

What's News

Business & Finance

Saudi Arabia said it would cut 1 million barrels of oil a day as part of a deal between OPEC and its allies after one of the most contentious production meetings in recent years amid concerns over slowing global energy demand. A1

More than a year after the Fed began rapidly raising interest rates to tame inflation, the hallmarks of a widely expected recession remain elusive. A1

Hedge funds and other speculative investors have built up a big bet that the S&P 500 will decline, while preparing for a rally in the tech-focused Nasdaq-100. A1

Linda Yaccarino is expected to take over as CEO of Twitter on Monday, according to a person familiar with the situation, and has tapped one of her top lieutenants from NBCUniversal to join her. B1

Chuck Todd is stepping down as moderator of NBC News's "Meet the Press" in September and will be succeeded by chief White House correspondent Kristen Welker, the network said. B1

Hollywood's major studios and streamers reached a tentative labor deal with the union representing directors, as a writers' strike rolls into its second month. B3

Restaurant chain Cava Group is set to start marketing its IPO in a test of investor appetite for fast-growing companies that are still unprofitable. B3

World-Wide

A fresh incursion into Russia's Belgorod region by Ukraine-backed troops who said they seized territory and captured two Russian soldiers added to signs of vulnerability in Russia's defenses within its borders. A7

Democrats expressed relief that the debt-ceiling fight with Republicans is over and a default was averted, but some are making plans to prevent a future standoff by trying to defuse the borrowing limit as a weapon. A4

A senior Philippines defense official warned that tension between the U.S. and China, if left unchecked, could bring down an "Iron Curtain" across Asia. A9

Mexico's ruling party won the governorship in the country's most populous state, which has been a stronghold for the opposition. A18

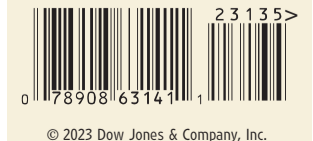
Deputy Transportation Secretary Polly Trottenberg is expected to be named the next interim leader of the FAA, people familiar with the matter said. A5

California is investigating the arrival of more than a dozen migrants who were left at a Sacramento church with no prior notification, according to Gov. Gavin Newsom. A3

The Pentagon scrambled two F-16 jet fighters in response to a private Cessna plane, whose pilot was unresponsive, that flew over the nation's capital and then crashed in Virginia. A5

JOURNAL REPORT Investing Monthly: The 401(k)/IRA combo. R1-8

CONTENTS Opinion... A15-17 Arts in Review... A13 Outlook... A2 Business & Finance... B26 Personal Journal... A11-12 Business News... B3 Sports... A14 Crossword... A14 Technology... B4 Heard on Street... B10 U.S. News... A2-6 Markets... B9 World News... A7-9,18



Families Search to Identify Victims Killed in India Train Crash



TRAGIC: People looked at photographs on Sunday of passengers who were traveling in the trains involved in the crash Friday night in Balasore, India. At least 275 people were killed and more than 900 others injured. A18

Saudis Curb Oil Output as Producers Quarrel

OPEC members clash over quotas before Riyadh says it will cut 1 million barrels a day

BY BENOIT FAUCON AND SUMMER SAID

VIENNA—Saudi Arabia said it would cut 1 million barrels of oil a day as part of a deal between OPEC and its allies after one of the most contentious production meetings in recent years amid concerns over slowing global energy demand.

Saudi Arabia said the output cut was for July and on top of previously announced curbs, which would be extended until the end of 2024. The United Arab Emirates and some other large producers also extended their previously announced cuts.

The Saudi announcement Sunday came soon after the Organization of the Petroleum Exporting Countries and its Russia-led allies said the group had agreed to stick to current production targets until the end of the year. Each member of the cartel, called OPEC+, is allotted a production quota, but sometimes members don't hit that level.

A production cut of as much as 1 million barrels a day was on the table, delegates had said ahead of Sunday's meeting. The broader 23-member group accounts for close to half of the world's oil output. A cut in production was expected to prop up crude prices amid concerns that a slowing global economy would crimp energy demand.

