his contemporaries. They fetishized the fragments of the past, whereas Raphael took it upon himself to envision it in its full glory. In paint and in built form, he brought back the color, material richness and surface ornament of ancient architecture, together with its soaring interior volumes. This idea underpins "Raffaello. Nato architetto" ("Raphael. Born Architect"), an exhibition at the Palladio Museum here.

Vicenza, Italy

Yet despite his great fame, and the historical significance of his buildings, Raphael's architecture is not widely known, in part because there is so little of it left. In Rome, one of his most important works, the Palazzo Branconio dell'Aquila, was razed in 1667; another palace was destroyed in 1937; the Villa Madama was only half completed and is now off-limits as a government building; and his church of Sant'Eligio degli Orefici is rarely open.

In addition, Raphael left few architectural drawings, so anyone interested in him as an architectural thinker must rely on the evidence of a few remaining structures, photographs and prints of the destroyed or inaccessible ones, and some paintings and tapestries.

Undeterred, guest curators Arnold Nesselrath and Howard Burns, together with the director of the Palladio Museum, Guido Beltramini, have assembled an illuminating exhibition. It comprises drawings and early printed books, newly created models (such as those for the Palazzo Branconio dell'Aquila and Villa

Madama), and large-scale reproductions of works of art. The Raphael that emerges is one who in his paintings, built works and writings set forth a vision of how to re-create the lost wonders of ancient Rome, one that the next generation of architects, including Palladio (whose Palazzo Barbarano houses the museum), would continue to pursue.

The curators argue that architectural thinking was essential to Raphael's approach from the beginning. They ground his career as an architect in his study of antiquity. This was hardly unique in his generation, yet Raphael stood apart for the depth and passion of his engagement. He was committed to reviving aspects of ancient Roman achievements, something we see not only in his buildings, but also in his famous letter to Pope Leo X, a copy of which is in the show, advocating the preservation of ancient ruins.

He described how to do so accurately, seemingly for the first time, with plan, section and elevation drawings, making him one of the most important architectural theorists of his time.

Raphael's architectural imagination is on fullest display in his frescoes for the four Vatican stanze, or papal reception rooms, and in his tapestry designs for the Sistine Chapel. The exhibition includes a large-scale reproduction of one of those frescoes, "Fire in the Borgo." Here Raphael creates a fictive yet recognizably Roman panorama, complete with composite, Ionic and Doric capitals, red and green porphyry columns, a Renaissance palace, and a painted medieval church.

The exhibition includes full-scale, wall-size reproductions of Raphael's preparatory drawings, or cartoons, for two of his 10 Sistine Chapel tapestries, "The Sacrifice at Lystra" and "St. Paul Preaching

A model of the facade of Raphael's Palazzo Branconio dell'Aquila

in Athens." In both, Raphael constructs an ancient city in a dynamic composition that makes it seem as if we are participants in the drama.

The Villa Madama, perhaps his most ambitious building, included a round courtyard, broad terraces, an outdoor amphitheater, a fish pond and grottoes, as well as an extraordinary open loggia adorned with elaborate, colored stucco relief. Visitors can compare the 4½-foot-long cutaway model with a large photograph, reproductions of Raphael's drawings for the villa and gardens, and an original drawing Palladio made of the villa. Here, Raphael does not merely refer to ancient Roman buildings—he attempts to re-create one, using as his source the recently discovered decorative program of the Golden House of Nero. The result is one of the most breathtaking halls of the Renaissance, with vaults incorporating the bold reds, ochres and blues typical of ancient Roman painting, and rich decorative details, including grotesque ornaments, figural scenes, and vines. He found a way of capturing the ambitious volumes of ancient ruins and the enormous span of their vaults, but also their color.

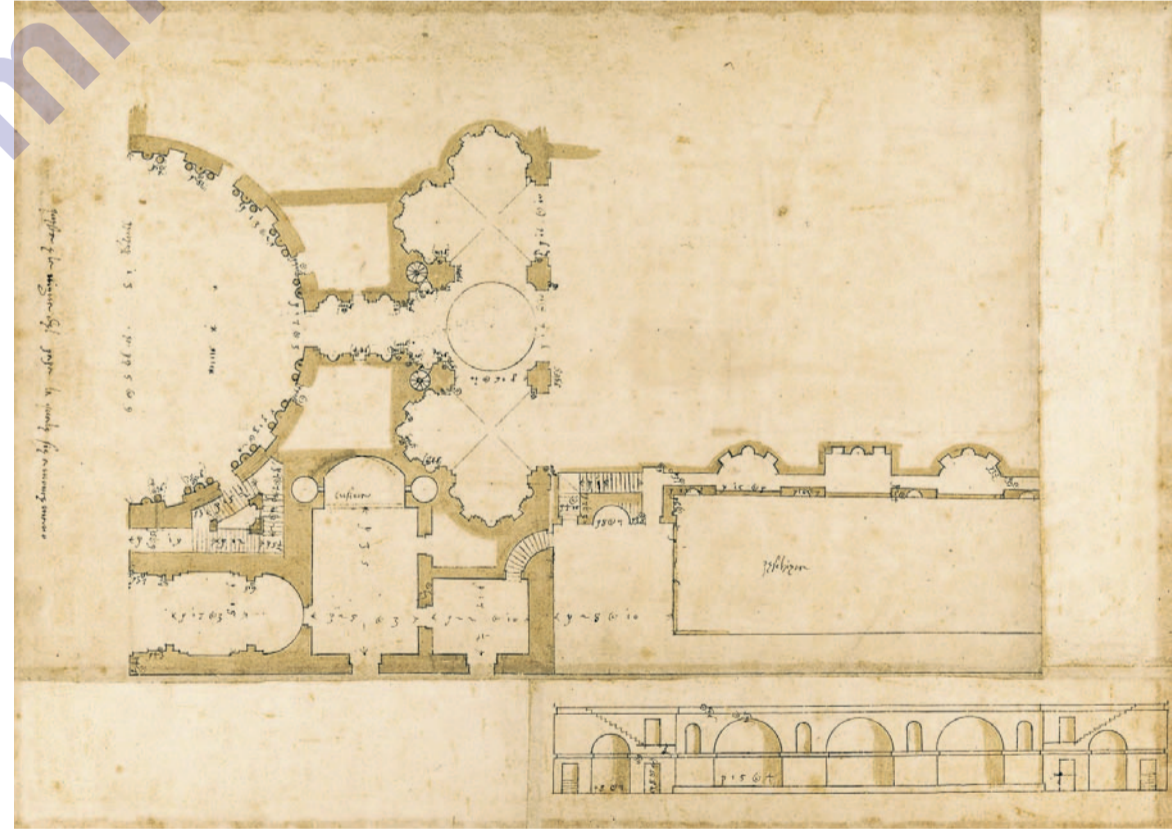
Two surviving buildings, Palazzo Pandolfini in Florence and Palazzo Alberini in Rome, may still be seen from the outside, and give some sense of Raphael's unique manipulation of architectural language, particularly in his articulation of the facade.

But the best way to get a three-dimensional sense of Raphael's vision is at the Chigi Chapel in Santa Maria del Popolo, Rome. Here Raphael employed precious materials, including finely carved red porphyry and colored marbles, and created one of the few 16th-century ceiling mosaics ever made, with the result that the chapel provides a polyphonic architectural experience—with multiple elements working simultaneously along parallel but distinct lines—otherwise not achieved until the Baroque architecture of Bernini.

What emerges from this show—as well as a walk around Rome and Florence—is a picture of an architect who sought to recapture the material splendor and full colored magnificence of ancient Rome. Few others got even close.

Raffaello. Nato architetto
Palladio Museum, through July 9

Ms. Brothers is a professor at Northeastern University and the author of "Giuliano da Sangallo and the Ruins of Rome" (Princeton).



Installation view, below; anonymous drawing of the east facade of the courtyard of the Palazzo Branconio dell'Aquila, left; 'St. Paul Preaching in Athens' by Raphael, above left; study of the Villa Madama, with an elevation of the wall of the fish pond, in an original drawing by Andrea Palladio, above



SPORTS

JASON GAY

Golden Knights Seize the Cup in Vegas

They celebrated wins with an Elvis wig and sunglasses. Now they have hockey's crown jewel.

Las Vegas They skate right off the famous Strip, in a city still ruled by sizzle and sleeplessness, home to a fake Paris, a knockoff Venice, and, of course, a tribute version of the late Frank, Sammy and Dino, singing nightly at 7:30 p.m.

Liberace played his crystal piano here. David Copperfield taught himself to fly. These days Adele's got a triumphant singalong in a town where Elvis Presley spent seven years in a sequined jumpsuit residency.

But until now, Las Vegas has never owned a jewel like this: The Stanley Cup. It's theirs for at least a year, after the Vegas Golden Knights routed the Florida Panthers 9-3 Tuesday, closing out the Stanley Cup final in five games.

It's an emphatic sports milestone for a desert hub that only started playing NHL hockey six seasons ago—and very nearly took the Cup in its debut campaign in 2017-18.

I came out to Vegas a year before the unveiling, visiting the low-key Golden Knights offices in nearby Summerlin. I remember snobbishly thinking: 'Hockey in Vegas? How is this possibly going to work?'

Hockey was Orr & Gretzky, not Penn & Teller. Dinner and two tickets for the Knights and the Avalanche? I didn't see it.

I couldn't have been more wrong. I really should stick to bikes and tennis. The Golden Knights not only were an immediate success, they became a noisy model for expansion fun and officially launched this city as a major permanent sports destination.

In a world where betting is freely available on phones, the old worries about the geographic comingling of gambling and sports have faded. Today the football Raiders are in Vegas, just down the road, playing in a \$1.9 billion stadium that looks like Darth Vader's Roomba. The Super Bowl



The Vegas Golden Knights celebrate after beating the Florida Panthers to win the Stanley Cup on Tuesday.

is coming up next February. The baseball A's could be en route from Oakland. The UFC has been here forever. The NBA is intrigued. The WNBA is already installed—A'ja Wilson and her Las Vegas Aces are reigning world champs, too. Formula One will vroom into town in November.

Still, the force behind this ascension isn't sports betting, or the showy Strip, but the city, which has long been culturally wider and deeper than the towers and tables. These Golden Knights aren't an entertainment package propped up by concierges and conventioners—they have always been a team supported and beloved by locals.

People like Richard McKee, who relocated to Las Vegas from Wisconsin in 2015, and signed on for tickets early.

"Fan since day one," he told me. It was about an hour before game time, and he was waiting outside the arena in 92 degree heat, wearing the shimmering No. 20 jersey of Knights center Chandler Stephenson.

"You have to understand: This community is really a melting pot of people from all over the country and all over the world," McKee said. "You have hockey fans who have come from wherever, and it's easy to adopt the Golden Knights as your home team. Being an expansion team—they didn't bring an identity from some other city." In other words, these Knights are theirs. The horrifying mass

shooting in the city on Oct. 1, 2017, only tragically enhanced the early bond; the brand new team honored responders from that crisis and gave Las Vegas something to root for at a low moment.

And it isn't like the team shunned the town's louche reputation—if anything, the Golden Knights leaned into it, with their shiny jerseys, their feather-capped rinkside dancers, and enough gold finishings to remodel Caesars Palace a few times over. (During their Cup run, the Knights players awarded an Elvis wig and sunglasses in the locker room to the player of the game.) Allow me to be the 10 millionth



2017-18

Debut season for the Golden Knights. Owner Bill Foley said he wanted to win a title within six years.

The WSJ Daily Crossword | Edited by Mike Shenk

Grid for the crossword puzzle with numbers 1 through 68.

- 24 Harry Potter's Patronus is one
25 Radiant rings
26 Auxiliary
27 Seeking sainthood, perhaps
29 Flagstones
30 Feel yucky
31 Rent booster in Monopoly
32 Laughable
35 Banned spray
36 Cadaverous
37 Hypotenuse, e.g.
39 "Sweetie"
43 Dyer of "Stranger Things"
44 Most daringly innovative

PGA Tour Commissioner Monahan Recovering From 'Medical Situation'

By Andrew Beaton and Louise Radnofsky

Los Angeles PGA TOUR COMMISSIONER Jay Monahan is "recuperating from a medical situation," and won't be leading the organization's day-to-day operations, the Tour said Tuesday, just a week after announcing the stunning merger agreement he brokered with Saudi-backed LIV Golf to call a truce in the battle that divided golf.

The Tour gave no indication, in a brief statement, of how long Monahan would be absent or the nature of the situation. Key details about the combination with LIV have yet to be negotiated, and the proposed deal faces potential regulatory and political opposition, as well as criticism from the PGA Tour's own players. Monahan had been named to lead the new venture as chief executive.

"Jay Monahan informed the PGA Tour Policy Board that he is recuperating from a medical situation. The Board fully supports Jay and appreciates everyone respecting his privacy. During Jay's absence," the statement began. "We will provide further updates as appropriate."

Two members of the Tour leadership, chief operating officer Ron Price and president Tyler Dennis, will lead the day-to-day operations, the statement said.

Under normal circumstances, the 53-year-old Monahan would be at the U.S. Open, which tees off at the Los Angeles Country Club on Thursday. But little in golf has been normal since the morning of June 6, when

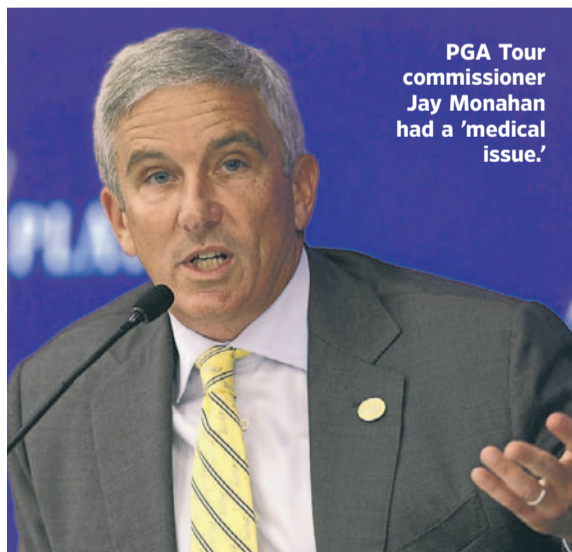
Monahan and the head of the sovereign-wealth fund of Saudi Arabia, Yasir Al-Rumayyan, sat side-by-side on television and announced they were laying down arms and forming a new venture.

The agreement calls for the Tour and the Saudi Public Investment Fund, or PIF, to combine their commercial golf assets, along with those of Europe's DP World Tour, into a new unnamed for-profit entity. The sides planned for Monahan to be the CEO of that new venture

fit of players, fans and the expansion of the game around the world," PIF said.

In the days that followed the pact, Monahan was the target of criticism for his sudden reversal on doing business with the Saudis. Since LIV Golf launched last year with backing by the Kingdom's Public Investment Fund, the Tour had been battling the upstart circuit for players and in court.

Throughout all of it, people associated with the Tour had not been subtle in noting



PGA Tour commissioner Jay Monahan had a 'medical issue.'

while Al-Rumayyan, PIF's governor, stands to be the chairman.

Many details of the accord still have to be hashed out—and now Monahan is on the sidelines while those taking over for him wish him a speedy recovery.

"Our thoughts are with Jay and his family during his absence," Price and Dennis said in a statement.

The Public Investment Fund, in a statement, said it had also been informed of the situation and also wished him well in his recovery.

"We are committed to working closely with the PGA leadership and Board to advance our previously announced transaction to invest significantly in the growth of golf for the bene-

Saudi Arabia's troubling record on human rights.

In recent days, sharp attacks have come from the Tour's own golfers, U.S. lawmakers and the families of people who died on Sept. 11, 2001. The Tour is already facing the prospect of a congressional investigation, and a reinvigorated antitrust inquiry from the Justice Department, a public fight.

The angst among players was made apparent quickly last week. Four-time major champion Rory McIlroy, who had been the Tour's most vocal supporter in its fight against LIV, said he found out about the merger essentially the same time as everyone else and dubbed himself a "sacrificial lamb."

Anger became more pointed in Monahan's direction specifically in the days building up to this U.S. Open. Jon Rahm, the reigning Masters champion who won this tournament in 2021, said he wants to have faith in management, "but it's clear that's not the consensus." "I think the general feeling is that a lot of people feel a bit of betrayal from management," Rahm said.

SEATING PLAN | By Mike Shenk

- Across 1 Former Phillies stadium, familiarly
7 Irons
15 Obstinate
16 Prepare a casserole, perhaps
17 Free from tension
18 Certain locals
19 *DNA structural unit
20 Ocean motion
21 Include
22 ___ Janeiro
24 Gender pronoun choice
27 According to
28 Beer with "karakuchi taste"
33 Return focus
34 *Items affixed to yellow hoods, perhaps
38 But, informally
40 Some are classified
41 Central Asian mountain range
42 *Lose it
45 Terminus
46 Arya Stark's sister
47 Mag. staffers
48 "Da 5 Bloods" director
49 Guitar sound
52 Crude qty.
55 Jack or joker
56 *One might show atrial fibrillation
62 Its last flight touched down at Fiumicino Airport in October 2021
64 Coat
65 Perelman or Parker, e.g.
66 Like Oscar envelopes
67 With
68-Across, 1958 David Niven film, and a feature of the starred answers
Down 1 Bootlegger's foe
2 Rwandan people
3 Util. bill portion
4 Antidote container
5 To be, to Brutus
6 Provable proposition
7 "Semper fidelis," for one
8 Duck, say
9 1930s program whose name came from "A Connecticut Yankee in King Arthur's Court"
10 Eldest of King Charles's siblings
11 "Ghosts" ailer
12 Mongolian monk
13 Squeezed (out)
14 Outlook button
23 First words of the Beatles' "A Day in the Life"
50 Place to keep a watch on
51 "... which will live in infamy..."
52 Derisive snorts
53 Down
54 Lacking vigor
55 Basketball's Austin
57 High on the draft list
58 Procure
59 Brawny unit
60 Have ___ in one's bonnet
61 Dispensary stuff
63 Ode title start

Previous Puzzle's Solution

A crossword puzzle grid with letters filled in for a previous puzzle's solution.

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

JOHN LOCHER/ASSOCIATED PRESS

RICHARD HEATHCOTE/GETTY IMAGES

OPINION

Biden's March to State Capitalism



WONDERLAND
By Daniel Henninger

Donald Trump. Voters know the country's political disagreements are deep, and they deserve to have the 2024 presidential election decided on those disagreements rather than Mr. Biden's cognitive state or Mr. Trump's complex vendettas.

On this score, the public is out of luck. Their national candidate nightmare is far from over. But Mr. Biden is one lucky fella. Whether or not he and Merrick Garland hatched the indictment of a former president, the fact is no one's talking about what the Biden presidency's policies represent for the country's future.

That's dangerous, because the U.S. could be backing into a major reordering of its political and economic system without anyone taking much notice.

In April, White House national security adviser Jake Sullivan gave an important speech at the Brookings Institution. Notwithstanding that the president has reduced himself to a smiley-face emoji, Mr. Sullivan, to his credit, explained exactly what Team Biden has been doing, which is putting in place a permanent U.S. industrial policy in which the government explicitly leads, and

everyone else follows. "America," Mr. Sullivan said, "needs a deliberate, hands-on investment strategy to pull forward innovation, drive down costs, and create good jobs." He added: "A modern American industrial strategy identifies specific sectors that are foundational to economic growth, strategic from a national-security perspective, and where private industry on its own isn't poised to make the investments needed to secure our national ambitions."

Let's talk about golf. I have been struggling for the past week to figure out what bothers me so much about the announcement that the PGA Tour is creating a new golf entity with Saudi Arabia's Public Investment Fund. Mr. Sullivan's industrial-policy speech clarifies the problem. The problem is that everywhere you look, governments are muscling in on the lives of consenting businesses and adults.

Golf's struggle isn't just another sports business story. The PGA, which was in litigation with the Saudi Public Investment Fund over the latter's new LIV golf tour, has entered into an undefined commercial operation that will share ownership between the nonprofit PGA and the government of Saudi Arabia. Rightly understood, this is a hostile takeover of an entire American sport by a government. It's as if the National Basketball Association agreed to share common ownership with the government of China—not beyond imagining until recently.

What we're seeing is the in-

exorable rise of state capitalism, a system that deploys the state's authority and money to force acquiescence to its version of social organization.

In his Brookings speech, Mr. Sullivan cites the "massive" subsidies that China has made in the "key industries of the future, like clean energy, digital infrastructure, and advanced biotechnologies." This isn't criticism. It's admiration.

The message being sent to John Q. Public is clear: You work for us, the government.

The rest of the speech explains why the U.S. needs to adopt the Chinese government's investment model. And this was inside the context of China's Xi Jinping's reasserting the state's foot on its top private companies, such as Alibaba.

Which is precisely what the Biden administration has done, using rulemaking and spending to subsidize and direct green industries in the U.S.

The debate over industrial policy usually turns on the economic efficiency of picking winners. My concern here has more to do with how the spread of state capitalism—whether in China, Mexico or especially the U.S.—is altering the essential status of the individual. If we concede that the government is the primary, or most important, source of capital, the message is clear: You're no longer a completely independent operator. You,

John Q. Public, work for us, the state.

Much has been made in the golf standoff of the 2018 murder of journalist Jamal Khashoggi. The fact is that Saudi Crown Prince Mohammed bin Salman is modernizing his country. But make no mistake, the state calls all the shots. I think of greater concern to some pro golfers, most prominently Rory McIlroy, is simpler: This isn't like getting paid to wear "Callaway" on your cap. Stripping away the PGA's gobbledygook about its independence, the reality is that these golfers are about to become employees of a government. Just as, for all intents, the employees of the once independent auto industry are now effectively working for the U.S. government's paid-for green companies.

State-led investment invariably produces a class of winners at the top. Saudi money might make pro golfers richer, just as U.S. green subsidies will make a broad swath of knowledge-based workers and investors wealthier. Mr. Biden's answer to subsidized winners at the top, or "income inequality," is to inject public money directly into the pockets of the left-behind via the kind of transfer payments embedded in the Inflation Reduction Act.

He likes to describe these payments as a matter of "dignity." But the Democrats' plan for the American future looks more to me like an also-ran consolation prize for most people. State capitalism is Joe Biden's Kool-Aid. Don't drink it.

Write henninger@wsj.com.

BOOKSHELF | By Tom Nolan

A Tragic Triangle

Genealogy of a Murder

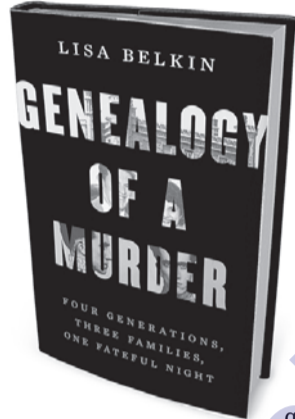
By Lisa Belkin
(Norton, 402 pages, \$29.95)

In her 1999 book "Show Me a Hero," the journalist Lisa Belkin chronicled a volatile public-housing battle that embroiled Yonkers, N.Y., in the late 1980s and early 1990s. Her latest investigation, "Genealogy of a Murder," centers on a fatal shooting that took place in Connecticut on July 7, 1960. She outlines her story in an introduction: "A young army doctor is stationed at a research lab at a maximum-security prison and becomes friendly with a prisoner, one who himself is a subject of the doctor's research. The prisoner asks for the doctor's help, the doctor gives it, things go terribly wrong, [and] a police officer is murdered."

Ms. Belkin stages the drama with the pace and tension of a Greek tragedy. "These three men—the prisoner, the officer, the doctor—had begun at the same starting line," she writes. "They were all the same age, born in the early years of the Great Depression. . . . How did they come to be who they were and where they were on that July night? How

did one become the cop, one become his killer, and one become my stepfather, the doctor who inadvertently set this shooting into motion?"

The author, except for two cameo appearances, is not herself a character in this gripping account, but her personal connection surely adds to the book's urgency.



Alvin Tarlov was a bright and optimistic lad from Norwalk, Conn., who followed a beloved uncle into the medical profession and pondered such questions as "Were you born who you are, or did you choose it?" David Troy was a religious young man who grew up near Alvin in Stamford, Conn., and later joined the local police force. Joseph DeSalvo was a book-loving boy from Chicago with a genius-level IQ but also a misanthropic father who belittled his ambitions, leading Joe to begin stealing as a teenager.

These three came of age in an era of notorious crooks and killers, when debates about crime and punishment possessed great urgency. What made a person break the law? Was it poverty? Was the point of prison simply to punish felons, or to rehabilitate them for a useful return to civilian life? How best to determine which inmates deserve parole?

The prison-reform movement made inroads at many penal institutions in the Depression years, including at Stateville Penitentiary near Chicago, where the paths of Dr. Tarlov and DeSalvo crossed. The facility's most infamous residents were Nathan Leopold and Richard Loeb, highly intelligent college students convicted in 1924 of the "thrill killing" of a 14-year-old Chicago boy. Sentenced to life in prison, the two convicts established the country's first prison-correspondence school, which Leopold continued to supervise after Loeb was stabbed to death in 1936 by another inmate. Leopold performed other meritorious acts before he was paroled in 1958. He died in Puerto Rico in 1971 without having committed any further crimes.

A judge sentenced DeSalvo to 10-to-70 years at Stateville for armed robbery in 1951. Dr. Tarlov, who earned a medical degree from the University of Chicago and was drafted into the military as an Army physician, arrived in 1959 to oversee a program that Leopold had participated in at Stateville to test a potential cure for malaria. DeSalvo was in charge of the lab's day-to-day work; soft-spoken and well-read, he impressed Dr. Tarlov as a dedicated and conscientious worker.

While tracing the lead-up to a 1960 shooting, a talented storyteller poses hard questions about crime, punishment and rehabilitation.

Was DeSalvo a good candidate for parole? He was intelligent, expressed remorse for his crimes, had participated in the prison's antimalarial experiments, and had demonstrably bettered himself by becoming a lab technician certified by American Medical Technologists. He acquired skills and contacts that would help him to support himself within society's guidelines, and he promised if released to do exactly that. On the other hand, as DeSalvo knew from prior experience, in prison "it was easy to make resolutions; out there you had to keep them."

Ms. Belkin craftily sustains suspense, even though readers already know her tale's stark conclusion. Dr. Tarlov took it upon himself to secure a post-prison job for DeSalvo as a lab technician at Norwalk Hospital, writing its director: "I believe . . . Mr. DeSalvo has matured emotionally and intellectually, and that he is ready to assume his place as a useful citizen in society." DeSalvo was granted parole and left prison in the spring of 1960 to relocate to Connecticut. He liked his new job but said he felt restless and confined by circumstances to his modest living quarters.

On the morning of July 4, Dr. Tarlov, in Norwalk for the holiday, phoned DeSalvo, who surprised him by requesting that they instead speak face-to-face. The doctor, caught up in preparing for a brief family trip, declined, but promised to see him when he returned to Norwalk the following week. A disquieted DeSalvo phoned Dr. Tarlov that evening to repeat his request; again the doctor refused. On July 5, during his lunch hour from the lab, DeSalvo went to a thrift shop and bought a used Luger pistol—the weapon with which he would kill responding officer David Troy after holding up a bar in Stamford two nights later. He was apprehended shortly after and, while on trial in December, died by suicide in a county jail.

Dr. Tarlov racked his brain over the tragic consequences of his good turn. What went wrong? Was DeSalvo simply unmoored without the structure of prison? Ms. Belkin doesn't have easy answers. The most powerful revelation in her sad and thought-provoking chronicle comes near the end, when Troy's uncle Dante is asked to compare his fate to that of his nephew's killer.

Like Joe, Dante "came from a dysfunctional home with a drunken absent father and no model of how to aim toward a future. . . . [He] had been a thief and a truant who told lies . . . and thought rules did not apply to him." Yet Dante had eventually earned a Ph.D. and became a philosopher and a teacher. Why did he turn out differently than Joe? He answered with something he'd learned at university: "One person who believes in you as a child. That makes all the difference."

Mr. Nolan reviews crime fiction for the Journal.

Trump Invited This Indictment

By Karl Rove

America has been plunged into an unprecedented crisis by the indictment of Donald Trump on 37 felony counts, including obstructing an investigation, making false statements, and 31 violations of the Espionage Act for the unlawful retention of national-defense secrets.

Unlike Manhattan District Attorney Alvin Bragg's charges of falsifying business records, this indictment is devastating in its rigor of evidence and the seriousness of the alleged crimes. Even so, the case will further tear our country apart, as it has a heavy impact on the presidential campaign and—wrongly—undermines confidence in our justice system.

The blame for this calamity rests solely on Mr. Trump and his childish impulse to keep mementos from his time in the Oval Office, no matter what the law says.

One of the relevant statutes is the Presidential Records Act, which states that "the United States shall reserve and retain complete ownership, possession, and control of presidential records." The PRA defines these in the most expansive way imaginable. Essentially every scrap of paper, text or email the president or his staff creates or receives is a presidential record, except his personal diary, private political materials unrelated to the presidency, and campaign papers.

None of that apparently mattered to Mr. Trump. Before

he left Washington in January 2021, he ordered a fleet of trucks to carry away hundreds of boxes of letters, reports, memos and other documents he'd received as president. The indictment says these included information about "defense and weapons capabilities" of both the U.S. and foreign countries, American nuclear programs, our and allies' "potential vulnerabilities . . . to military attack," and "plans for possible retaliation" to an attack.

His childish defiance of the law comes at a high cost to him—and to the country.

Those documents didn't belong to Mr. Trump, and he surely knew that. The president's lawyers and staff must have warned him he couldn't take the files. His top aides with security clearances had been made well aware of classified documents' sensitivity, having all signed acknowledgments "that the unauthorized disclosure, unauthorized retention, or negligent handling" of classified information "could cause irreparable injury" to the country, for which the government "may seek any remedy available."

It also had to have been explained to Mr. Trump that the White House Office of Records Management kept a list of the

documents he received and the National Security Council maintained a log of the classified documents he saw. He must have known these inventories would be shared with the National Archives and Records Administration, so that NARA would know if he improperly took documents.

That's why in May 2021 the archives began requesting their return. When Mr. Trump sent some records back in January 2022, NARA knew he had more. When his lawyers said in June 2022 that after a "diligent search," all remaining "responsive documents" had been returned, the Federal Bureau of Investigation knew that wasn't true. It took a search warrant two months later to collect the rest of them.

Mr. Trump says there's no criminal penalty for violating the Presidential Records Act. That's true, but it only highlights how damning his behavior was. Congress thought a law so simple and clear would be honored by anyone entrusted with the presidency. Instead of living up to his office, Mr. Trump treated it and America's national security flippantly, taking thousands of presidential records, among them hundreds of highly classified documents. It should have been evident to anyone who once occupied the Oval Office that documents containing some of the nation's most important secrets shouldn't be treated as trophies, shared with private guests, discussed with political associates or

stored in bathrooms or ballrooms. Any staffer found guilty of doing that would go to prison for breaking the laws protecting the nation's secrets, as Mr. Trump is now charged.

However Mr. Trump's trial ends, America is bound for a period of anger, division and recrimination. Some Republicans, searching for ways to undermine Mr. Trump's indictment, are even turning to one of the far left's lunacies—calling for law enforcement to be defunded. Eliminating the FBI is no different from scrapping the San Francisco Police Department.

Extreme as this situation is, it could easily have been avoided if Mr. Trump simply followed the law and left behind his precious keepsakes. It's a shame one of his top aides didn't have the gumption to make him do so. If then White House chief of staff Mark Meadows ordered the trucks heading south to Mar-a-Lago to detour to drop off records at the archives' warehouse in Suitland, Md., it might have enraged Mr. Trump when he found out, but it would have spared the country from the ugly months ahead.

No matter the outcome, America will pay a high price for the former president's reckless petulance. So will he.

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

The Milk of Judicial Kindness

By Renée Flaherty And Jaimie Cavanaugh

Mary Jackson of Atlanta earned a living for decades as a lactation consultant. She cofounded Reaching Our Sisters Everywhere, a charity that supports black mothers who breastfeed. She trained doctors and nurses and delivered lectures at medical schools.

Georgia's Supreme Court strikes down a law against unlicensed 'lactation consulting.'

But Georgia lawmakers declared her unqualified. Despite a state report showing her occupation was safe, they passed an act in 2016 requiring lactation consultants to obtain a government license, which would have required two years

of college and more than 300 hours of supervised clinical work. Her hospital supervisor told her that once the law took effect, she'd be out of a job. She sued the state for violating her constitutional rights, and we represented her.

Cases like this rarely go far. Since the New Deal, the U.S. Supreme Court has been highly deferential to economic regulations, applying a standard called "rational basis review" that accepts almost any excuse the government offers. Last year the Sixth U.S. Circuit of Appeals affirmed the government's authority to pass "unjust," "unfair," "unwise," "foolish" and "stupid" laws.

Such reasoning shields lawmakers and regulators from scrutiny. All doubts are resolved in the government's favor. But Georgia's Supreme Court, applying the state con-



Mary Jackson.

stitution, flipped the script. The court repeatedly asked "why," leaving the government flummoxed.

Regulators in Georgia now need a good reason before destroying someone's livelihood; guesswork is insufficient. The state high court held that Georgians have a right to "pursue a lawful occupation of their choosing free from unreasonable government interference."

Courts in other states have issued similar rulings. The Texas Supreme Court held in 2015 that forcing eyebrow threading to attend cosmetology school was unconstitutional—especially because cosmetology schools don't teach eyebrow threading. Vacation property manager Sally Ladd won a case against Pennsylvania regulators who insisted she needed a real-estate broker license to run an Airbnb business.

None of these rulings are binding on other states, but they carry weight of example, known in legal parlance as "persuasive authority." They can give courts elsewhere the confidence to hold lawmakers and regulators accountable.

Ms. Flaherty is a senior attorney and Ms. Cavanaugh is an attorney at the Institute for Justice.

OPINION

REVIEW & OUTLOOK

Is a Wealth Tax Constitutional?

Progressives have long dreamed of imposing a tax on wealth, and it looks as if an arcane corner of the 2017 tax reform might give them a legal opening. The Supreme Court can shut this constitutional door if it takes up a bad ruling on appeal from the Ninth Circuit Court of Appeals.

The Sixteenth Amendment revised the Constitution to allow "taxes on incomes, from whatever source derived." The Supreme Court has long held that income is defined as money that is realized from, say, wages or the sale of a property or financial asset. It has never been defined as unrealized income, such as from an increase in the value of an asset on paper that isn't paid out to the owner.

Enter 2017's mandatory repatriation tax, which taxed shareholders of some foreign corporations on their retained earnings. Congress was scrambling for revenue to pay for its reduction in tax rates, and foreign companies were an easy political target. But the tax also hits unsuspecting American bystanders.

Two of them are Charles and Kathleen Moore, of Washington state, who invested in a friend's venture to distribute farm equipment in rural India. The company reinvested earnings to distribute more proceeds in India, and the Moores received no payout. Yet they were hit with a tax bill of \$14,729 under the mandatory repatriation tax.

The Moores sued the Internal Revenue Service and sought a refund on grounds that the tax is an unconstitutional levy on income. They lost in federal district court, and a panel of the Ninth Circuit Court of Appeals upheld the tax. Ruling that "realization of income is

not a constitutional requirement."

The Moores also lost a request for hearing by the full Ninth Circuit. But Judge Patrick Butmatay issued a hard-hitting dissent that called out the majority decision as contrary to "ordinary meaning, history and precedent." In *Eisner v. Macomber* in 1920, the Supreme Court held that a gain in an asset's value qualifies as income only if it is "received or drawn by the recipient (the taxpayer) for his separate use, benefit and disposal." That sure doesn't apply to the Moores. The High Court has reinforced that ruling in more recent cases.

As Judge Butmatay writes, the Ninth Circuit is the first court in the U.S. to depart from this Supreme Court definition of income for tax purposes. He rightly notes that the ruling opens the door "to expansion of the federal taxing power beyond the limits" of the Constitution, including taxes an "all sorts of wealth and property" that has never been subject to the federal income tax.

The Moores have appealed to the Supreme Court, and we hope the Justices will hear the case. The Ninth Circuit ruling controls only in its area, but if the High Court lets it stand, it will encourage Democrats in Washington, D.C., to think that they could get away with imposing a wealth tax.

No less than the Chairman of the Senate Finance Committee, Oregon's Ron Wyden, has floated a wealth tax proposal. The Justices have a chance in *Moore v. U.S.* to restore the proper legal application of the income tax and avoid a constitutional clash that could do substantial economic harm.

A bad Ninth Circuit ruling needs Supreme Court review.

California's Governor spins some tall tales about his record.

Gavin Newsom's Tax Evasions

You can tell that the unflattering comparisons between Florida and California are ranking Golden State Gov. Gavin Newsom by the way he's now trying to disavow his state's punitive progressive income taxes. Nice try, Governor.

"I've never been a profligate Democrat," Mr. Newsom told Fox News's Sean Hannity this week. "I'm a business guy." The born-again pro-business Democrat added that California's top marginal 13.3% personal income tax rate applies only to the wealthy and predated his governorship. He also asserted that he has opposed new tax increases on high earners. Where to begin?

First, Mr. Newsom is defining wealthy down. California's top 13.3% rate hits taxpayers making more than \$1 million. That may seem rich, but it includes many small businesses that file under the individual tax code. More than 62,000 taxpayers with adjusted gross income exceeding \$1 million in 2020 reported gains from partnerships or S-Corps.

California's income tax rates for the middle-class are only slightly less punitive than for the so-called rich. Its 9.3% tax rate kicks in at \$66,294 for single filers, which is higher than the top rate in all but a handful of states. Teachers and plumbers in California pay a higher rate than CEOs and hedge-fund managers in 44 states.

Mr. Newsom also appears to have forgotten that as lieutenant governor in 2012 he backed a ballot measure that raised the top rate to 13.3% from 10.3% and created four new brackets for income exceeding \$250,000. These tax increases were supposed to expire at the end

of 2018, but Democrats and their public union allies backed another ballot measure in 2016 to extend them through 2030. Mr. Newsom supported that tax extension too even though the state was swimming in revenue. A putative temporary tax increase has become de facto permanent.

San Francisco businesses are still around from when Mr. Newsom was mayor two decades ago may also remember how he campaigned for ballot measures to raise the city sales tax and impose a gross receipts tax. "We're fighting for the values of our city," he proclaimed. San Francisco voters disagreed. Both measures failed.

As mayor and now Governor, he has presided over spending blowouts and awarded public unions higher pay. Instead of cutting taxes, he used last year's \$100 billion surplus to buy votes with stimulus checks and other transfer payments. Now the state faces a \$32 billion budget deficit. Profligate is in the eye of the political spendthrift.

The Governor also trumpeted his opposition to a ballot initiative last November that would have increased the top rate by 1.75% on income above \$2 million. Yes, but he didn't suddenly find tax religion. He opposed the tax hike for the same reason the teachers' unions did: The initiative barred politicians from controlling how the revenue would be spent.

Mr. Newsom's revisionist tax history is worth correcting since he's likely to be a candidate for the White House in 2024 if President Biden decides to bow out. If his tax fairy tale were true, tens of thousands of Californians wouldn't be moving to other states.

Applying a multifactor test from a 1975 case, *Richey v. Smith*, a trio of appeals judges said the situation did not "favor exercising equitable jurisdiction." To start, the feds had not demonstrated "callous disregard" for Mr. Trump's constitutional rights, as precedent requires. His claim of "injury" from having investigators examine his sensitive documents would equally apply to "nearly every subject of a search warrant."

Judge Aileen Cannon gets the document case, and why not?

The federal case against President Trump for allegedly mishandling national secrets has landed, by random assignment, on the bench of district court Judge Aileen Cannon. The anti-Trump partisans are now shouting that she must disqualify herself, since the law says judges must step aside if their impartiality "might reasonably be questioned."

President Trump appointed Judge Cannon in 2020. But that can't be the standard for recusal, or hundreds of judges would be unable to preside, including one third of the Supreme Court. Half the country would argue that there are reasonable questions on the other side about whether Mr. Trump can get impartiality from progressive jurists named by a Democratic President. Most federal judges take their oath of office seriously, regardless of which party is in power.

The more detailed argument against Judge Cannon is that she gave favorable rulings to Mr. Trump in an earlier stage of the case, and her judgment was ultimately overturned by the 11th Circuit Court of Appeals. That's true as far as it goes. After the FBI raided Mar-a-Lago, she ordered the appointment of a special master to review the seized documents, while temporarily blocking the feds from using them for criminal investigative purposes.

Judge Cannon wrote that she was taking into account "the undeniably unprecedented nature of the search of a former President's residence," while warning that Mr. Trump "ultimately may not be entitled to return of much of the seized property or to prevail on his anticipated claims of privilege." This was legally erroneous, the 11th Circuit soon said in overruling her.

The unsigned opinion concludes: "We cannot write a rule that allows any subject of a search warrant to block government investigations after the execution of the warrant. Nor can we write a rule that allows only former presidents to do so. Either approach would be a radical reordering of our caselaw limiting the federal courts' involvement in criminal investigations." Two of the judges were Trump appointees. The third was Judge William Pryor, who was on Mr. Trump's Supreme Court short list.

This is a strong signal that Judge Cannon was wrong on the law. But district courts are reversed all the time, much as appeals courts are overruled by the Supreme Court. That's how it works. Perhaps Judge Cannon's mistake was clear to the 11th Circuit, but she's relatively new to the bench. Any ruling she makes in the Trump case is bound to be appealed to the 11th Circuit, and probably the Supreme Court, so she wouldn't be the final legal word.

Yet Judge Cannon is being treated as if she shows up for arguments wearing a black robe and a MAGA hat. Democratic and media recuseniks always do this. If they had their way, half the Supreme Court would have to sit out important cases, and we don't have to tell you which half.

LETTERS TO THE EDITOR

About Your Economic Record, Mr. President

Regarding President Biden's "Never Bet Against the American Economy" (op-ed, June 9): Wouldn't it be nice if politicians stopped referring to increasing government spending funded by borrowing as "public investments" and increased taxes as "revenues?" Such public investments aren't a once-in-a-generation opportunity; as the federal debt has grown to exceed \$31 trillion, they have become routine.