The decision to stick to the group's production targets came after OPEC members huddled together for hours in Vienna to hash out a deal in what turned out to be a fiery exchange, delegates said. Saudi Arabia was pushing some members to cut output but faced stiff resistance, especially from some African producers, they said.

Production plans are usually agreed upon in advance among OPEC members who quickly rubber-stamp their approval during the official meetings. This time, tensions within the group over production quotas were high. Members eventually agreed to stick to their output targets along with their Russia-led allies to

Please turn to page A8

Lingering Effects of Pandemic Stave Off Expected Recession

BY SARAH CHANEY CAMBON

More than a year after the Federal Reserve began rapidly raising interest rates to tame inflation, the hallmarks of a widely expected recession remain elusive.

Employers are hiring aggressively, consumers are spending freely, the stock market is rebounding and the housing market appears to be stabilizing—the most recent evidence that the Fed's efforts have yet to significantly weaken the economy.

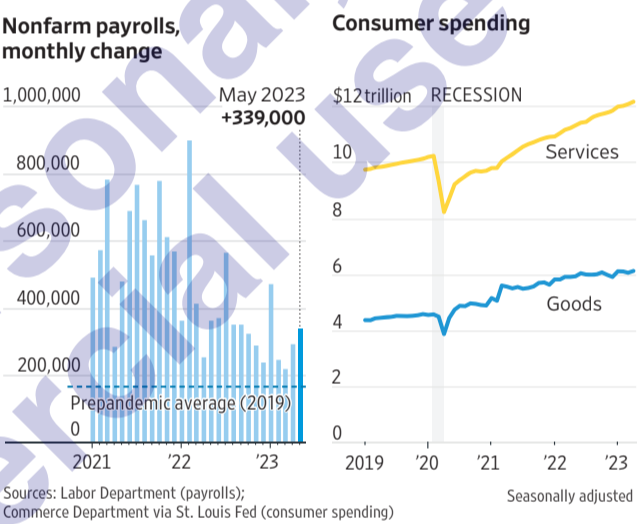
Instead, the lingering effects of the pandemic have left consumers and employers still playing catch-up. That momen-

tum could prove self-sustaining.

People are splurging on the activities they skipped during pandemic lockdowns, such as travel, concerts and dining out. Businesses are staffing up to satisfy the pent-up demand. Government policies in response to the pandemic—low interest rates and trillions of dollars in financial assistance—left consumers and businesses with lots of money and cheap debt. The same inflation that so worries the Fed translates into higher wages and profits, fuel-

Please turn to page A2

◆ Outlook: Productivity drop blurs economic picture..... A2



Sources: Labor Department (payrolls); Commerce Department via St. Louis Fed (consumer spending)

Bearish Bets Escalate, Except in Tech

BY HARDIKA SINGH

Wall Street hasn't been this bearish on the stock market in more than a decade. Tech shares are a different story.

Hedge funds and other speculative investors have built up a big bet that the S&P 500 will decline, marking their most bearish positioning since 2007. At the same time, they are preparing for a rally in the technology-focused Nas-

daq-100, with net bullish wagers in recent weeks approaching the highest levels since late last year.

That is according to data from the Commodity Futures Trading Commission compiled by Bespoke Investment Group, when measured as a percentage of open futures-market interest.

The divergence in positioning reflects the fragility of the 2023 stock rally, strategists

said. The S&P 500 is up 12% this year, but it would be negative without the contribution of seven tech companies, according to S&P Dow Jones Indices data through the end of May. That potentially leaves the index vulnerable to a steep pullback if even one or two big companies misstep.

"People are certainly showing signs of caution, regardless of how price has gone," said Jake Gordon, an analyst

at Bespoke Investment Group.

Of course, pessimistic positioning of this scale can be a contrarian indicator, he said. When bearish or bullish sentiment goes to extreme levels, sooner or later the market tends to move in the opposite direction.