Long-term growth is a mirage, as government borrowing crowds out private investment. How are we going to win the economic competition for the 21st century in the presence of growing leakages—tax dollars siphoned by bureaucracies—inefficiencies and debt overhang?

TERENCE E. BURNS, C.F.A. Fairfax Station, Va.

Mr. Biden plays his greatest-hits record of misleading economic claims on inflation, wage growth and job creation. In reality, our inflation, which was a result of Mr. Biden's reckless spending, remains persistently high. It has caused average real wages to decline for 26 straight months. His job-growth figure has been buoyed by the millions of backfilled jobs that were temporarily lost during the pandemic. He doesn't deserve credit for these. Labor-force participation is well below the prepandemic peak.

The economy is sputtering, mired in stagflation after barely coming out of a recession during the first half of last year. According to our latest poll, nearly two-thirds of small businesses are concerned that the poor economic

conditions will force them to close. The real story of the Biden economy is stagflation and declining living standards.

ALFREDO ORTIZ CEO, Job Creators Network Atlanta

Mr. Biden blames price hikes on supply chains, corporate profit margins and rents. When supply chains weaken, prices rise, but then fall once bottlenecks resolve. If the supply-side story is correct, we should see outright deflation now. Instead, we're experiencing mere disinflation—a slow-down in the rate of price increases.

The corporate-profits "greedflation" hypothesis flies in the face of basic economics. When business costs rise, the markup charged by profit-maximizing firms actually decreases. Rents don't explain inflation, either. From summer 2020 to 2022, rent increases outpaced consumer price inflation for only three quarters. Rents are growing faster now that inflation has moderated. The driver is supply and demand in housing markets, not the overall economy.

Monetary policy remains the best explanation for inflation. The monetary base grew from \$3.45 trillion at the start of Covid to \$6.41 trillion two years later. Mr. Biden doesn't control the Federal Reserve, but in running massive deficits, he and his congressional allies pressured the central bank to monetize the debt.

PROF. ALEXANDER WILLIAM SALTER Rawls College of Business, Texas Tech Lubbock, Texas

SPLC Defends Hate-Listing Moms for Liberty

Since 1990 the Southern Poverty Law Center (SPLC) has published our Year in Hate and Extremism report to serve as an important barometer of hate and anti-government extremism ("SPLC Puts Moms on Its 'Hate Map'" by Tiffany Justice and Tina Descovich, op-ed, June 12). The SPLC is an ardent supporter of the right of all children to an inclusive, quality public education, and we support parent engagement. While that is what the members of Moms for Liberty claim—that they are merely engaged parents—their actions reveal different goals.

We included Moms for Liberty in the 2022 report because of the group's anti-government principles, its trafficking in conspiracy theories about an illegitimate government and its actions to censor school discussions around race, discrimination and LGBTQ+ identities. No student should feel erased by education nor be de-

monized for race, gender, religion or sexual identity. Inclusive learning is essential for the health of our communities and for realizing a vibrant democracy for all. We agree with the majority of parents who trust teachers and school administrators to set thoughtful, responsible curriculum.

Moms for Liberty promotes an agenda that deprives students of a comprehensive, inclusive education that reflects our country's history and diverse student body. It is at the forefront of a reactionary, outspoken minority—referred to as the anti-student-inclusion movement—which targets funding for public education, advocates the abolition of the Education Department and spreads hateful imagery and rhetoric targeting the LG-BTQ+ community.

MARGARET HUANG President and CEO, SPLC Montgomery, Ala.

Who Can Go Insult for Insult With Trump?

I agree with Joseph Epstein that "Somebody Needs to 'Bug' Donald Trump" (op-ed, June 9). People who effectively insult others aren't themselves insensitive; otherwise, they wouldn't know where to strike. Working for the government, I had an employee who mercilessly insulted others, but, when assaulted herself,

would be reduced to tears. My only caveat is that the kind of sophomoric insulting that went on in Mr. Epstein's high-school circle wouldn't be proper in a presidential debate. Fortunately, there are so many adult insults that can be based on the ex-president's behavior. Here, Chris Christie is our man. Aside from his ability and articulation of ideas, he has real talent in this genre of humor.

JACK KACZOROWSKI Los Angeles

What Students Must Learn And Colleges Fail to Teach

Regarding your editorial "Virginia Tech's Bias Response Team" (June 12): For years, I have been trying to teach my children, grandchildren and, more recently, the city council that if someone has an opinion different from yours, it isn't necessarily wrong or bad; it's different. This is where discussion and debate should enter the picture, not a police action or a report to the dean of students.

Students should attend college with the idea of expanding their knowledge and increasing their curiosity about ideas and opinions different from their own. For me, there isn't much difference between the words "bias" and "opinion." For example, I may have a bias against overpaid athletes or I could have an opinion that many athletes are overpaid. What's the difference?

GEORGE STARNER Cape Coral, Fla.

Think of the Birds, Anyone?

The advice to place reflective windows and mirrors outdoors will lead to the further decimation of bird populations ("A Place to Reflect," Off Duty, June 10). This is common knowledge to those who hang decals and provide anti-reflective window surfaces to reduce the hundreds of millions of bird deaths annually from window collisions. What good is a glassy reflection to enhance a garden if there are no more songbirds to sing in it?

BRIAN R. APATOFF New York

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Pepper ... And Salt

THE WALL STREET JOURNAL



"Can't afford the headset so I'm wearing my eyeglasses case."

OPINION

Zombie Engagement With Beijing

By Mike Gallagher



Xi Jinping and Joe Biden in Bali, November 2022.

This is the trap of zombie engagement. It almost always places the burden of “improving” relations on the U.S. rather than demanding that Beijing adjust its malign behavior. We give up the farm simply to get to the negotiating table. Once we’re there, we’re beholden to an entirely new process of concessions because of the pressure to present “deliverables.” While we build guardrails for ourselves, the Communist Party builds fast lanes to achieve its long-term objectives.

The alternative strategy isn’t war. We needn’t capitulate to avoid catastrophe. Instead, we must defend ourselves with all the courage and conviction we can muster across the free world. Acquiescence today only makes military conflict more likely tomorrow.

Together, we must move heaven and earth to put hard power in Mr. Xi’s path when it comes to Taiwan. We must hold the Communist Party accountable for its failure to meet trade commitments; expand export controls on critical technologies; impose sanctions on Chinese firms and officials that enable the party’s human-rights abuses, and restrict capital from flowing into China’s emerging tech industry and military-industrial complex.

The Soviet dissident Alexander Solzhenitsyn perhaps best articulated the problem with zombie engagement when he observed: “The very ideology of communism, all Lenin’s teachings are that . . . if you can take it, do so. If you can attack, strike. But if there’s a wall, then retreat. The Communist leaders respect only firmness and have contempt for persons who continually give in to them.”

Instead of zombie engagers, we need to be like Solzhenitsyn’s wall: firm, self-assured and resolute in the face of communist China’s growing threat.

Mr. Gallagher, a Republican, represents Wisconsin’s Eighth Congressional District and is chairman of the House Select Committee on Strategic Competition between the U.S. and the Chinese Communist Party.

President Biden foresees a “thaw” in relations with Beijing. The State Department wants to “move beyond” what Mr. Biden now calls the “silly balloon” and get “back to Bali,” where in late 2022 the president apparently enjoyed a brief honeymoon with General Secretary Xi Jinping. Treasury Secretary Janet Yellen suggests that we needn’t fret about our economic dependence on China, as the costs of decoupling would prove “disastrous.”

If this script sounds familiar, it’s because we’ve seen this movie before. For more than 30 years, Washington has pursued economic engagement with communist China on the theory that economic growth would lead to political liberalization. We now know that prosperity has served only to embolden Mr. Xi’s worst authoritarian instincts.

The scene isn’t confined to economics. Nearly a decade ago, President Obama engaged with Mr. Xi in the hope that he wouldn’t militarize newly constructed islands in the South China Sea. The president in

worthy objectives as semiconductor export controls and basing agreements in the Pacific. There is no harm in talking, proponents of zombie engagement argue, and a failure to communicate could lead to unintentional war.

While crisis communication is important, Beijing is refusing to pick up the phone, and Washington’s pursuit of diplomatic engagement ignores three geopolitical realities.

The first is that the siren song of engagement invariably leads to appeasement in the face of foreign aggression. In keeping with its strategy of cooperation, Washington won’t pursue defensive measures because it fears such moves might provoke Beijing and endanger détente. Our leaders are shelving vital policy actions—such as ending export licenses to Huawei, applying sanctions against party officials responsible for the Ughur genocide, and releasing details on the downed spy balloon—because they’re concerned with how the party might react. Each day that goes by without these measures, we grow weaker and communist China grows stronger.

The second geopolitical reality is the provocation paradox. The more we wring our hands over whether we’re provoking a Marxist-Leninist regime that has no respect for international rules, the more we create incentives for that regime to act “provoked” at the most insignificant slight.

The Biden administration seems determined to revive an approach to China that has failed for 30 years.

2015 also announced a cyber agreement with Beijing, believing that it might slow the party’s cyberwar against American companies. Each gambit failed.

By the time the party’s Covid coverup came to light in 2020, it appeared as if the era of wishful thinking had ended. Yet like a zombie in a horror movie, the strategy of unfettered engagement has come back from the dead.

Why is the White House following a path that has proved so fruitless? The charitable interpretation is that Mr. Biden wants to turn down the temperature after pursuing such

Cancel Culture Comes for Philly’s Weirdest Museum

By Stanley Goldfarb

Philadelphia

Is a 9-foot human colon a symbol of colonialism? Don’t laugh. That question threatens to destroy a beloved and bizarre institution in Philadelphia. The Mütter Museum has housed medical oddities and arcaica for 160 years. Yet a handful of woke elites are taking issue with its past and jeopardizing its future.

As a former president of the College of Physicians of Philadelphia, which operates the Mütter Museum out of its downtown headquarters, I have a special fondness for this institution. I also know how weird it is. Where else can you see a malignant tumor removed from President Grover Cleveland, pieces of Albert Einstein’s brain, and 139 human skulls, to name a few of the head- and often stomach-turning exhibits? Many people with unique conditions have donated their organs, and even their whole bodies, to the collection. It’s equal parts intriguing and educational, since the museum fosters medical research.

The Mütter Museum has called itself “disturbingly informative,” yet a small number of activists tar it as insufficiently progressive. For years they’ve accused the museum of reflecting “colonialist” and “racist” views.

In January media outlets such as ProPublica and the Philadelphia Inquirer accused Mütter of failing to return the remains of Native Americans to their tribes. The attention was the excuse that museum leadership needed, especially College of Physicians CEO Mira Irons and museum executive director Kate Quinn, both hired after the social-justice upheaval that began in 2020. This year, in a blatant overreaction to the media reports, Ms. Quinn ordered the museum to remove all images of human remains from its online collections, including almost all its YouTube videos and large sections of its

online exhibits. She indicated the material, which extends far beyond Native American remains, may never return based on “wider discussions” at the institution.

While Ms. Quinn says key exhibits remain on display, it appears that much of what draws people to the strange museum is on the chopping

The Mütter calls itself ‘disturbingly informative.’ Its woke leaders appear anxious to sanitize it.

block. One local report says the leadership team is concerned that the collection “involves people who are no longer living, and had values that may differ from what people now believe.” Staff say Dr. Irons and Ms. Quinn seem hostile to the existence of the museum itself, with Dr. Irons reportedly declaring that her “life would be much better if the museum

was for physicians only.”

The broader public disagrees. The visitor tally has consistently grown, reaching 130,000 annually, and the museum’s online presence has been a boon. Before the purge, the museum’s YouTube videos had about 13.5 million views. The 12 videos that remain have fewer than 38,000. If the exhibits are removed from the museum itself, the number of visitors will no doubt decline. This month Dr. Irons told the Inquirer that she expects to “lose some folks along the way,” while bringing more people “along with us on this journey.” Placating woke activists’ demands for a sanitized safe space seems unlikely to bring more people through the doors.

Some of the staff are revolting against Dr. Irons and Ms. Quinn, with at least 13 of 50 employees reportedly leaving, especially those with expertise in medical history. That includes Robert Hicks, a senior consulting scholar who resigned last month while revoking his plans to leave his estate to the museum.

In a letter informing the trustees

of his decision, Mr. Hicks expressed concern for “the deconstruction of the museum” and called for an investigation of Dr. Irons and Ms. Quinn. The Mütter Museum Preservation Society submitted a letter accusing Dr. Irons and Ms. Quinn of wanting to “remake the Mütter into its own ideological antithesis,” meaning a political project rather than a historical museum. The society drafted a petition to save the museum, which drew 21,000 signatures in less than two weeks.

The Mütter Museum’s fate is in the hands of its board. If trustees listen to staff and the public, they will let the museum continue to inspire people with medical knowledge and unique exhibits. The alternative is to cleanse the institution of anything uncomfortable or incompatible with the exclusionary demands of the woke elite. The Mütter Museum hurts no one. Destroying it will help no one.

Dr. Goldfarb is chairman of Do No Harm.

Kids and the Power of the Spoken Word

By Mark Bauerlein And David Mikics

New educational standards in Georgia and Arkansas include modest-sounding requirements that are in fact revolutionary.

In Georgia students will be required to build “background knowledge” by reciting all or part of significant poems and speeches. The Arkansas plan calls for students to recite a passage from a well-known poem, play or speech. That’s it: an old-fashioned demand that students memorize the Gettysburg Address or Hamlet’s “To be or not to be” or Gwendolyn Brooks’s “We Real Cool” and recite it to an audience.

Most parents would probably call

this a worthy exercise, fostering the courage to speak in public and firing the adolescent imagination. Who could object to lodging memorable words in teenage heads otherwise packed with TikTok videos?

English teachers, that’s who. Modern educators view memorization as empty repetition, mechanical and prescriptive rather than creative or thoughtful. Reciting texts from memory, they say, merely drops information into students’ minds. It’s rote learning instead of critical analysis.

That’s wrong. Recitation allows students to experience a text as a living thing, ready to be taken up by a new generation. Committing a poem or speech to memory means stepping into the author’s shoes and pondering what he meant. Deciding which words to stress when reciting means thinking about what those words mean. This is why public speaking was once a requirement at many colleges and universities.

In our age of social media and artificial intelligence, the practice of recitation has never been more needed. Memorizing classic words reminds us that they are alive.

Arkansas and Georgia have something even stronger than pedagogical theory to justify the new—or, rather, old—standards. Watch the faces of parents as they listen to their children urging us all toward what Martin Luther King Jr. called “a dream deeply rooted in the American dream,” or saying with Robert Frost, “I have been one acquainted

with the night,” or with Shakespeare, “Tomorrow and tomorrow and tomorrow . . .”

When young reciters return to their seats, they know they have made ageless words their own. What parents and students feel at that moment transcends a good grade. For a few minutes, striving teens become King, Frost or Shakespeare.

New standards in Georgia and Arkansas will require students to recite great poems or speeches.

“Every man is an orator,” Ralph Waldo Emerson wrote. “The eloquence of one stimulates all the rest . . . to a degree that makes them good receivers and conductors.” Reciting classic lines brings past eloquence into the present, turning us into receivers and conductors. When we weigh the words of influential men and women and realize they are still useful, we all benefit. Georgia and Arkansas understand this. Let’s hope many more states follow their lead.

Mr. Bauerlein, an emeritus professor of English at Emory University and an editor at First Things, worked on the standards in Georgia and Arkansas. Mr. Mikics is president of the Association of Literary Scholars, Critics and Writers and a professor of English at the University of Houston.

Red States Have Slowed The ESG Juggernaut

By Andy Puzder

States have seized the initiative in resisting environmental, social and governance investing. These legislative efforts have been so successful that the Harvard Law School Forum on Corporate Governance recently published an article titled “It’s Time to Call a Truce in the Red State/Blue State ESG Culture War.” ESG advocates are understandably concerned that what looked like a juggernaut is suddenly facing stiff opposition. But that’s no reason to slow the effort. ESG either protects the retirement assets of hard working Americans or, as states are increasingly concluding, it doesn’t.

Last year the American Legislative Exchange Council and the Heritage Foundation jointly proposed model legislation to stem the rise in ESG investing. Their proposal has served as the basis for states to require that asset managers focus exclusively on maximizing returns. These 10 states combined—Arkansas, Florida, Kansas, Kentucky, Indiana, Montana, North Dakota, Tennessee, Utah and West Virginia—hold more than \$500 billion in pension fund assets.

Laws against politicized investing may eventually force the hand of fund managers and blue states.

The bills have varied in language. Eight states have explicitly named ESG when outlining their new investing restrictions. Florida, Indiana and Kansas also prohibit investing to advance “social, political, or ideological interests.” Montana and West Virginia add the phrase “or other similarly oriented considerations” to their ESG restrictions.

All are clear and consistent in their intention: Those responsible for investing and shareholder voting must act solely in the financial interests of the pension fund’s beneficiaries. ESG and other forms of politically motivated investing are inconsistent with that duty.

States have attempted ESG limitations in the past, but this time is different. Historically such bills lacked a legal formulation that specifically defined ESG, making them vulnerable to claims that such investing was indeed maximizing returns.

In an August 2022 letter, 19 state attorneys general argued that BlackRock’s pressuring companies to advance net-zero carbon emissions lowered corporate profits and violated its fiduciary obligations. BlackRock responded that “investors and companies that take a forward-looking position with respect to climate risk and its implications for the energy transition will generate better long-term financial outcomes.”

But BlackRock conceded that “as a fiduciary, we are bound to adhere to our clients’ investment guidelines and objectives.” That promise reverberates in the new laws, which explicitly define the state pension objectives and exclude ESG.

These laws have broader implications. They thrust into the spotlight the inconsistency that states differ in a basic understanding of fiduciary duties. Even in California and New York, the law requires that fiduciaries exercise their duties “solely in the interest” of the beneficiaries of their funds and for the “exclusive purpose” of providing benefits. Yet their employees may be unwittingly sacrificing financial gain to advance progressive causes favored by state officials and asset managers.

ESG supporters lobbied hard against the anti-ESG bills, claiming they would end up lowering returns. Both sides can’t be right. Either advancing an ESG agenda complies with the duty to act solely in beneficiaries’ best interests, or it doesn’t. When challenged in court, will fact finders determine that fiduciaries best satisfy their duties by maximizing returns or by pursuing a leftist agenda? Likely the former.

With the momentum now seized by conservative lawmakers, there may be an opportunity to bring some common sense back to blue states. One unfavorable court decision could subject ESG-advocating trustees and investment managers to very substantial class-action lawsuits. Pension funds are underwater anyway; suing Wall Street could be seen as a good way to try to get healthy. For now, the ESG jig is up in 10 states and counting.

Mr. Puzder, a former CEO of CKE Restaurants, is chairman of 2ndVote Value Investments and a senior fellow at the Heritage Foundation.

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BUSINESS & FINANCE

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Bond Yields Rise on Fed Forecast

Investors register skepticism that central bank will follow through

By SAM GOLDFARB

Yields on shorter-term U.S. government bonds reversed earlier declines on Wednesday after the Federal Reserve held interest rates steady but signaled that it still could raise them more than investors had been expecting this year.

The yield on the bench-

mark two-year Treasury note, which is particularly sensitive to the near-term outlook for interest rates, settled at 4.707%, according to Tradeweb, compared with 4.694% Tuesday.

The yield on the benchmark 10-year Treasury note settled at 3.796%, up from 3.773% just before the Fed released its latest policy statement and economic projections, though down from 3.838% a day earlier.

The Fed's decision to leave its benchmark federal-funds rate at a range of 5% to 5.25% had been clearly telegraphed

by officials and came as no surprise to investors. Their focus was instead on officials' interest-rate forecast, which did come above expectations.

Out of forecasts from 18 Fed officials, the median estimate was that rates will need to rise to between 5.5% and 5.75% this year, suggesting two more 0.25 percentage-point rate increases.

Before the meeting, interest-rate futures had indicated that investors thought the likeliest scenario was that the Fed would increase interest rates just one more time, at the central bank's next meet-

ing in late July.

Investors expressed some skepticism that the Fed would follow through on its forecasts. After rising sharply initially, yields quickly started to fall again and then held relatively steady as Fed Chair Jerome Powell delivered his postmeeting press conference.

Forecasting two more rate increases at this stage "is ambitious," said Will Compernelle, macro strategist at FHN Financial. "So far the market's reaction has not really been buying it."

Mr. Powell said that offi-

cialists hadn't committed to any future policy such as raising rates in July, though he did imply that raising rates next month was possible.

Treasury yields had declined earlier in Wednesday's session after a report showed that supplier prices fell 0.3% in May from the previous month after rising 0.2% in April.

The data gave fresh support to investors who believe that easing inflation pressures will allow the Fed to stop raising interest rates for the rest of the year and per-

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Suit Says Twitter Infringed Music Copyrights

By ANNE STEELE AND ALEXA CORSE

A group of music publishers representing songwriters from Taylor Swift to Beyoncé is suing Twitter alleging copyright infringement, arguing that the platform benefits from the use of songs it hasn't paid for.

Twitter users regularly post videos that include popular music, and artists want to be paid when their work is used that way. The Elon Musk-owned company is one of the few social-media platforms that hasn't forged licensing arrangements governing the use of music on its service.

Twitter users regularly post videos that include popular music, and artists want to be paid when their work is used that way. The Elon Musk-owned company is one of the few social-media platforms that hasn't forged licensing arrangements governing the use of music on its service.

The suit, brought by the National Music Publishers' Association on behalf of 17 music publishers, is the opening salvo in what could be a protracted legal battle between music's biggest rights holders and the social-media platform. The NMPA says it is seeking more than \$250 million in damages for hundreds of thousands of alleged infringements that the organization has identified, spanning 1,700 songs.

Google's YouTube, Meta Platforms' Facebook and Instagram, Snap and TikTok are among the platforms that pay artists when users post videos that include their songs.

"Twitter stands alone as the largest social media platform that has completely refused to license the millions of songs on its service," said NMPA Chief Executive David Israelite. The artists represented by the suit span some of the biggest names in music, including the Rolling Stones, Lady Gaga, Miranda Lambert and Rihanna.

Twitter didn't comment. The suit cites a 2021 letter from a then-Twitter policy executive to members of Congress that said the social-media company "unequivocally opposes copyright infringement and has invested in tools to assist rights holders' content protection efforts."

The suit, filed Wednesday in the Middle District of Tennessee, alleges that before and after Musk's \$44 billion purchase of Twitter last year, the service has engaged in, facilitated and profited from copyright infringement at the expense of music creators.

The NMPA says that Twitter has broadened its business model from a destination for short text-based messages to compete more aggressively with other social-media sites, becoming a destination now for multimedia content, "with music-infused videos being of particular and paramount importance."

The platform "breeds massive copyright infringement that harms music creators," the NMPA's suit alleges.

Twitter doesn't recognize the need for licensing agreements, and it is slow to remove infringing content at the

Please turn to page B2

Ex-Banker Sees Christie's Sale as One for the Books

By KELLY CROW

Bibliophiles say a rare-book sale later this week at Christie's could prove to be a literary blockbuster.

Among the offerings headed to auction are America's first bestseller written by a woman, its first spy novel, and first editions by some of the country's literary icons including Nathaniel Hawthorne, Herman Melville and Edgar Allan Poe.

Christie's New York plans to sell off more than 300 pieces of historic American literature and letters from the library of retired Bear Stearns executive Bruce Lisman this Thursday and Friday—including letters, annotated copies and early editions by Harriet Beecher Stowe, Washington Irving, Walt Whitman and Phillis Wheatley.

Lisman is known for amassing books that chart the country's developing literary canon spanning the Revolutionary War era to 1900, a small collecting category that operates distinct from the realm of collectible historic documents like the U.S. Constitution. American literature, unlike

that \$38.1 million Hebrew Bible or \$43 million Constitution, rarely fetches seven-figure prices; the entire Lisman sale is estimated between \$3 million and \$5 million.

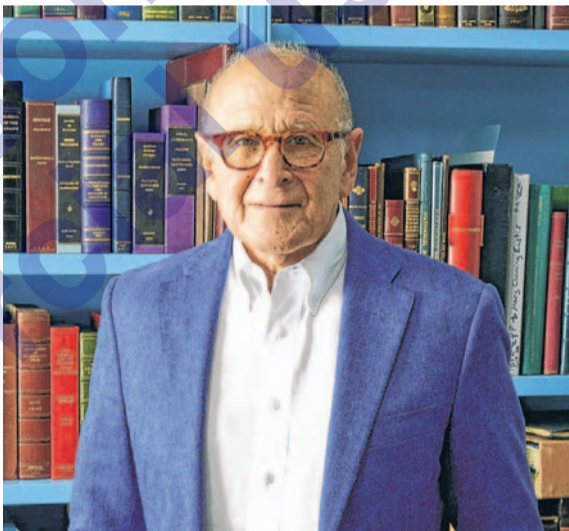
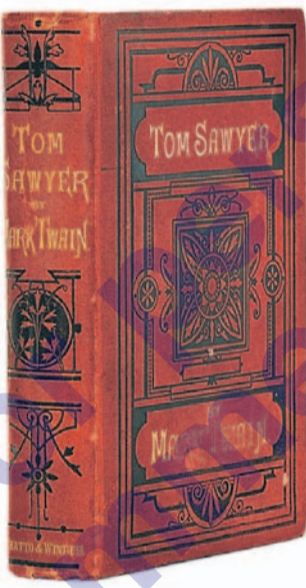
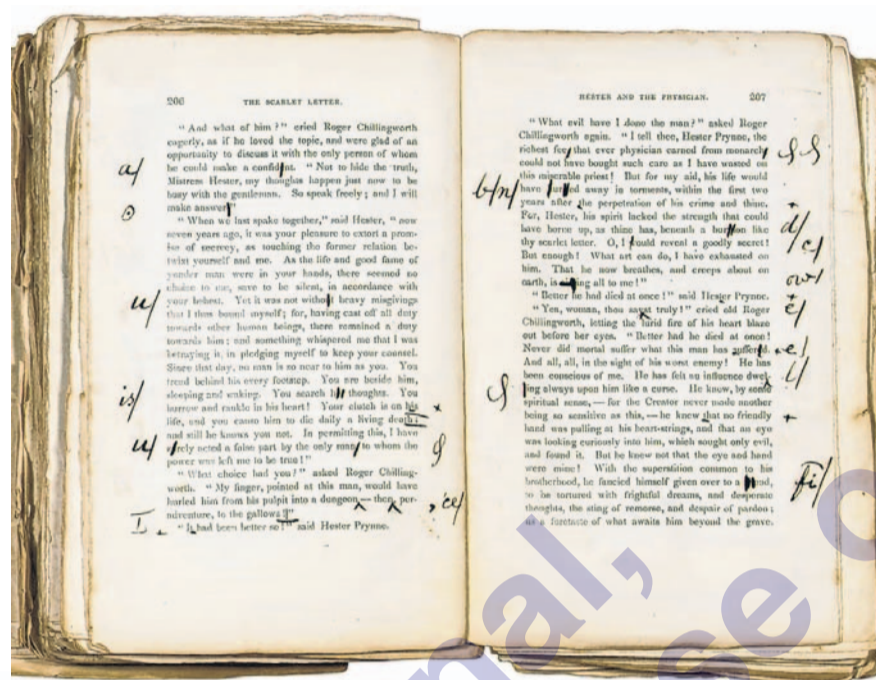
But the pandemic fueled a fresh surge in interest among young collectors online to own tangible reminders of our country's literary beginnings, and booksellers are closely tracking the Lisman offerings. It is considered to be "the best collection of early American literature to come to market in a generation," said Christie's book specialist Christina Geiger.

The house expects the sale to recalibrate price levels for all sorts of authors commonly read in high school, as well as others nearly lost to obscurity.

An influx of millennial buyers entering the rare-book market first sought popular Transcendentalist writers including Ralph Waldo Emerson and Henry David Thoreau, Geiger said, but they are starting to branch out.

Whitman appears poised for a closer look, dealers said. Lisman's sale includes a first edition of "Leaves of Grass,"

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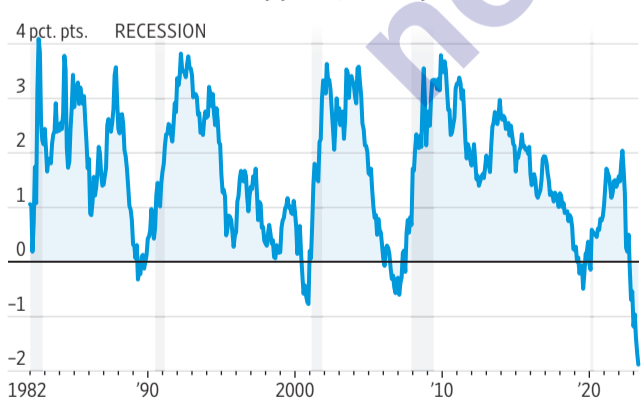
Bruce Lisman's collection includes page proofs of 'The Scarlet Letter' and a copy of 'Tom Sawyer.'



STREETWISE | By James Mackintosh

Regional Lenders Face Years of Trouble

Spread between the 10-year and three-month U.S. Treasury yields, monthly*



*As of May. †Custom index of five-10 year bonds from surviving regional banks; As of June 8. Sources: Federal Reserve Bank of St. Louis; ICE Data Indices (regional bank bond spread)

Regional bank bond spread over Treasuries†



There are two ways to look at America's regional banks.

The first is that they are the hardy survivors that made it through the runs that took down two of their brethren this year (and a smaller bank), and are ready to handle anything thrown at them. As a bonus they are a bargain after their shares were hammered. The second is that they are going to spend years in the shadow of the experience, facing demands by regulators, creditors and depositors that can only be satisfied at the expense of share-

holders—and the past month's rally is way overdue.

There is a bit of truth in both, which confuses the story. For sure, these are the survivors, and for sure they are stronger than Silicon Valley Bank (which had assets worth less at market prices than its liabilities, one definition of insolvency) and Signature Bank (which focused on cryptocurrencies). None of those left are so obviously weak as to prompt a debilitating run by customers, and creditors and shareholders have calmed down.

Unfortunately, it is also

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West Coast Dockworkers, Ports Reach Pact

By PAUL BERGER

West Coast dockworkers reached a tentative labor deal with port employers late Wednesday following more than a year of contentious negotiations that have disrupted trans-Pacific trade.

The International Longshore and Warehouse Union, which represents more than 22,000 dockworkers, and the Pacific Maritime Association, which represents employers at 29 ports, declined to immediately release details of the agreement, which they said would run for six years.

The tentative agreement must be ratified by rank-and-file workers and by the ocean shipping companies and terminal operators that make up the

employer group, a process that could take several months.

President Biden praised the agreement, saying in a statement that it showed "collective bargaining works."

The agreement came after rising tensions over recent weeks led to job actions by dockworkers at various cargo terminals, raising concerns over potential wider disruptions that would rattle the American economy.

The sides said Labor Secretary-designate Julie Su had helped broker the deal. Su flew

to San Francisco this week in an effort to calm the two sides as the labor slowdowns hit operations from the nation's busiest container port complex at Los Angeles and Long Beach to key export gateways at Oakland, Calif., and Seattle.

Dockworkers have been working without a contract since the last multiyear agreement expired in July. The two sides have most recently been battling over wages. Dockworkers wanted to double their pay over the course of the new contract, a demand that em-

ployers said was unrealistic.

Leaders of the longshore union and the PMA in a joint statement said the deal "recognizes the heroic efforts and personal sacrifices of the ILWU workforce in keeping our ports operating."

The West Coast is the main gateway for seaborne imports from Asia. Ports at Los Angeles, Long Beach, Calif., Oakland, Tacoma, Wash., and Seattle handle about \$8.2 billion worth of goods on average each week at this time of year, according to Chris Rogers, head of supply-chain research at S&P Global Market Intelligence.

The two sides have been locked in talks over a new multiyear contract since May 2022.

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BUSINESS & FINANCE

Architect of EY's Failed Breakup To Retire Earlier Than Expected

By MARK MAURER

Carmine Di Sibio, the global chairman and chief executive of **Ernst & Young** and architect of its failed split, told partners he plans to retire next June, a year earlier than the planned expiration of his term.

The Big Four accounting firm on Tuesday said it will begin the search for Di Sibio's successor later this summer. The move comes about two months after EY axed a planned split of its auditing and consulting firms amid opposition from a handful of U.S. partners and a group of

retirees.

Di Sibio, who joined the firm in 1985, became global chairman and CEO in 2019, leading the firm through the Covid-19 pandemic, a wave of accounting scandals at firms audited by the firm and preparations for a split. In November, his term was extended by two years until June 2025. He is serving in the role after reaching the age of 60, the firm's mandatory retirement age for partners, in March.

Di Sibio told partners on a webcast Tuesday he was proud of the vision the firm set out for the split. "The

courage that we displayed set the entire sector on a new course that will only become apparent in the years to come," he said.

"Actions such as these will make us a better organization in the long term. Now it is time to usher in a new generation of leaders," he added.

The firm had spent \$600 million and over a year working on the split. The costs included \$300 million of payments to investment banks and law firms and other outside costs, along with \$300 million of partner time and other costs within the firm.

EY's global reve-

nue rose under Di Sibio's term, as the consulting business comprised an increasingly larger portion of the total and the auditing business's portion shrank. The firm said last month it expected to report \$50 billion in global revenue for the year ending June 30, which would mark a 10% increase from the previous year. The figure would also represent a 34.4% rise from the year ended June 2020, the first full year with Di Sibio at the helm and including the early months of the pandemic.

—Alexander Saeedy contributed to this article.

Music Publishers Sue Twitter

Continued from page B1

request of rights holders, the suit alleges. Often, the platform fails to take down videos rights holders have flagged, it alleges.

Twitter in the past has taken the position that it complied with federal copyright law and had processes in place to respond to take down claims regarding musical content by rights holders, according to former employees.

Licensing music to online platforms across social media, fitness and gaming has been a strategy for music-rights holders seeking revenue growth beyond streaming on services like Spotify and Apple Music.

The NMPA in 2019 sued Peloton for copyright infringement, seeking more than \$300 million in damages for more than 2,000 alleged violations. That case was settled early in



The Rolling Stones are among the artists represented in the music publishers' lawsuit.

2020 with a new licensing agreement between the parties.

Musk has a history of not wanting to back down in legal disputes and demonstrating a willingness to go to trial, rather than settling. "We will

never surrender/settle an unjust case against us, even if we will probably lose," he tweeted in 2022 in reference to building a legal team at the electric automaker Tesla, where he is chief executive.

The lawsuit is another chal-

lenge Twitter's new CEO, Linda Yaccarino, faces in her early days at the helm of the social-media company. Yaccarino, who began as chief executive last week, is tasked with stabilizing Twitter's advertising business.

Treasury Yields Advance

Continued from page B1

haps even cut them if economic growth shows signs of faltering.

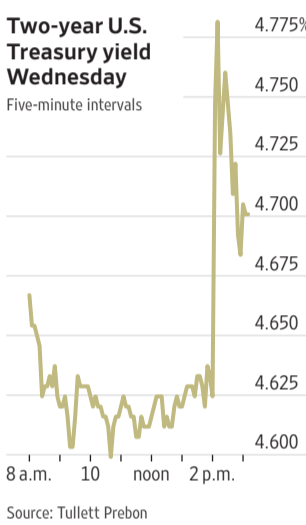
Inflation data overall have been mixed in recent months. Tuesday's consumer price-index report showed that prices excluding food and energy categories rose 0.4% in May from the previous month, indicating that core inflation remains well above the Fed's 2% annual target.

Stripping out even more items that can be volatile, there were signs of some cooling in key services categories.

But that was also true the previous month, when encouraging CPI data were later undercut by the Fed's preferred inflation gauge, the personal-consumption expenditures price index, which failed to show similar progress.

Despite the occasional good news on inflation, Treasury yields have climbed in recent months, reflecting in large part easing anxieties that increasing interest rates will drive the U.S. economy into a recession this year.

Surprising some, there have been few signs recently of any significant slowdown



Source: Tullett Prebon

in consumer or businesses spending.

Fears of a serious credit crunch have also abated as regional lenders show signs of stability following the high-profile failures of Silicon Valley Bank and Signature Bank in early March.

Yields on Treasuries largely reflect investors' expectations for the level of short-term interest rates set by the Fed over the life of a bond.

As it stands, investors aren't expecting that rates will rise quite as high as they did right before the March bank failures.

But they have also significantly scaled back bets that the Fed will cut interest rates this year due to a recession, largely embracing the mantra that rates will stay "higher for longer."

Small Tech Deals Keep Vista Equity Busy

By MARIA ARMENTAL

Overall private-equity deal making has slowed dramatically this year, but not so much in Rachel Arnold's corner of the industry.

Arnold co-heads a strategy at **Vista Equity Partners** that targets small technology companies and has backed three investments, one add-on deal and three partial exits so far.

The Wall Street Journal recently spoke with Arnold about the current environment for lower midmarket technology deals. Responses have been edited for length and clarity.

WSJ: How is the slowdown

in deal activity affecting the lower midmarket?

Arnold: It has been a wild couple of years in the lower midmarket. What's interesting for us is that the pricing compression and contraction that you saw at the upper end of the market and in the public market hasn't yet affected as much the lower end of the market. The focus on high-quality businesses—ones that have high [customer] retention, high mission criticality, that have sticky products and have growth—means that they will always be in demand.

WSJ: How concerned are you about competition from larger firms that may dip

down into the lower midmarket in the search for deals?

Arnold: The reality is that you need a dedicated strategy to cover this segment of the market extremely well, not just as it relates to [deal] origination. Just to give you an example, we have over 100,000 companies in our database that are sitting on between \$10 [million] and \$40 million of annual recurring revenue, and we actively cover 29,000 of them.

We also have a very different approach as it relates to value creation and portfolio support.

WSJ: What are the biggest priorities for your team cur-

rently as you work with portfolio companies?

Arnold: One of the benefits of having only ever been software investors is that we've seen the software market change dramatically over the past 23 years. What that means in terms of the work we do with our portfolio is that we're investing heavily in how to support companies on everything [including] continued scaling and growth of their go-to-market engine...leveraging the economic value that their products bring to their own customers but also as it relates to things that are very cutting edge, like generative artificial intelligence.

Sale Could Be One for The Books

Continued from page B1

the 1855 masterpiece for which Whitman set some of the type himself. Lisman's copy also comes with a rare copy of a letter that Emerson wrote to Whitman raving about "Leaves" and greeting the young poet at "the beginning of a great career." Whitman printed and distributed Emerson's endorsement as a marketing tool, and the book and early blurb are collectively estimated to sell for at least \$200,000.

Another likely highlight in the sale is an 1807 copy of Washington Irving's satirical sendup of New York society, "Salmagundi." The set of stories, in which Irving first described the city as Gotham, is estimated to sell for at least \$40,000 and comes stacked in its original wrappers rather than stitched into leather bookbinding, which some early U.S. publishers couldn't afford.

Alison Hawthorne Deming, "The Scarlet Letter" author's great-great granddaughter, said she was "totally mind-blown" when she saw that Christie's sale includes the page proofs for her ancestor's 1850 masterpiece—com-

plete with his handwritten corrections across 144 pages.

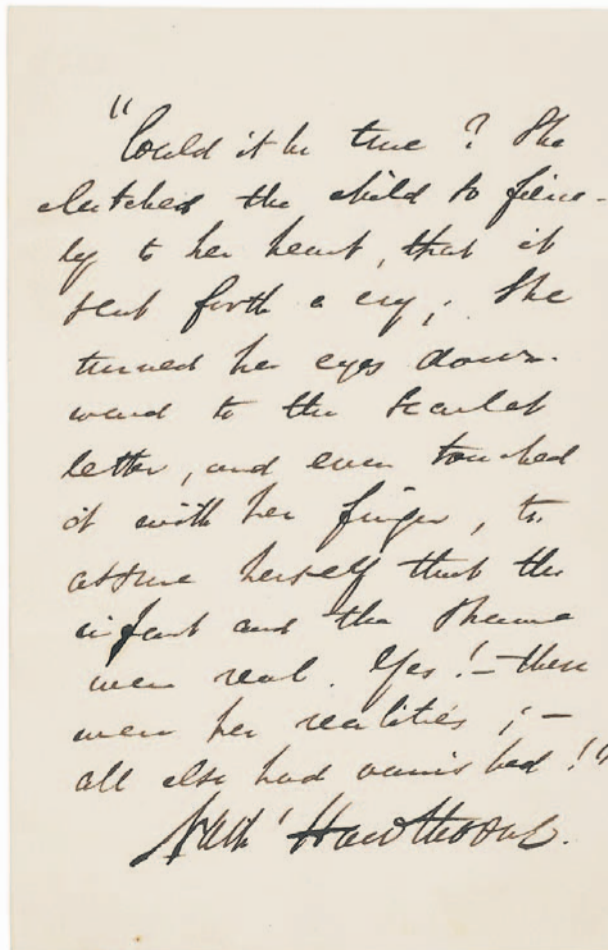
Deming, a retired creative writing teacher at the University of Arizona, can't make it to the actual sale, but intends to follow its live stream. She said her extended family only has a few Hawthorne-related heirlooms. The writer often faced financial hardship, leaving it unclear where pieces went after his death.

Hawthorne also notoriously burned his "Scarlet Letter" autograph manuscript except for its original title page and table of contents, which now belongs to New York's Morgan Library. The rest is gone, making these pre-publication proofs saved by the author's grandniece a "cultural treasure, not just a family treasure," Deming said.

Lisman broke Hawthorne's auction record when he paid Christie's \$545,100 for the proofs in 2004, and he aims to resell them Thursday for at least \$600,000—a small bump in price designed to entice bidders, the house said.

Growing up in Burlington, Vt., Lisman said he kept stacks of books by his bedside. His father, a clothing retailer who later switched to teaching, "practiced on us" and encouraged his children to read older classics from the 1800s, Lisman said.