Stocks rallied last week, with investors cheering the resolution of the debt-ceiling fight, along with signals from

Please turn to page A6

EV Makers Confront 'Nickel Pickle'

BY JON EMONT

In the electric-vehicle business, the quandary is known as the nickel pickle.

To make batteries for EVs, companies need to mine and refine large amounts of nickel. The process of getting the mineral out of the ground and turning it into battery-ready substances, though, is particularly environmentally unfriendly. Reaching the nickel means cutting down swaths of rainforest. Refining it is a carbon-intensive process that involves extreme heat and high pressure, producing waste slurry that's hard to dispose of.

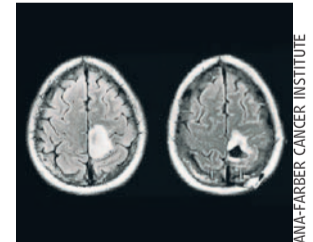
The nickel issue reflects a larger contradiction within the EV industry: Though electric vehicles are designed to be less damaging to the environment in the long term than conventional cars, the process of building them carries substantial environmental harm.

Please turn to page A10

INSIDE



PERSONAL JOURNAL Couples are taking steps to eliminate the gender gap in their leisure time. A11



U.S. NEWS An experimental drug significantly delayed the growth of a type of brain tumor. A3

When Modern Architecture Meets Perplexing Emoji

A new hotel in Scotland draws attention for an unfortunate resemblance

BY JAMES HOOKWAY

EDINBURGH—Tourist season is gearing up again in Scotland's capital. The skirl of the bagpipes, the street jugglers, the whisky tastings, the...wait, what the heck is that?

Edinburgh's latest tourist draw is a brand-new hotel spi-

raling above in the city's northeast corner whose architects intended it to resemble a coiled ribbon. To the cell-phone-toting visitors, though, the building bears a resemblance to something far less festive—the widely known poop emoji.

"I really had to come and Please turn to page A10

Student Assaults Against Teachers Ratchet Up

Violence has grown since return to in-person learning, adding to school concerns

BY SCOTT CALVERT

SPARKS, Nev.—When English teacher Lauren Forbus saw three students at her middle school sneak in through an exit-only door, she stood in the hall with outstretched arms and told them to turn around. Instead, she said, they cursed at her and told her to move.

Then came a push that spun her around, she later told school police. Her face smacked into a set of blue lockers. Dazed, she found herself lying on the carpeted floor, tasting blood, as her colleagues called for help and Dilworth Middle School went into lockdown. Her right eye later turned black and blue.

"I didn't know what was going on," she recalled. "I just knew I was in pain."

The incident on Dec. 15 jolted the 61,000-pupil

Washoe County School District and injected fresh urgency into its efforts to better protect staff amid concerns about student violence.

So far this school year, students in the district have committed more than three dozen acts of criminal battery against staff, according to school police. District officials call the frequency and nature of the incidents alarming.

"Most minutes of the school day everything is fine, but then there are these flashpoints of violence," Washoe County school board president Beth Smith said.

Across the U.S., violence against teachers has ratcheted up since the widespread return to in-person learning in 2021, and in some areas the problem is worse than it was pre-pandemic. The data are limited, because many

Please turn to page A6



# U.S. NEWS

THE OUTLOOK | By Gwynn Guilford

## Productivity Drop Blurs Economic Picture

**You would think from May's blowout jobs report the economy was booming.**

Here's the puzzle: Other recent data suggest it is in recession.

The dichotomy emerges from the divergent behavior of employment and output, two key indicators of economic activity.

In May, employers added 339,000 jobs, bringing the total number of jobs added this year to nearly 1.6 million, a gain of 2.5% annualized.

But real gross domestic income, a measure of total economic activity, shrank in both the fourth quarter and the first quarter. Two negative quarters of output growth are one indicator of a recession.

The economy has gone through periods where output has expanded faster than employment, but seldom the other way around, said Ryan Sweet, chief U.S. economist at Oxford Economics.