By 1988, Lisman was working as co-head of global equities at Bear Stearns when he wandered into a book fair, curious. He had been painting a bedroom in his apartment ear-



lier that day, so he was still speckled with paint splatter as he wandered the booths. Few of the dealers paid him any attention. "I looked like the janitor," he said.

Undaunted, he asked questions and over the next few years started buying early ex-

amples of works by authors like James Fenimore Cooper, known for "The Last of the Mohicans." Initially, he said he lacked a plan, but then he attended the famed 1989-90 auction of the library of Henry Bradley Martin and saw potential in focusing on early



A copy of Hawthorne's "The Scarlet Letter," with a signed manuscript, and rare volumes of Melville's "Moby-Dick," here titled "The Whale."

U.S. literature. "That primed the pump," Lisman said.

Over the next nearly 40 years, he sought mainly to collect "impossibly rare" works that collectively charted the growth of literature in the U.S. Among the heavyweights, Hawthorne remains a favorite, he said, but he has also amassed dozens of works by lesser-known writers, including the first play written and produced by a writer born on American soil. "The Prince of Parthia," Thomas Godfrey's 1765 play, is estimated to sell for at least \$1,000.

He is selling a copy of the first U.S. spy novel, Peter Markoe's "The Algerine Spy in Pennsylvania." The 1787 story

recounts the adventures of a North African secret agent who comes to the U.S. and ultimately embraces the American dream, sending glowing dispatches back home. Geiger said the book tacitly served as propaganda supporting the country's Constitution, which was still being ratified. The "Spy" is expected to sell for at least \$10,000.

Lisman's sale also includes rare examples by women, many of whom had to adopt male pseudonyms and navigate a rollicking era of publishing before copyright laws. Lisman said he has grown to admire Susanna Rowson, whose 1794 "Charlotte. A Tale of Truth" is considered to be the first bestseller written by a woman in the U.S. Lisman's first-edition copy of "Charlotte" is estimated to sell for at least \$12,000.

"Bestsellers got passed around a lot, and local publishers often changed the endings to books without letting the writers know," he said. "So whenever you find a good early book, it's truly a survivor."

Lisman said it has been tough letting these books go, but he said it was time to plan his estate—and he had managed to find nearly all the books on his wish list. Yet on the day Christie's arrived at his Vermont home to catalog his library for consignment, a rare novel from the early 1800s arrived in the mail, he said. He decided to hang onto it.

BUSINESS NEWS

Stitch Fix Names Ex-Macy's Executive As CEO

By ROBB M. STEWART

Stitch Fix has turned to former Macy's executive Matt Baer to take over as chief executive of the personal shopping and styling service as it looks to tighten its focus to find a path to profitability.

Baer will take the helm June 26 from founder Katrina Lake, who has run the San Francisco-based company on an interim basis since the departure early this year of Elizabeth Spaulding after less than 18 months as CEO. Lake will continue on in her role as executive chairwoman.

Stitch Fix has been scaling back its operations and cutting costs as it seeks to concentrate on its styling business in the U.S. The company last week reported a narrowed loss for the latest quarter but a 20% fall in revenue, and said that as part of its latest effort to shake up its operations, it would close a distribution center in Dallas and look to exit from the U.K. market.

Baer, who previously was chief customer and digital officer at Macy's, said he aimed to leverage his years of experience building and scaling retail business to deliver a sustained profitable growth at Stitch Fix.

The company's shares retreated following news of the appointment, sliding 12% in Wednesday's trading.

At Macy's, Baer was responsible for growth and strategy for the company's Macy's and Bloomingdale's digital businesses. Before joining Macy's, he served as vice president of e-commerce at Walmart.com.

Lake, who was Stitch Fix's CEO from its inception in 2011 until 2021 and helped the company go public in 2017, stepped back into the role early in the year as Stitch Fix was cutting 20% of its salaried jobs. That came after the company shed about 330 jobs, or 4% of its overall workforce, last year amid a slowdown in sales and widening losses.

Stitch Fix, which offers personalized shipments of apparel, shoes and accessories, initially focused on women's clothing, but has tried to expand its client base over the years and the range of products it offers. It also has grown beyond a subscription styling service to add traditional e-commerce sites that sell apparel directly.

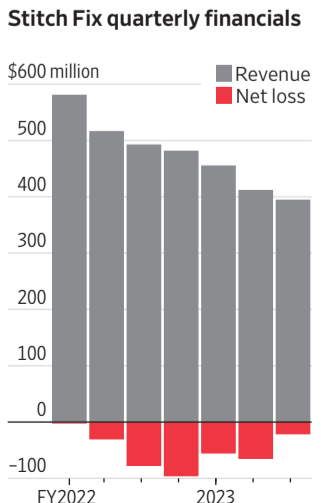
Last week, the company said it had roughly 3.5 million active clients at the end of its fiscal third quarter, a drop of 11% from a year ago. Net revenue per client for the quarter was \$502, a retreat of 9%.

Overall revenue, which fell to \$394.9 million in the three months to April 29, is projected by Stitch Fix to decline 22% to 24% for the fiscal year.

As part of its refocus on a "styling first" model in the U.S., the company said it was moving to just three distribution centers in its network, closing one in Dallas in 2024 and not renewing the lease on another.

The company said it also would explore exiting the U.K. market, which it entered four years ago.

Stitch Fix in March named David Aufderhaar, previously the company's senior vice president of finance, to succeed Chief Financial Officer Dan Jemma, who left to become finance chief at streaming company Roku.



The oil major hopes to improve its stock price by sharing billions of dollars more of its profits with investors through increased dividends and buybacks.

Shell Dials Back Green-Energy Plan

By CHRISTIAN MOESS LAURSEN AND JENNY STRASBURG

NEW YORK—Shell's new CEO said the London energy giant will ratchet back low-profit clean-energy investments while pumping out more fossil fuels, a pivot from a period when European majors emerged as enthusiastic champions of renewable-energy sources.

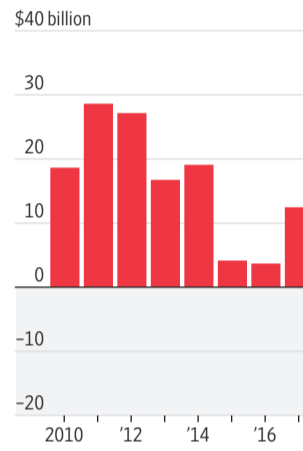
Investors on both sides of the Atlantic in recent months have rejected a string of climate pushes. Instead they have preferred the gushers of cash generated by record profits that have been fueled in part by Russia's invasion of Ukraine.

That thirst for cash has coincided with continued strong demand for fossil fuels, emboldening Shell and London-based rival BP to defend oil production and dial back aspects of the clean-energy focus they embraced with fanfare just a few years ago.

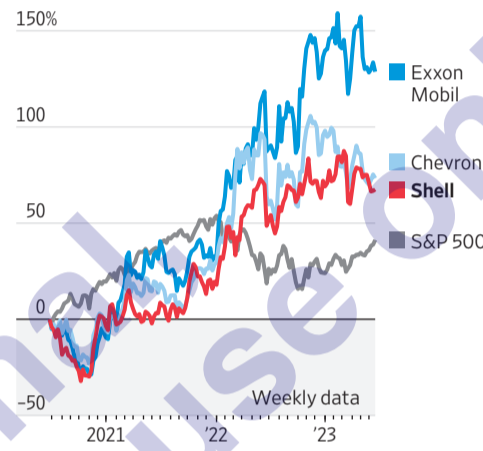
"This is a fundamental culture change," Shell Chief Executive Wael Sawan said in a presentation Wednesday on Wall Street designed to woo investors, particularly those in the U.S.

Sawan said Shell will shift more resources to the fossil fuels that drove its record 2022 profits. At the same time, it will abandon some

Shell's annual net profit/loss*



Share and index performance, past three years



previously set targets for low-carbon energy production and be more ruthless in demanding strong returns from all businesses.

"We are making choices, questioning projects and assets," Sawan told investors. He later told reporters that Shell isn't copying the models of U.S. oil companies that have stuck more with their traditional businesses. Rather, Shell is focusing on strengths like liquefied natural gas and trading while also developing profitable low-carbon businesses, he said.

"We're not an oil-and-gas-only investment case, and we're not a renewables-only investment case," he said.

Shares of Shell closed higher by less than 1% in London Wednesday.

Despite its record profits last year, Shell's share price relative to its earnings has trailed its biggest U.S. rivals Exxon Mobil and Chevron. Since taking over the company at the start of the year, Sawan has made clear that he wants to address that discrepancy.

As part of that effort, the company said Wednesday it would share billions of dollars more of its profits with investors through increased dividends and buybacks. It also is promising to cut companywide costs and spend less cash on its businesses.

On the strategic front,

Sawan reinforced the company's commitment to production of oil and gas, pleasing investors who have complained it was sinking too much cash into renewables and other businesses that have yet to produce the same returns. On the flip side, that direction will frustrate critics who have called for Shell to more aggressively invest in lower-carbon energy in part to combat climate change.

Shell had previously said it expected to reduce its oil production by 1% to 2% annually through this decade. After reaching targeted multiyear cuts sooner than anticipated, the company said Wednesday it now plans to keep oil flow-

ing at a steady rate through 2030.

Sawan has laid the groundwork for this position in recent months by arguing that the world's continued thirst for fossil fuels has changed the pace at which it can adopt cleaner energy without cratering economies.

That stance has drawn criticism from low-carbon-energy advocates who say now is the time to kick fossil-fuel habits.

"Record profits off the back of the energy crisis should be boosting up green investment," Jonathan Noronha-Hant of nongovernmental organization Global Witness said in a statement.

Shell said on Wednesday that it plans to spend \$10 billion to \$15 billion by 2025 on low-carbon solutions, including hydrogen, biofuels and electric-vehicle charging. It said it was reiterating its commitment to long-range climate targets, including net-zero emissions by 2050.

Shell warned that its success depends on governments and companies doing more to help the world meet emissions targets—and buying more low-carbon alternatives so that they become more profitable.

—Christian Moess Laursen contributed to this article.

Toyota Leader Survives Vote After Activist Push

By RIVER DAVIS

TOYOTA CITY, Japan—Toyota Motor shareholders rejected longtime leader Akio Toyoda to the board Wednesday, rejecting a push by some investor groups in the U.S. and Europe over his stance on electric vehicles.

The company didn't say what percentage of shareholders supported the renomination. Last year Toyoda earned 96% support. The company said the vote count would be released on Thursday.

Toyota's U.S.-listed shares climbed 4.7% in Wednesday's trading.

Shareholders also rejected a proposal from three European asset managers including Danish fund AkademikerPension to make Toyota management reveal more about the automaker's lobbying in favor of vehicles that aren't fully battery-powered.

Toyota's board had recommended a no vote on the proposal, saying the automaker already reports on its climate-related public-relations activities.

Toyota accounting head Masahiro Yamamoto thanked the shareholders for their feedback but said the carmaker would continue to provide non-EV options to customers in regions of the world with insufficient access to charging infrastructure and clean energy.

"In Denmark there is ample renewable energy and it is easy



Some investors pushed Akio Toyoda over his stance on EVs.

for EVs to spread, but Toyota's operations are truly global," Yamamoto said.

Toyota's annual meeting this year turned into a showdown over the merits of the automaker's more deliberate EV strategy. Some non-Japanese shareholders including the New York City comptroller's office called for the ouster of Toyoda and other company-backed board nominees. They cited governance issues and the role they say Toyoda played in keeping the automaker from going all-in on EVs.

Toyoda, who became Toyota's chairman in April after nearly 14 years as president, has advocated what he calls a multipathway approach, which means offering consumers a variety of vehicles including hybrid-electric and hydrogen-powered cars, in addition to EVs.

That stance has remained

largely unchanged under new Chief Executive Koji Sato, though the company has recently taken several steps to hasten its push into fully electric cars. Last week, Toyota showed off a range of technologies it hopes will help it become an EV leader after a relatively slow start.

While the automaker will maintain a diverse lineup of cars in its fleet, "we are of course continuing to prepare EV options," said Toyota Executive Vice President Yoichi Miyazaki. He pointed to an EV-dedicated group started in May and a lineup of new EVs set to be released in 2026.

In Japan, even a small decline in support for executives at shareholder meetings can be considered an embarrassment. With that in mind, shareholders in recent years have sought to use protest votes to push for change.

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TECHNOLOGY

WSJ.com/Tech

AI Regulation Advances in European Union

Draft law would curb surveillance, step up disclosure on how content is created

By Kim MacKraiel

BRUSSELS—Advances in artificial intelligence this year have rocked the tech industry, triggering calls from politicians, consumer groups and AI executives themselves for rules governing how to use the technology. Those regulations are now taking shape, at least on this side of the Atlantic. The European Union's parliament voted Wednesday to push forward draft legislation, called the AI Act, that is positioned to be the West's first comprehensive set of AI regulations.

The draft rules include bans on real-time, remote biometric surveillance in public spaces and would prohibit harvesting surveillance footage or scraping the internet in developing facial-recognition databases. The parliament's version also seeks a ban on so-called predictive policing systems, which analyze prior criminal behavior and other data and try to predict future illegal activity.

More broadly, the draft legislation aims to regulate how companies train AI models with large data sets. It would, in some cases, require companies to disclose when content is generated using AI.

Under the rules, companies would also need to design their AI models in a way that prevents them from creating illegal content, and they would be required to publish summaries of the copyrighted data used to train their models.

Such an obligation would give publishers and content creators a potential means to seek a share of profits when their works are used as source material for AI-generated content by tools such as ChatGPT.



The rules passed by the European Parliament on Wednesday could set the standard for how other jurisdictions regulate AI and how companies develop it.

Current drafts of the bill would impose fines of up to 6% or 7% of a company's global revenue in certain cases of noncompliance.

The parliament's version of the legislation passed Wednesday will now form the body's negotiating position when talks to determine the final shape of the legislation begin among representatives from the parliament, EU member states and the European Commission. Officials have said they plan to launch those negotiations immediately and aim to reach a deal on the proposed law before the end of this year.

Tech companies and their lobbyists argue that any government-enforced rules should focus on specific AI applications—and not put too many restrictions on how AI is developed, as is being proposed in Europe. They say such an approach would impede innovation.

But some tech researchers have joined academics and technologists in expressing support for rules like those being formulated in the EU, that could effectively slow down a race by companies to roll out advanced new AI tools by regulating how such tools are developed in the first place.

Earlier this year, a group of AI researchers and tech executives including Elon Musk signed an open letter that called for a six-month moratorium on the training of the next generation of AI tools to give time for regulators and industry to set safety standards. Last month, a group of researchers said mitigating risks of human extinction from AI should be a global priority.

The AI legislation was proposed in 2021 by the European Commission, the bloc's executive body. The push to set out rules for AI has taken on new urgency over recent months after the release of tools such as ChatGPT. The tool, developed by Microsoft-backed startup OpenAI, can respond to users' written questions.

EU officials hope the proposed legislation will be a world-first that can set the standard for other jurisdictions and for the companies that make and use the technology.

The rapid development of AI in recent months has prompted governments worldwide to consider whether to adopt new rules for powerful AI tools. China's top internet regulator proposed draft rules in April and the Biden administration is looking at whether checks are needed.

The EU's legislation "will set the tone worldwide in the development and governance of artificial intelligence," EU lawmaker Dragos Tudorache said. The Romanian lawmaker led the institution's work on the AI legislation with Italian lawmaker Brando Benifei.

The Computer & Communications Industry Association, a lobby group, said some of the provisions backed by the parliament risk creating overly prescriptive rules for relatively low-risk AI applications and hindering innovation. Consumer groups have said the bans proposed by the parliament are needed to protect people's fundamental rights.

EU officials have sought to position themselves as front-runners in setting up guardrails on AI systems that they say should support innovation while limiting the biggest risks of the technology.

The EU legislation "is about acting fast and taking responsibility," said Thierry Breton, the EU's internal market commissioner.

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The search giant faces a complaint in Europe for alleged abuse of its ad-tech dominance.

Google Is Warned of Possible Bid to Break Up Ad-Tech Unit

By Sam Schechner and Kim MacKraiel

BRUSSELS—Europe's top antitrust regulator said it may seek the breakup of Google's ad-tech business as it charged the tech giant with abusing its dominance of the online advertising technology industry.

The move Wednesday means Europe is joining the U.S.'s antitrust assault on Google's ad-tech business, potentially setting up a protracted battle that could shake up the broader business of buying and selling ads across websites and apps. The European Commission, the European Union's antitrust regulator, said Google abused its dominant role in the buying and selling of online ads across third-party websites and apps to drive business and give other advantages to its own advertising auction house, known as an ad exchange.

The commission said its preliminary view is that Google must sell off parts of its ad-tech business to resolve the "inherent conflicts of interest" in the company's role in the plumbing of digital advertising. The unit of Alphabet could, for instance, be required to sell off its ad server that works with website publishers

and its advertising exchange, said Margrethe Vestager, the EU's competition chief.

"It's a reflection of how pervasive Google is in this value chain that we think a divestiture is the only way to solve this," Vestager said at a press conference. Anything short of asset sales "would allow Google to continue doing what it has been doing so far, just under a different disguise," she added.

The Wall Street Journal reported earlier this week that the commission was considering ordering a breakup of Google's ad-tech business.

Google will have a chance to respond to the commission's formal complaint before any final judgment is issued. If found in violation of EU competition law, the company could also face a fine of up to 10% of its annual worldwide revenue—though it can appeal a decision in an EU court.

The EU's decision to mention a potential remedy, particularly a potential divestiture, is an unusual step at this stage of an antitrust case. In most cases, the EU typically waits until it has found a company breached antitrust rules before discussing potential remedies, and in abuse-of-dominance cases those remedies nearly al-

ways are orders to change behavior, not divestitures.

Vestager explained the decision to push toward divestiture by saying that the complexity of the ad-tech market would make it difficult for regulators to monitor Google's compliance with promises to change behavior.

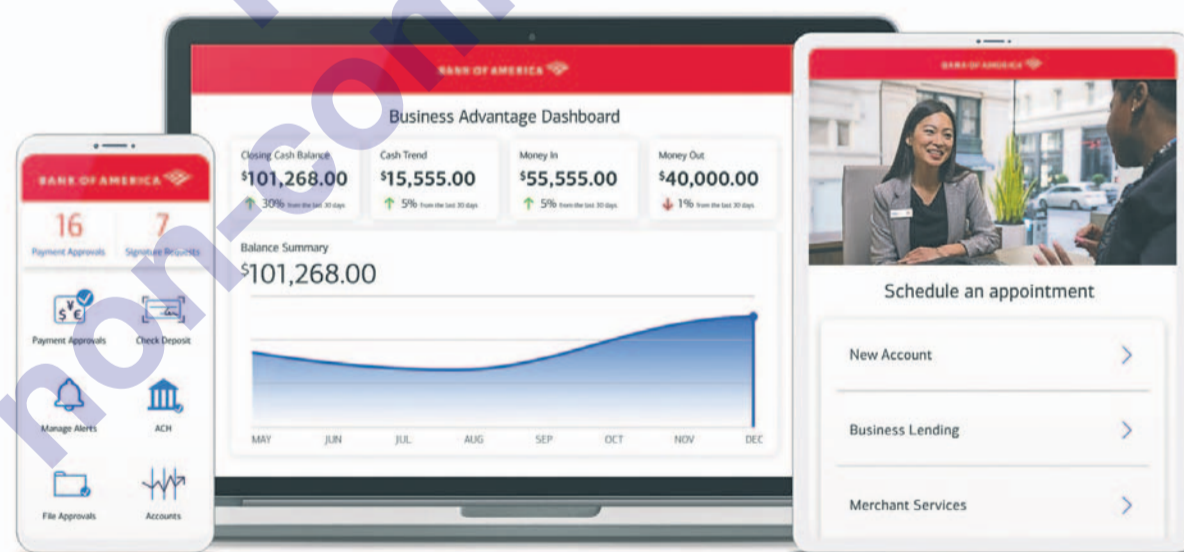
Google said its ad-tech tools help websites and apps fund their content and allow businesses to reach new customers. The commission's investigation "focuses on a narrow aspect of our advertising business and is not new," Dan Taylor, Google's vice president of global ads, said in a statement. He said the company disagrees with the commission's view "and we will respond accordingly."

Google has previously contested allegations that its presence at different points in the online ad-buying process gives it an unfair advantage. The company has also said it doesn't plan to sell or exit the ad-tech business.

The EU's complaint against Google, which is also known as a statement of objections, is meant to inform the company of the regulator's preliminary concerns. It doesn't prejudice the full investigation, which could take another year or more to complete.



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BUSINESS & FINANCE

U.S. Banks Back Out of Some Chinese IPOs

By Dave Sebastian

International investors have soured so much on Chinese initial public offerings that investment banks are backing out of potential listings and even small deals have become a tough sell.

Goldman Sachs Group has given up several mandates for IPOs in Hong Kong this year, including deals for a dermatology company and an online marketplace for pharmaceutical products, according to filings with the city's stock exchange. Bank of America has left its role in the coming IPO of Growatt Technology, which makes inverters for solar panels.

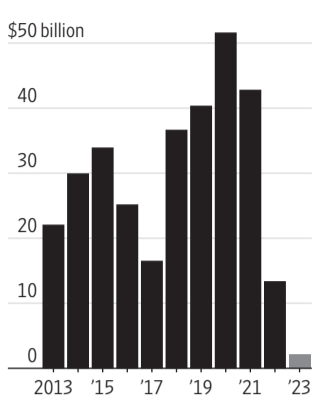
Banks seldom relinquish IPO mandates after receiving them. The moves reflect how difficult the market is for Chinese companies that want to go public on international

stock exchanges. Nearly 90 companies have active listing applications for the Hong Kong exchange's main board, according to official figures as of May 31. But falling stock prices, heightened political tensions between Washington and Beijing and China's sputtering economic recovery have been turnoffs for many global investors.

New and secondary listings in Hong Kong have raised \$2.05 billion this year, down 12% from a year earlier, a far cry from the city's IPO volumes in years past. The average deal size so far in 2023 has been about \$80 million, according to Dealogic data.

Hong Kong's Hang Seng Index rallied in January, after investors bet on a rapid economic recovery following the end of China's strict zero-Covid policies. But the index, which includes many of

Funds raised in Hong Kong listings*



*Includes primary and secondary listings, 2023 data is through June 14. Sources: Dealogic (funds); FactSet (performance)

Index performance over the past year



China's largest companies, has fallen more than 14% since closing at its highest level this year on Jan. 27.

Even small listings with an obvious sales pitch have faltered recently. Star Plus Leg-

end Holdings, which makes a type of diet coffee, postponed its \$101.8 million Hong Kong IPO last week after launching its stock sale. The company was co-founded by the mother of Taiwanese pop star Jay

Chou and owns intellectual-property rights to a reality show he stars in, as well as other events and content centered around him.

Goldman chose to back away from the IPOs of YSB, a Chinese company that operates a pharmaceutical marketplace for businesses, and Shanghai-based Cutia Therapeutics, which specializes in skin treatments. The New York bank viewed the current market demand to be too weak for the listings to do well, according to people familiar with the matter. In April, Goldman stepped back from its role as an overall coordinator in the IPO of Beijing Fourth Paradigm Technology, an artificial-intelligence company that was added to an export blacklist by the U.S. Commerce Department in March.

Goldman advised YSB and Cutia to wait until market conditions improve, the people

said, but the companies ultimately chose to push ahead. Cutia raised \$59.4 million from a Hong Kong listing that priced last week. It came in near the bottom of its price range. YSB is planning to launch a deal this week.

Shenzhen-based Growatt Technology, the solar-products company, last year postponed its listing plans and is planning to relaunch its IPO. Bank of America Merrill Lynch had been coordinating Growatt's listing attempt, but is no longer involved in the deal.

Many deal makers have a gloomy outlook for the IPO market this year, after starting 2023 with a sense of optimism following the end of zero-Covid. They say policy stimulus from China, a continued rise in stock prices elsewhere and more clarity about U.S. interest rates are among the prerequisites for deals to return.

Executive Criticizes China-Backed Bank After Quitting

By Liyan Qi and Sha Hua

The communications chief of the China-led Asian Infrastructure Investment Bank said on Wednesday that he resigned, accusing the bank's management of being "dominated by the Communist Party," allegations the bank called "baseless."

Bob Pickard, a Canadian who served as the director general of the AIIB's communications department for a little more than a year, announced his resignation on Twitter, saying he left due to what he termed the bank's "toxic culture."

His resignation represents a potential blow to the bank's efforts of building an identity as an international lender.

Canadian Finance Minister Chrystia Freeland told reporters she ordered a halt in Canadian activity at the infrastructure

bank, following the "serious concerns" Pickard raised. She said she asked officials to review Pickard's allegations and Canada's involvement in the bank. "I am not ruling out any outcome following its completion," she said.

The bank said Wednesday that it accepted Pickard's resignation, describing his comments and characterization of the bank as "baseless and disappointing."

In an email to staff on Wednesday seen by The Wall Street Journal, Jin Liqun, the bank's president and a former Chinese deputy finance minister, said, "We acknowledge the uncertainty these comments can cause for all of us that work at AIIB. We hope that you will join us in wishing Bob well for the future."

Jin has been on a mission to

change a perception that the bank is an extension of Beijing's foreign policy. He has said that the bank doesn't answer to the Chinese Communist Party,

pointing to its board of governors, which is composed of senior officials from the bank's members.

In a text-message exchange, Pickard said he had tendered his resignation on Monday, citing his concern about the bank's management.

On Twitter and in text messages, Pickard said "party hacks" make day-to-day decisions at the bank. He said he didn't know whether other senior executives agreed with

his assessment.

In a statement to the Journal, the bank said it acknowledged Pickard's resignation on Monday and accepted it on Wednesday. It said Pickard was invited to engage informally and through the bank's formal grievance mechanism, adding it was disappointed to first hear of his dissatisfaction via public channels.

Pickard said he boarded a flight from Beijing to Tokyo on Wednesday morning after becoming worried about his safety and fearing he would be detained. Pickard cited general concerns about being a Canadian in China and said: "Nobody

threatened me, but I felt it was high time to get out."

Security analysts say the risk for foreign executives working in and traveling to China is on the rise, following Beijing's new anti-espionage law and raids on consulting firms that work with foreign companies.

Canada-China relations have been strained since Canada detained senior Huawei Technologies executive Meng Wanzhou in late 2018 on behalf of the U.S. China retaliated by holding two Canadian citizens captive in China for more than 1,000 days before a coordinated release in 2022.

Established by China's government in 2015, the AIIB was supposed to be an alternative to Western-backed multilateral lenders like the International Monetary Fund and the World Bank. Its launch was a mile-

stone in Beijing's bid for global clout as well as a major test of its willingness to adhere to international standards.

But since its inception, AIIB has grappled with an identity problem, as many market participants still see it as a Chinese bank, rather than a multilateral lender. During the pandemic, the bank suffered loss of international talent because of Beijing's stringent Covid-19 control measures.

China's 26.6% stake makes it the lender's largest shareholder, with an effective veto over any major decisions, which requires a 75% supermajority. Since its establishment, it has approved nearly \$36 billion for 181 projects in 33 economies, the bank said last year.

—Paul Vieira and Yoko Kubota contributed to this article.

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How might artificial intelligence change the role of the CFO in the future?



Claire Bramley

Chief Financial Officer, Teradata

"The CFO needs to be at the center of the AI discussion in every company to drive business value, ensure compliance and align resource allocation. There are many AI use cases for both the business and the CFO function, so prioritization in the short term is essential. Some, such as governance and enhancing security, are table stakes and are required to simply keep up. Other AI use cases, such as intelligent scenario-based forecasting, pricing optimization, and ESG enablement and acceleration, will significantly drive incremental business value."



Carolina Dybeck Happe

SVP, Chief Financial Officer, General Electric

"AI tools improve the CFO's strategic decision making. Recent innovation is exponentially accelerating the technology-driven evolution in our ability to quickly draw conclusions from data. In the near future, we'll have both near-immediate access to trends and deeper insights, all pulled from more data streams that are more easily visualized and understood. This will allow CFOs to make better and faster decisions more efficiently— from strategy and capital allocation to operational matters."



Mark McCaffrey

Chief Financial Officer, GoDaddy

"Artificial intelligence is a tool for CFOs, not a challenger to their job. The role of the CFO is always evolving, and successful CFOs will find ways to incorporate both traditional and new technologies. For example, at GoDaddy, we celebrate and empower a culture of experimentation, and we are exploring the use of artificial intelligence and machine learning models in our long-range rolling forecast process. By aligning our objectives and applying a risk-based perspective, we ensure continued investment and focus on innovation with proper governance across Finance."



Thomas Ream

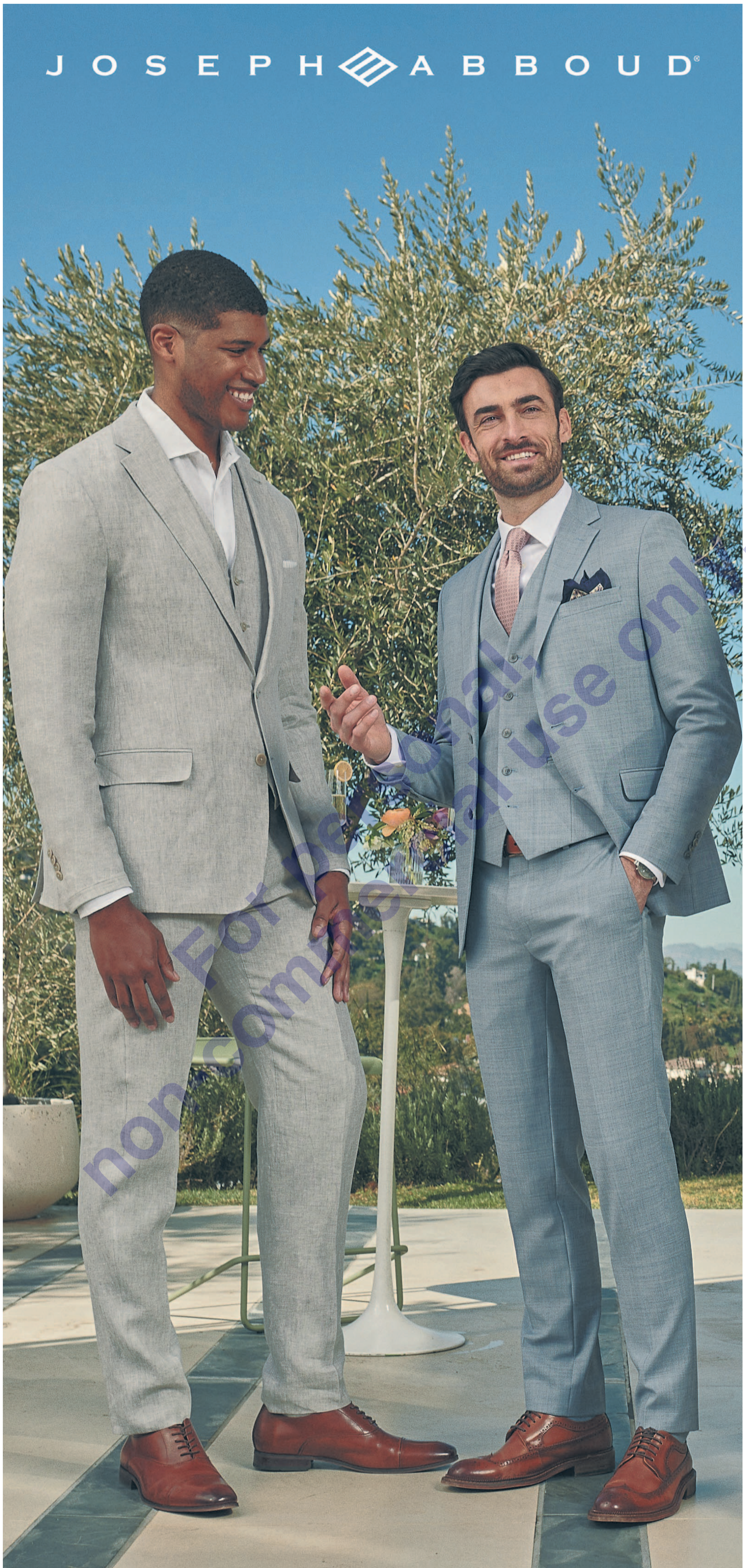
Chief Financial Officer, Workato

"I'm constantly pushing my team to be more predictive and forward-thinking, faster and with better accuracy. AI will undoubtedly help finance teams work faster in developing What-If Analyses, with more and better external data with which to benchmark. The CFO role is going to become even more ingrained in the business but it also means that CFOs are going to have to be cognizant of what processes are in place around AI. Add automation and CFOs will have a larger hand in driving operational efficiency, and business transformation."

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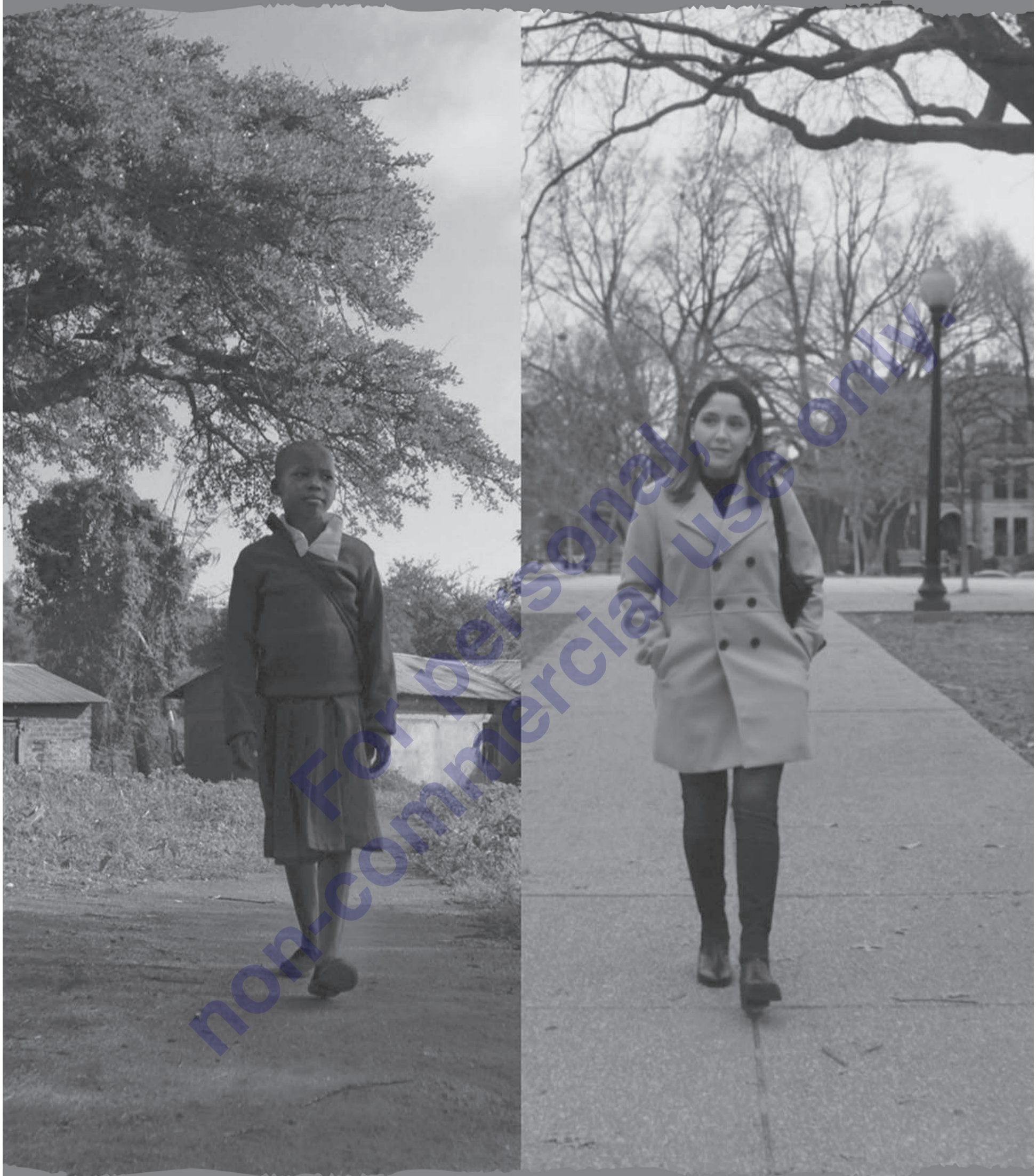


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CLASS ACTION UNITED STATES DISTRICT COURT NORTHERN DISTRICT OF CALIFORNIA SAN FRANCISCO DIVISION In re NUTANIX, INC. SECURITIES LITIGATION Case No. 3:19-cv-01651-WHO Case No. 3:21-cv-04080-WHO CLASS ACTION SUMMARY NOTICE

CLASS ACTION IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS COUNTY DEPARTMENT, CHANCERY DIVISION STEVEN FOX, Individually and on Behalf of All Others Similarly Situated, Plaintiff, vs. FIFTH THIRD BANCORP, GREG D. CARMICHAEL, TAYFUN TUZUN, MARK D. HAZEL, NICHOLAS K. AKINS, B. EVAN BAYH III, JORGE L. BENITEZ, KATHERINE B. BLACKBURN, EMERSON L. BRUMBACK, JERRY W. BURRIS, GARY R. HEMINGER, JEWELL D. HOOVER, EILEEN A. MALLESECH, MICHAEL B. MCCALLISTER, and MARSHA C. WILLIAMS, Defendants. SUMMARY NOTICE OF PENDENCY OF CLASS ACTION, PROPOSED SETTLEMENT, AND MOTION FOR ATTORNEYS' FEES AND EXPENSES

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Paladin Reinsurance Corporation This company advises all creditors that it is entering into a Commutation Plan under Section 1321(b) of the New York Insurance Law and Department Regulation 141 (11 NYCRR Section 128).

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BANKRUPTCIES

IN THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE In re: Resolution Holdings LLC, et al., Debtors. Chapter 11 Case No. 23-10597 (BLS) (Jointly Administered) GENERAL BAR DATE IS AUGUST 31, 2023, AT MIDNIGHT (PREVAILING EASTERN TIME) NOTICE OF DEADLINES FOR FILING OF PROOFS OF CLAIM

Proof of Claim Forms must be signed by the Customer claimant or, if the claimant is not an individual, by an authorized agent of the claimant. It must be written in English and be denominated in the specific type of coin, cryptocurrency, or digital asset associated with the Customer account as of the Petition Date (without conversion) or in the lawful currency of the United States only if the amount was so denominated in the Customer account as of the Petition Date. The claimant also should set forth with specificity Customer identifying information, including Account ID, Username (Email) and SSN or EIN, as well as full name, address, date of birth, and driver's license or passport number of an individual associated with the Customer account. Customer Proof of Claims should be uploaded via the encrypted link provided on the Electronic Filing System.

BANKRUPTCIES

IN THE UNITED STATES BANKRUPTCY COURT CENTRAL DISTRICT OF CALIFORNIA IN RE THE HONEST COMPANY, INC. SECURITIES LITIGATION Case No. 21-cv-07405-MCS-PLA CLASS ACTION SUMMARY NOTICE OF PENDENCY OF CLASS ACTION

To: All persons and entities that purchased or otherwise acquired The Honest Company, Inc. ("Honest" or the "Company") publicly traded common stock pursuant and traceable to the Offering Documents for Honest's Initial Public Offering ("IPO") prior to August 19, 2021, as well as all persons and entities that acquired ownership of a trading account, retirement account, or any other similar investment account or portfolio containing Honest's publicly traded common stock that was purchased or otherwise acquired pursuant and traceable to the Offering Documents for Honest's IPO prior to August 19, 2021, and were damaged thereby (collectively, the "Class" and individually, "Class Members").

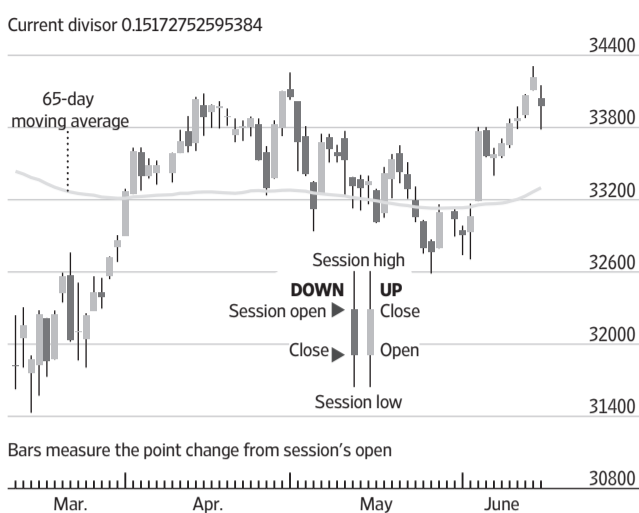
YOU ARE HEREBY NOTIFIED, pursuant to Rule 23 of the Federal Rules of Civil Procedure and an Order of the United States District Court for the Central District of California, that the above-captioned action (the "Action") has been certified to proceed as a class action on behalf of the Class defined above. Please note: at this time, there is no judgment, settlement or monetary recovery. A trial date in the Action has not been set. IF YOU ARE A MEMBER OF THE CLASS, YOUR RIGHTS WILL BE AFFECTED BY THIS ACTION. A Postcard Notice is currently being mailed to known potential Class Members. If you have not yet received the Postcard Notice, you may obtain a copy of it or a long-form Notice of Pendency of Class Action by downloading them at www.thehonestcompanysecuritieslitigation.com or by contacting the Administrator at: In re The Honest Company, Inc. Sec. Litig. c/o Epiq P.O. Box 5619 Portland, OR 97228-5619 (888) 670-8722

MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

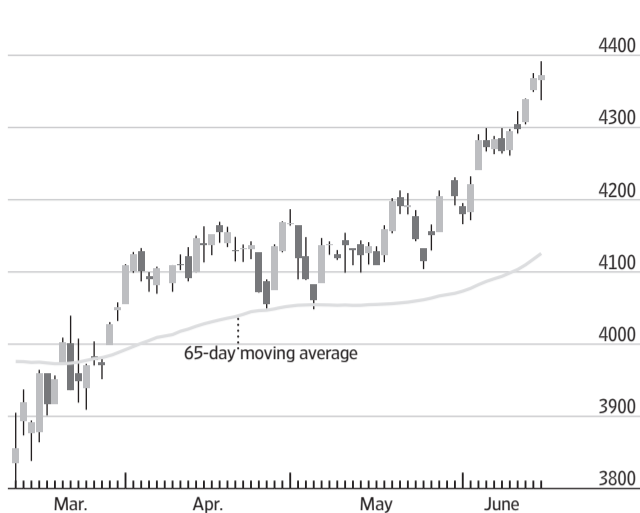
33979.33 ▼232.79, or 0.68%
 Last Trailing P/E ratio 22.63 17.47
 Year ago P/E estimate * 17.97 16.94
 High, low, open and close for each trading day of the past three months.
 Dividend yield 2.09 2.27
 All-time high 36799.65, 01/04/22



*Weekly P/E data based on as-reported earnings from Birming Associates Inc.; *Based on Nasdaq-100 Index

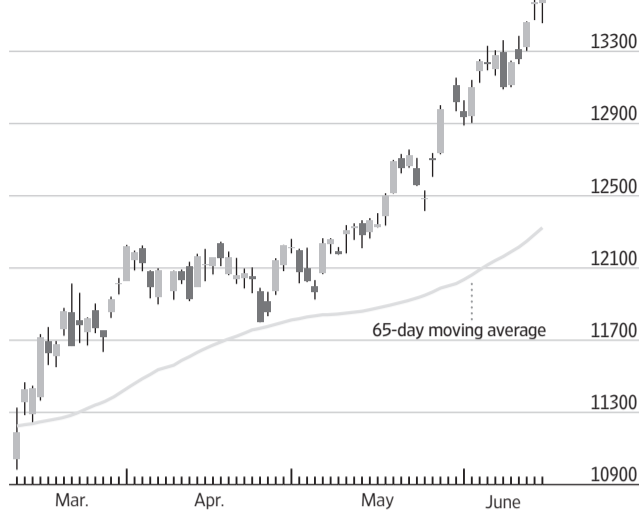
S&P 500 Index

4372.59 ▲3.58, or 0.08%
 Last Trailing P/E ratio * 19.14 21.54
 Year ago P/E estimate * 19.52 17.65
 High, low, open and close for each trading day of the past three months.
 Dividend yield * 1.62 1.58
 All-time high 4796.56, 01/03/22



Nasdaq Composite Index

13626.48 ▲53.16, or 0.39%
 Last Trailing P/E ratio ** 30.25 25.78
 Year ago P/E estimate ** 28.37 22.01
 High, low, open and close for each trading day of the past three months.
 Dividend yield ** 0.76 0.87
 All-time high: 16057.44, 11/19/21



Major U.S. Stock-Market Indexes

| | High | Low | Latest Close | Net chg | % chg | 52-Week High | 52-Week Low | % chg YTD | % chg 3-yr. ann. |
|---------------------------------|----------|----------|-----------------|---------|-------|--------------|-------------|-----------|------------------|
| Dow Jones | | | | | | | | | |
| Industrial Average | 34151.42 | 33783.55 | 33979.33 | -232.79 | -0.68 | 34589.77 | 28725.51 | 10.8 | 2.5 |
| Transportation Avg | 14723.27 | 14466.04 | 14641.86 | 193.71 | 1.34 | 15640.70 | 11999.40 | 9.4 | 9.3 |
| Utility Average | 922.03 | 909.49 | 911.50 | 0.03 | 0.003 | 1061.77 | 838.99 | -0.1 | -5.8 |
| Total Stock Market | 43886.61 | 43320.97 | 43664.69 | -10.81 | -0.02 | 43675.50 | 36056.21 | 14.6 | 13.4 |
| Barron's 400 | 972.40 | 955.63 | 960.74 | -6.85 | -0.71 | 1023.20 | 825.73 | 7.4 | 4.4 |
| Nasdaq Stock Market | | | | | | | | | |
| Nasdaq Composite | 13661.74 | 13455.99 | 13626.48 | 53.16 | 0.39 | 13626.48 | 10213.29 | 22.8 | 30.2 |
| Nasdaq-100 | 15017.10 | 14784.62 | 15005.69 | 104.84 | 0.70 | 15005.69 | 10679.34 | 29.4 | 37.2 |
| S&P | | | | | | | | | |
| 500 Index | 4391.82 | 4337.85 | 4372.59 | 3.58 | 0.08 | 4372.59 | 3577.03 | 15.4 | 13.9 |
| MidCap 400 | 2600.71 | 2551.18 | 2566.55 | -16.20 | -0.63 | 2726.61 | 2200.75 | 11.1 | 5.6 |
| SmallCap 600 | 1221.30 | 1194.21 | 1199.06 | -16.38 | -1.35 | 1315.82 | 1064.45 | 4.9 | 3.6 |
| Other Indexes | | | | | | | | | |
| Russell 2000 | 1904.92 | 1864.08 | 1874.10 | -22.24 | -1.17 | 2021.35 | 1649.84 | 8.3 | 6.4 |
| NYSE Composite | 15746.12 | 15573.40 | 15642.73 | -25.06 | -0.16 | 16122.58 | 13472.18 | 7.2 | 3.0 |
| Value Line | 569.19 | 560.17 | 563.24 | -3.02 | -0.53 | 606.49 | 491.56 | 5.3 | 5.0 |
| NYSE Arca Biotech | 5491.53 | 5380.93 | 5406.37 | -60.27 | -1.10 | 5644.50 | 4213.42 | 25.2 | 2.4 |
| NYSE Arca Pharma | 865.78 | 858.87 | 860.47 | -2.70 | -0.31 | 892.45 | 737.84 | 9.5 | -0.9 |
| KBW Bank | 83.38 | 80.65 | 81.01 | -1.51 | -1.83 | 115.55 | 71.96 | -21.0 | -19.7 |
| PHLX ^S Gold/Silver | 125.47 | 122.30 | 123.30 | -0.30 | -0.24 | 144.37 | 91.40 | 1.1 | 2.0 |
| PHLX ^S Oil Service | 77.88 | 75.43 | 76.22 | -0.52 | -0.68 | 93.94 | 56.08 | 3.8 | -9.1 |
| PHLX ^S Semiconductor | 3740.70 | 3653.75 | 3739.75 | 56.09 | 1.52 | 3739.75 | 2162.32 | 36.6 | 47.7 |
| Cboe Volatility | 14.73 | 13.83 | 13.88 | -0.73 | -5.00 | 33.63 | 13.65 | -53.1 | -35.9 |

^SNasdaq 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 |
|------------------------------|--------|--------------|--------|---------|-------------------|--------|--------|
| SPDR S&P 500 ETF Trust | SPY | 11,668.5 | 437.58 | 0.40 | 0.09 | 437.88 | 435.53 |
| Amazon.com | AMZN | 4,525.4 | 126.44 | 0.02 | 0.02 | 130.73 | 109.82 |
| Comcast Cl A | CMCSA | 4,198.6 | 40.91 | 0.07 | 0.17 | 40.99 | 40.68 |
| Apple | AAPL | 4,102.0 | 183.99 | 0.04 | 0.02 | 184.25 | 138.19 |
| Huntington Bancshares | HBAN | 3,586.8 | 10.89 | 0.06 | 0.55 | 11.24 | 10.83 |
| StoneCo Cl A | STNE | 3,161.8 | 13.19 | 0.12 | 0.92 | 13.54 | 12.90 |
| Global Payments | GPV | 3,063.4 | 100.83 | -0.33 | -0.33 | 101.19 | 99.50 |
| iShares Core US REIT | USRT | 2,894.0 | 50.90 | -0.22 | -0.43 | 52.02 | 50.10 |
| Percentage gainers... | | | | | | | |
| Arch Capital Group | ACGL | 130.4 | 75.41 | 5.33 | 7.61 | 75.41 | 70.08 |
| Hudson Pacific Properties | HPP | 96.0 | 5.09 | 0.29 | 6.04 | 5.09 | 4.78 |
| Uniti Group | UNIT | 73.5 | 4.72 | 0.23 | 5.12 | 4.72 | 4.44 |
| Genworth Financial A | GNW | 159.8 | 5.49 | 0.25 | 4.77 | 5.49 | 5.23 |
| F&G Annuities Life | FG | 65.7 | 23.25 | 1.05 | 4.73 | 23.25 | 21.77 |
| ...And losers | | | | | | | |
| Rockwell Automation | ROK | 51.8 | 269.98 | -43.14 | -13.78 | 319.21 | 269.98 |
| Editas Medicine | EDIT | 142.8 | 10.46 | -0.63 | -5.68 | 11.10 | 10.21 |
| CCC Intelligent Solns | CCCS | 118.1 | 10.62 | -0.38 | -3.45 | 11.00 | 10.60 |
| ProShares Bitcoin Strat | BITO | 360.0 | 14.05 | -0.43 | -2.97 | 14.48 | 13.88 |
| R1 RCM | RCM | 78.6 | 16.88 | -0.45 | -2.60 | 17.33 | 16.88 |

Trading Diary

Volume, Advancers, Decliners

| | NYSE | NYSE Amer. |
|----------------------|---------------|-------------|
| Total volume* | 998,455,849 | 9,257,668 |
| Adv. volume* | 398,573,196 | 2,037,366 |
| Decl. volume* | 584,893,424 | 6,828,210 |
| Issues traded | 3,071 | 323 |
| Advances | 1,172 | 104 |
| Declines | 1,793 | 198 |
| Unchanged | 106 | 21 |
| New highs | 118 | 6 |
| New lows | 18 | 10 |
| Closing Arms* | 0.83 | 1.72 |
| Block trades* | 4,142 | 110 |
| | Nasdaq | NYSE Arca |
| Total volume* | 5,772,558,683 | 338,432,432 |
| Adv. volume* | 3,172,003,079 | 188,600,908 |
| Decl. volume* | 2,570,916,691 | 143,036,303 |
| Issues traded | 4,639 | 1,761 |
| Advances | 1,697 | 985 |
| Declines | 2,744 | 747 |
| Unchanged | 198 | 29 |
| New highs | 183 | 302 |
| New lows | 89 | 23 |
| Closing Arms* | 0.50 | 1.08 |
| Block trades* | 43,804 | 1,448 |

*Primary market NYSE, NYSE American 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 | 679.10 | 2.16 | 0.32 | 12.2 |
| | MSCI ACWI ex-USA | 307.15 | 2.16 | 0.71 | 9.2 |
| | MSCI World | 2939.59 | 9.91 | 0.34 | 12.9 |
| | MSCI Emerging Markets | 1014.91 | 1.66 | 0.16 | 6.1 |
| Americas | MSCI AC Americas | 1657.87 | 1.90 | 0.11 | 13.8 |
| Canada | S&P/TSX Comp | 20015.09 | 24.69 | 0.12 | 3.3 |
| Latin Amer. | MSCI EM Latin America | 2476.43 | 47.21 | 1.94 | 16.4 |
| Brazil | BOVESPA | 119068.77 | 2326.06 | 1.99 | 8.5 |
| Chile | S&P/IPS | 3230.52 | 2.29 | 0.07 | 1.8 |
| Mexico | S&P/BMV IPC | 55145.43 | 570.68 | 1.05 | 13.8 |
| EMEA | STOXX Europe 600 | 464.94 | 1.67 | 0.36 | 9.4 |
| Eurozone | Euro STOXX | 461.78 | 2.59 | 0.56 | 12.6 |
| Belgium | Bel-20 | 3665.87 | 15.38 | 0.42 | -1.0 |
| Denmark | OMX Copenhagen 20 | 2043.01 | 6.69 | 0.33 | 11.3 |
| France | CAC 40 | 7328.53 | 37.73 | 0.52 | 13.2 |
| Germany | DAX | 16310.79 | 80.11 | 0.49 | 17.1 |
| Israel | Tel Aviv | 1805.98 | -10.27 | -0.57 | 0.5 |
| Italy | FTSE MIB | 27809.09 | 243.06 | 0.88 | 17.3 |
| Netherlands | AEX | 771.41 | 3.70 | 0.48 | 12.0 |
| Norway | Oslo Bors All-Share | 1411.76 | -9.72 | -0.68 | 3.6 |
| South Africa | FTSE/JSE All-Share | 78060.22 | 232.49 | 0.30 | 6.9 |
| Spain | IBEX 35 | 9432.80 | 99.08 | 1.06 | 14.6 |
| Sweden | OMX Stockholm | 860.24 | -0.81 | -0.09 | 10.0 |
| Switzerland | Swiss Market | 11278.30 | -48.97 | -0.43 | 5.1 |
| Turkey | BIST 100 | 5360.77 | -68.28 | -1.26 | -2.7 |
| U.K. | FTSE 100 | 7602.74 | 7.96 | 0.10 | 2.0 |
| U.K. | FTSE 250 | 19175.50 | -13.00 | -0.07 | 1.7 |
| Asia-Pacific | MSCI AC Asia Pacific | 168.38 | 0.95 | 0.57 | 8.1 |
| Australia | S&P/ASX 200 | 7161.70 | 22.84 | 0.32 | 1.7 |
| China | Shanghai Composite | 3228.99 | -4.68 | -0.14 | 4.5 |
| Hong Kong | Hang Seng | 19408.42 | -113.00 | -0.58 | -1.9 |
| India | S&P BSE Sensex | 63228.51 | 85.35 | 0.14 | 3.9 |
| Japan | NIKKEI 225 | 33502.42 | 483.77 | 1.47 | 28.4 |
| Singapore | Straits Times | 3218.14 | 28.75 | 0.90 | -1.0 |
| South Korea | KOSPI | 2619.08 | -18.87 | -0.72 | 17.1 |
| Taiwan | TAIEX | 17238.14 | 21.54 | 0.13 | 21.9 |
| Thailand | SET | 1561.15 | -1.25 | -0.08 | -6.4 |

Sources: FactSet; Dow Jones Market Data

Percentage Gainers...

| Company | Symbol | Close | Net chg | % chg | High | 52-Week Low | % chg |
|-------------------------|--------|--------|---------|--------------|---------|-------------|-------|
| WeTrade Group | WETG | 14.41 | 5.97 | 70.73 | 9342.50 | 6.12 | -98.0 |
| SEALSO | LAES | 17.73 | 7.28 | 69.67 | 28.50 | 8.50 | ... |
| NextDecade | NEXT | 7.75 | 2.62 | 51.07 | 8.95 | 3.93 | 34.5 |
| Eloxx Pharmaceuticals | ELOX | 6.98 | 1.38 | 24.64 | 19.20 | 1.70 | -31.6 |
| CalciMedica | CALC | 5.84 | 1.09 | 22.95 | 20.30 | 1.00 | -48.6 |
| Vera Therapeutics | VERA | 13.35 | 2.35 | 21.36 | 23.39 | 5.20 | -4.6 |
| Innodata | INOD | 12.09 | 1.84 | 17.95 | 12.80 | 2.78 | 154.5 |
| Eloxx Pharmaceuticals | ACOR | 12.10 | 1.77 | 17.13 | 24.80 | 5.22 | 51.1 |
| Akoya Biosciences | AKYA | 7.65 | 1.10 | 16.79 | 16.57 | 4.28 | -26.6 |
| Leju Holdings ADR | LEJU | 2.92 | 0.38 | 14.96 | 9.84 | 1.03 | 1.7 |
| Coherent | COHR | 48.91 | 6.09 | 14.22 | 58.43 | 26.29 | -12.9 |
| Ind Logistics Prop Tr | ILPT | 2.57 | 0.31 | 13.72 | 14.60 | 1.65 | -81.5 |
| Pioneer Power Solutions | PPSI | 7.47 | 0.90 | 13.62 | 7.79 | 2.33 | 112.1 |
| GOL Linhas Aereas ADR | GOL | 4.59 | 0.55 | 13.61 | 4.77 | 2.00 | 14.8 |
| IPG Photonics | IPGP | 132.83 | 15.77 | 13.47 | 136.72 | 79.88 | 43.8 |

Most Active Stocks

| Company | Symbol | Volume (000) | % chg from 65-day avg | Latest Session Close | % chg | 52-Week High | Low |
|---------------------|--------|--------------|-----------------------|----------------------|--------------|--------------|------|
| Cytera Technologies | CYXT | 372,181 | 6673.2 | 0.07 | 55.50 | 15.16 | 0.04 |
| Ideanomics | IDEX | 371,629 | 344.0 | 0.10 | 1 | | |

COMMODITIES

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KEY TO CODES: A=ask; B=bid; BP=country elevator bids to producers; C=corrected; D=CME; E=Manfra, Tordella & Brookes; H=American Commodities Brokerage Co; K=bi-weekly; M=monthly; N=nominal; n.a.=not quoted or not available; P=Sosland Publishing; R=SNL Energy; S=Platts-TSI; T=Commodity Limited; U=USDA; V=Benchmark Mineral Intelligence; W=weekly; Y=International Coffee Organization; Z=not quoted. *Data as of 6/13

Source: Dow Jones Market Data

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

Tracking Bond Benchmarks

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Table of Bond Benchmarks showing Total return, YTD total return, and Index for various bond categories like Broad Market, U.S. Corporate, Mortgage-Backed, High Yield, and Global Government.

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

Macro & Market Economics

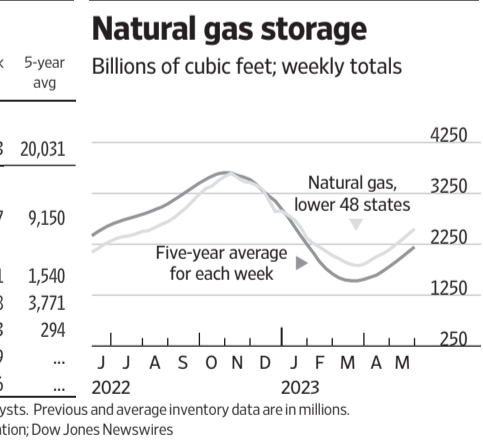
Watching the Gauges: U.S. Supply and Demand

Inventories, imports and demand for the week ended June 9. Current figures are in thousands of barrels or thousands of gallons per day, except natural-gas figures, which are in billions of cubic feet. Natural-gas import and demand data are available monthly only.

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Exchange-Traded Portfolios | WSJ.com/ETFResearch

Table of Exchange-Traded Portfolios (ETFs) showing Symbol, Closing Price, Change, and YTD Change for various sectors and strategies.

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

Corporate Debt

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

Investment-grade spreads that tightened the most...

Table of Corporate Debt showing Issuer, Symbol, Coupon (%), Yield (%), Maturity, Spread, and changes in basis points.

...And spreads that widened the most

Table of Corporate Debt showing Issuer, Symbol, Coupon (%), Yield (%), Maturity, Spread, and changes in basis points.

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

Table of Corporate Debt showing Issuer, Symbol, Coupon (%), Yield (%), Maturity, Bond Price as % of face value, and changes in basis points.

...And with the biggest price decreases

Table of Corporate Debt showing Issuer, Symbol, Coupon (%), Yield (%), Maturity, Bond Price as % of face value, and changes in basis points.

*Estimated spread over 2-year, 3-year, 5-year, 10-year or 30-year hot-run Treasury; 100 basis points=one percentage pt.; change in spread shown is for Z-spread. Note: Data are for the most active issue of bonds with maturities of two years or more. Source: MarketAxess

MARKETS

Banks Face Years of Trouble

Continued from page B1
true that these banks are spooked. They will be focused on strengthening their balance sheets and trying to keep depositors and regulators happy for a long time to come, even as the continued threat of broader banking-system troubles hangs over them.

They ended up here because of a Federal Reserve triple-whammy. First, higher interest rates mean paying more to depositors or losing access to what until recently was near-zero rate funding. Second, higher rates hit the value of outstanding fixed-rate loans and bonds created back when the Fed was at zero—leaving the banks facing fat losses if they value their assets at market prices.

Third, the free money banks used to be able to make just from borrowing short and lending long—borrowing overnight at the Fed rate and buying Treasuries—has gone.

It is a misconception that higher rates are good for banks. What's good for banks is a steep yield curve, in which short-term rates are much lower than long-term rates.

Right now we have the most extreme inverted yield curve in decades. The yield on the 10-year Treasury was last month the furthest below the Fed's target rate since 1989. This simple model of what's known as maturity transformation now makes a loss, not a profit.

This doesn't mean banks are all doomed—but does mean, especially if the yield curve stays inverted—that more banks could fall over. It also means that banks will be constrained by more watchful government over-

seers. The need for regulatory attention is clear. The Federal Deposit Insurance Corp. calculates that unrecorded losses on securities alone amounted to more than \$500 billion at the end of March. Academics Erica Xuewei Jiang, Gregor Matvos, Tomasz Piskorski and Amit Seru estimated that across all assets the unrealized losses of banks due to higher rates since early last year are \$2 trillion.

An extension of their work concluded that 2,315 banks (mostly small) have assets worth less than their liabilities when valued at market prices.

It was the realization that mark-to-market losses amounted to more than its capital that triggered the run by uninsured depositors at SVB, even though the way regulators valued the assets showed its capital was fine.

The key to survival is keeping hold of depositors at low rates for long enough to work off the unrealized losses on the back book.

If you are wondering why you are only earning 0.4% on your savings—the average in May—it is because you are one of those the banks are relying on for profit and survival.

You could get 5% or more from an online-only account, T-bills or a money-market fund, but the bank is exploiting your loyalty or laziness. Investors are focused on understanding how long banks can continue this trick to figure out how fast deposit rates will rise, compressing margins.

After the Fed's triple whammy comes yet another blow: Banks will have to hold more capital.

That means cutting the cash paid out to shareholders through buybacks, holding or cutting dividends, slowing lending and perhaps issuing new stock.

None of these are good for shareholders, although all should be warmly welcomed by creditors.

S&P Gains After Fed Pause

Warning of more increases in summer weighs down major market indexes

By MATT GROSSMAN

The S&P 500 and Nasdaq Composite ended slightly higher, while the Dow Jones Industrial Average finished lower after the Federal Reserve opted not to raise interest rates but emphasized that further increases likely lie ahead this summer.

The decision to skip a rate increase was widely expected heading into this week's policy meeting. The sideways trading paused a broadening rally for major indexes that has been fueled by hopes interest rates could peak without triggering a major economic downturn.

The S&P 500 spent the morning in the green but gyrated after the Fed's 2 p.m. announcement.

WEDNESDAY'S MARKETS

The central bank held rates steady at between 5% and 5.25% but signaled that it expects its target to rise to about 5.6% by the end of 2023. In March, the Fed had projected a 5.1% year-end rate, and many traders had hoped that interest rates were already peaking.

The major indexes then pared their losses as Fed Chair Jerome Powell said in a news conference that central bankers believe inflation is in the process of moderating.

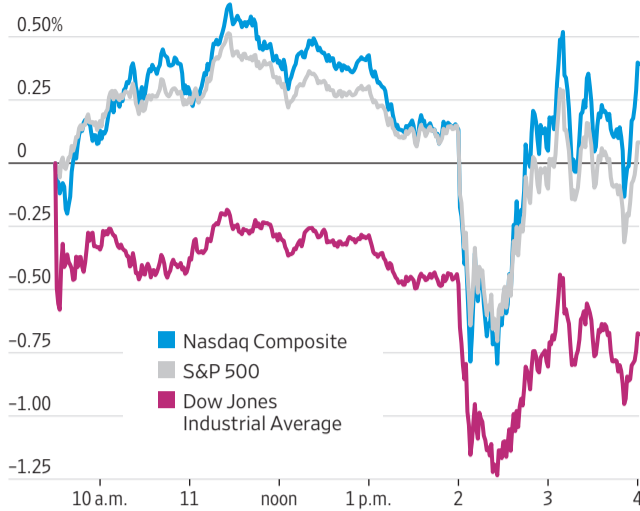
The S&P rose 3.58 points, or 0.1%, to 4372.59, and the Nasdaq Composite climbed 53.16 points, or 0.4%, to 13626.48. The Dow Jones Industrial Average fell 232.79 points, or 0.7%, to 33979.33, though it

Watch a Video



Scan this code for a video on how Fed Chair Powell rose to the top.

Index performance Wednesday



Source: FactSet

was dragged down by a decline in **UnitedHealth** stock.

Short-term Treasury bonds, strongly influenced by Fed policy expectations, held steady. The 2-year Treasury yield ended at 4.707%, up a hair from 4.694% on Tuesday.

"The pause or the skip, combined with higher forecasted rates, was initially interpreted negatively," said Larry Kochard, chief investment officer at Makena Capital Management. "But Powell kind of downplayed that and emphasized he still thinks we're on track for a soft landing."

The Fed's decision not to raise rates follows 10 straight meetings that ended in rate increases stretching back to March 2022. The central bank's moves have been aimed at taming what was the highest consumer-price inflation in decades.

The question now turns to whether July will bring another interest-rate increase and whether more could follow later this year. A continued stretch of strong economic data suggests that beating inflation might require more tightening, but some economists warn that the Fed's previous rate increases have yet to take full effect.

Inflation has slowed down in recent months, but at 4% in May still remained well above the Fed's 2% target. More troubling, core inflation—which strips out volatile food and energy prices—was 0.4% last month, much higher than the level central bankers would consider stable.

Derivatives markets show that many traders are counting on a steady decline in inflation over the next 12 months. But that may be too optimistic, said Neil Dutta, head of economics at Renaissance Macro Research.

Data out Wednesday showed input prices paid by companies falling in May, but economists at Citigroup said that trend could be slow to translate into easing consumer-price pressure. Subtracting out inflation, the economy is set to grow by an annualized rate above 2% in the second quarter, according to the Federal Reserve Bank of Atlanta's widely followed model, a further sign that the economy isn't abruptly weakening.

After a stretch earlier this spring when stock indexes' gains were hanging on a handful of soaring big technology stocks, a bigger basket of equities is now rising. In June, all 11 of the S&P's industry sectors

have climbed. "You're seeing this broadening out of the rally, which is telling you that the average stock is beginning to follow along with the idea that things might be OK," said Hans Olsen, chief investment officer at Fiduciary Trust.

Making high-conviction trades around the Fed's meeting schedule has grown more challenging this year as the central bank's rate moves have shrunk from high-amplitude increases to quarter-point adjustments, said Nabeel Abdoula, partner at Fulcrum Asset Management.

Comments from a major insurer about demand for medical procedures shook up healthcare stocks. UnitedHealth executives said that demand for elective procedures such as knee and hip replacements is picking up again after a pandemic lull, boosting shares in hospital companies and firms that make medical devices. **HCA Healthcare** rose \$4.35, or 1.6%, to \$284.20, and **Boston Scientific** rose \$2.15, or 4.2%, to \$53.31. Insurers suffered. UnitedHealth dropped \$31.45, or 6.4%, to \$459.86, and **CVS Health** was off \$5.61, or 7.8%, to \$66.65.

Brent crude settled at \$73.20 a barrel, down 1.5% from Wednesday and 15% in the year to date.

Overseas, Europe's Stoxx 600 rose 0.4%. Early Thursday, Japan's Nikkei 225 was up 0.3%, Hong Kong's Hang Seng Index was up 0.7% and the Shanghai Composite was up 0.2%. S&P 500 futures fell 0.1%.

| AUCTION RESULTS | |
|--|--------------------|
| Here are the results of Wednesday's Treasury auction. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value. | |
| 17-WEEK BILLS | |
| Applications | \$147,002,219,400 |
| Accepted bids | \$46,591,960,000 |
| * noncompetitively | \$603,426,700 |
| * foreign noncompetitively | \$1,817,000,000 |
| Auction price (rate) | 98.297639 (5.150%) |
| Coupon equivalent | 5.327% |
| Bids at clearing yield accepted | 41.02% |
| Cusip number | 912797H86 |
| The bills, dated June 20, 2023, mature on Oct. 17, 2023. | |

ONE YEAR OF

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FROM WSJ

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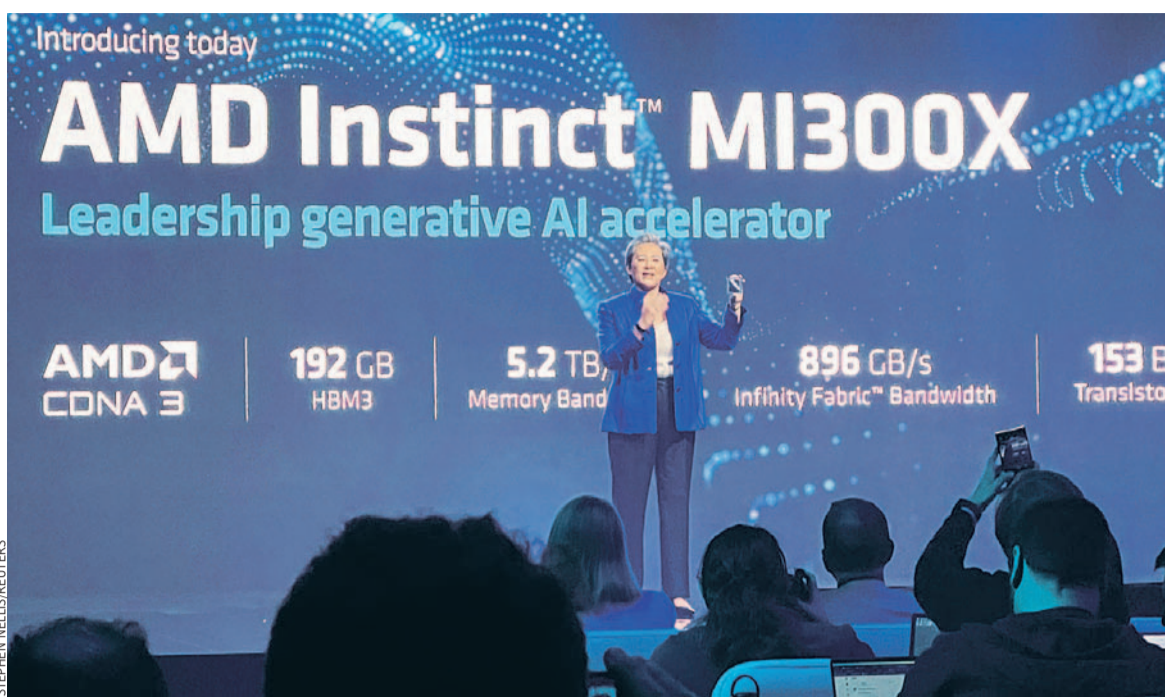
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HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY



CEO Lisa Su said AMD's new chip will start production in the fourth quarter—well behind Nvidia's offering.

AMD Plays Catch-Up in AI

Tech giant's 'superchip' challenges market leader Nvidia on its home turf

Advanced Micro Devices got where it is now by outmaneuvering a rival more than 10 times its size. Now comes the hard part.

The chip maker has managed to build up a substantial business in supplying server processor chips to tech giants that operate massive data centers. It has done this largely at the expense of Intel, which controlled an estimated 99% of the server market before a series of missteps cost the storied Silicon Valley pioneer its lead in the most advanced chip manufacturing.

AMD showed off its latest developments for data-center computing on Tuesday. Among those was a so-called superchip for high-performance computing, which combines a central processor with a graphics processor and memory in the same chip packaging. AMD also announced a graphics-processor-based "accelerator" for artificial-intelligence uses in data centers. That pits it squarely against Nvidia in what has become the hottest segment of computing with the rise of generative AI technologies such as ChatGPT.

Tech giants such as Microsoft, Amazon.com and the parent companies of Google and Facebook are rapidly adopting generative AI, which would appear to make AMD's latest chips a guaranteed success. But Nvidia has a very strong head start in this market.

Furthermore, AMD's latest data-center accelerator won't exactly be striking while the iron is hot. CEO Lisa Su said Wednesday that the chip won't begin "sampling" with major customers until the third quarter, with production beginning in the fourth quarter. That suggests volume shipments might not really start until sometime around mid-2024. Analyst Stacy Rasgon of Bernstein wrote in a note Tuesday that this would be about 18 months after Nvidia's competing product came to the market.

Meanwhile, tech giants facing cost pressures are cutting spending on other data-center components to pour more investment into generative AI. That has affected demand for some of AMD's more traditional server processors. The company's data-center segment saw no revenue growth on a

year-over-year basis in the March quarter compared with 42% growth in the December period, and Wall Street is expecting a 7% decline for the current quarter before growth rebounds in the second half of the year. AMD's data-center revenue is expected to rise by 11% for the full year—paltry compared with the 91% growth analysts polled by FactSet expect for Nvidia's data-center sales in the company's fiscal year that ends in January.

Still, Matt Ramsay of TD Cowen noted in a report after Tuesday's event that AMD is "the increasingly obvious choice as the market looks for alternatives to the AI market leader Nvidia." That alone will keep the company of high interest to the tech giants that are the chip industry's most important customers. Reuters reported Wednesday that Amazon is considering AMD's newest offerings, sending AMD shares higher pre-market. But AMD's battle against Intel was helped greatly by the latter's own mistakes. Nvidia has so far shown no propensity to give competitors that sort of help.

—Dan Gallagher

End of Fed Tightening Is Still Within Sight

Central bank signals more rate rises are coming, but that isn't certain if inflation keeps cooling

Investors are facing an unexpected new reality: The sooner the Federal Reserve feels it can stop raising interest rates, the less likely that it will need to cut rates in the future.

The end of the Fed's tightening campaign now seems in sight, if it hasn't already arrived. The central bank's policy makers on Wednesday left their target on overnight rates steady at a range of 5% to 5.25%—the first time they didn't raise rates at the conclusion of a policy-setting meeting since January of last year. They did indicate that they expect to raise rates by another half of a percentage point by the year-end, more than many expected. But if the next inflation report shows signs of further cooling, even that could be in doubt.

Yet Fed officials don't think they will soon be bringing rates much lower than they are now, either, with their projections now showing they expect the rate range will be 4.5% to 4.75% at the end of next year. And investors are starting to recognize that this higher-for-longer expectation might come true.

When the Fed has raised rates in the past, it has often lifted them to the point that the job market cracks, plunging the economy into a recession that leads the central bank to quickly reverse course and cut rates sharply. Investors had been figuring that would be the pattern this time around: At one point in March, shortly after Silicon Valley Bank and Signature Bank collapsed, interest-rate futures implied an expectation that the central bank would lower its rate target to a range of 3.75% to 4%, or lower, by the end of this year, a contrast to current expectations that are roughly split between the Fed holding rates steady and raising them by a quarter point.

But although the job market has loosened a bit, it still looks quite healthy, with unemployment low

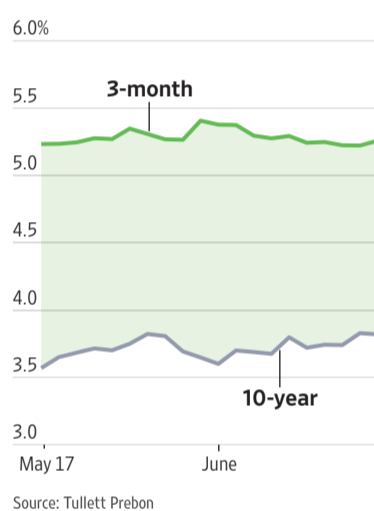
and plenty of job vacancies waiting to be filled. As long as that is true, even if inflation cools substantially, policy makers wouldn't see much point in cutting. Now interest-rate futures imply that the Fed's target range will finish out the year around where it is now.

This shift in expectations is having an effect on long-term interest rates, too. The yield on the 10-year Treasury, which in theory largely reflects investors' short-term rate expectations over the next decade, has lately been pushing higher faster than the yield on the three-month Treasury. If inflation does, in fact, keep cooling and the job market remains in good shape, then that is a trend that will continue, and might even lead to a point that long-term yields are higher than short-term ones—not, as is usually the case when the yield curve uninverts, because a recession has hit, but because one has been avoided.

This would, of course, be great news for the economy. But for investors, being stuck in a higher-for-longer rate regime would be a bit more complicated.

—Justin Lahart

Yields on the U.S. 3-month and 10-year Treasuries



Shell's New Strategy Avoids Hardest Questions

Attacked on all sides, Europe's energy bosses have a new pitch: They won't cut fossil fuels until global demand falls. For investors, the strategy promises plenty of cash, but also questions.

On Wednesday, Shell released fresh targets at its investor day in New York, where Chief Executive Wael Sawan set out detailed goals for the company he took the helm of earlier this year. Among the new plans are additional cash for shareholders, steady fossil fuel production and a higher profit hurdle for clean-energy investments to get the green light.

Shell will distribute up to 40% of its cash flows to investors, an increase from up to 30% previously. This will happen "through the cycle," according to the company's statement, perhaps an assurance that there won't be a repeat of Shell's 2020 dividend cut. Cost efficiencies and lower capital spending will help fund the higher payouts.

As long as demand for fossil fuels continues to grow, Shell will meet it. The company wants to expand its natural-gas business and keep oil flows steady for the rest of the decade. It previously planned to reduce oil production by 1% to 2% a year, though Shell says it has already met this target by selling assets. Rival BP made a similar shift earlier in February. Shell also will be more selective about investing in alternative sources of energy such as wind and solar, where returns have been disappointing.

Europe's top oil companies clearly don't want to jump the gun with the shift to cleaner energy. Sawan thinks that cutting oil-and-gas production while global demand for fossil fuels is still growing is "unhealthy."

The case for not starving the world of oil and gas before an alternative energy system is in place is valid. Consumers and businesses don't need a repeat of last year's energy shortages and record prices. But the lion's share of oil companies' investment budgets is still being

pumped into fossil fuels rather than alternatives. One risk for investors is that when the tipping point comes, oil companies won't be as well prepared for the energy transition—or harsher regulations—as they should be.

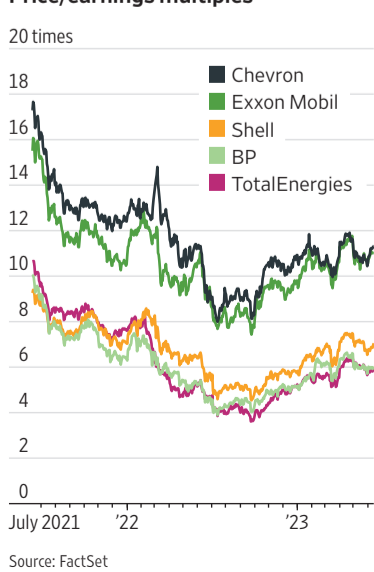
The International Energy Agency thinks peak oil is on the way this decade. For now, there is no obvious candidate to replace oil and gas, or at least none that is as profitable.

European energy companies are trying to balance competing demands. Their valuations trade at a big discount to U.S. oil giants Exxon Mobil and Chevron as investors reward companies that stick with fossil fuels. But shareholders don't want too much investment in new oil exploration and prefer cash to be handed back instead. Shell, BP and TotalEnergies are also under pressure from ESG-minded European investors to address climate change.

The oil industry's "over to you" message to society lets companies slow their bets on the energy transition for now. But it doesn't add up to a convincing long-term plan.

—Carol Ryan

Price/earnings multiples



Source: FactSet



Auto-insurance ad budgets have been cut, helping those companies reduce their underwriting expense ratios.

More Inflation, Less Flo, Can Be Winning Combo for Progressive

One of the inputs rising most rapidly in the consumer-price index released this week was the cost of auto repair. Also rising: the cost of auto insurance.

Motor-vehicle repair costs were up 19.7% in May versus a year earlier, according to this week's CPI update. Inflation in what it costs to cover car-accident claims has been one driver of the sharp decline in underwriting profitability for auto insurers in the past year. A recent report by S&P Global Market Intelligence described 2022 as "historically bad" for U.S. private auto insurers, with the industry recording a 111.8% net combined ratio. Ideally this measure of claim costs and expenses as a percentage of premiums should be below 100. It was more than a percentage point worse than the prior peak in 2000.

And yet shares of insurers with sizable personal-auto businesses haven't performed nearly as badly as bank stocks recently. In fact, some have logged gains over the past year, including Progressive, Travelers, and Geico owner Berkshire Hathaway. Investors have been willing to tolerate those rising losses in part because inflation

has also sparked a surge in auto-insurance rates. The cost of motor-vehicle insurance as measured by the CPI was up 17.1% in May versus last year. The cost also jumped 2% on a seasonally adjusted basis from April to May—far faster than the 0.3% month-over-month increase in repair costs.

Premium increases take time to flow through to insurers' results, partly because they often have to rely on state regulators' approvals of higher rates. Rising insurance costs also are opening up opportunities for auto insurers to expand their book of business, with more people shopping around for auto policies.

A recent study by J.D. Power found that in March, the 30-day average rate of consumers shopping around reached 13.1%, well above the 2021 average of 11.4%. The switch rate rose to 4.1%, from a 3.4% average in 2021.

All of this appears to have opened an opportunity for Progressive, which during 2022 rose to become the second-largest auto insurer in the U.S., according to the J.D. Power study. It also reported a personal-lines combined

ratio under 100% last year, potentially giving it the ability to underprice peers and still profitably take share. Progressive increased its personal-auto policies-in-force in the first quarter of 2023 by 11% over the same quarter a year earlier, compared with small increases or even declines experienced by several major peers.

Another possible benefit of this environment is that auto-insurance advertising budgets have widely been cut, making familiar TV faces like Progressive's Flo or Geico's Gecko less ubiquitous. That also reduces underwriting expense ratios. With others doing so, cutbacks in ad spending may not have the same impact on growth they have had in the past.

Progressive shares are up about 13% over the past year—though they have lost momentum in 2023, down by 2.5%.

Auto insurers may keep benefiting from still-rising premium rates, more shopping and less advertising even as auto-repair costs begin to ebb or even reverse. It is a reminder that inflation can cut both ways for companies, often ultimately to their benefit.

—Telis Demos