What explains these dissonant signals is productivity, or output per hour worked: It is cratering. That raises questions about whether the much-hyped technology adoption during the pandemic and, more recently, artificial intelligence are mak-

ing a difference. It also raises the risk that the Federal Reserve will have to raise interest rates more to tame inflation.

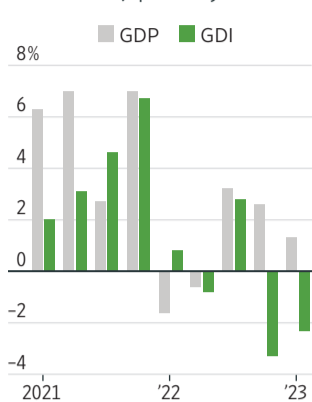
Labor productivity fell 2.1% in the first quarter from the fourth at an annual rate, and was down 0.8% in the first quarter from a year earlier, the Labor Department said Thursday. That is the fifth-straight quarter of negative year-over-year productivity growth—the longest such run since records began in 1948.

Those calculations are derived from gross domestic product, which shows output rising at a 1.3% annualized rate in the first quarter. But another key measure—gross domestic income—declined, implying an even bigger productivity collapse.

GDI is the yin to GDP's yang, measuring incomes earned in wages and profits, while GDP tallies up purchases of goods and services produced. In theory, the two should be equal, since someone's spending is another's income.

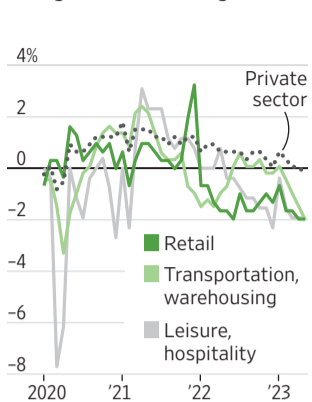
They never exactly match because of statistical challenges. Lately, though, the divergence is dramatic. "Over the past two quarters, real GDP shows the economy expanding by 1.0%, not far off potential growth, whereas GDI shows it contracting by 1.4%, which amounts to a de-

U.S. gross domestic product and income, quarterly\*



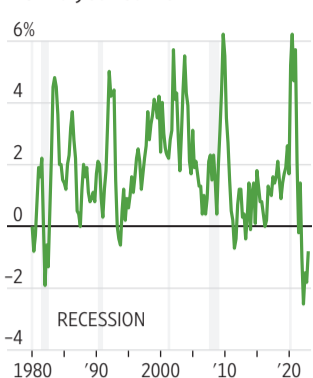
\*Inflation and seasonally adjusted annual rate. Sources: Commerce Department (GDP and GDI); Labor Department (weekly hours, nonfarm business labor productivity)

Average weekly work hours, change vs. 2019 average<sup>1</sup>



<sup>1</sup>Seasonally adjusted. Sources: Commerce Department (GDP and GDI); Labor Department (weekly hours, nonfarm business labor productivity)

Nonfarm business labor productivity, change from a year earlier<sup>1</sup>



<sup>1</sup>Seasonally adjusted. Sources: Commerce Department (GDP and GDI); Labor Department (weekly hours, nonfarm business labor productivity)

cent-sized recession," said Paul Ashworth, chief U.S. economist at Capital Economics. The divergence is ominous: GDI previously undershot GDP dramatically during the 2007-09 financial crisis and in the early 1990s recession, Ashworth said.

The second quarter is also shaping up to be weak. S&P Global Market Intelligence sees second-quarter real GDP expanding at a 0.8% annual rate; Morgan Stanley projects 0.3%. The Atlanta Fed's GDP-Now model estimates 2%. Most economists don't forecast GDI.

Usually, employment plummets during recessions because as factories, offices and restaurants produce less, they need fewer workers. That

clearly isn't happening. "If you look at the early 2000s, that was what was called a 'jobless recovery,' because employment took a long time to come back even though the economy was growing," said Sweet. "This time around it could be the opposite—the economy could be contracting, but you're not seeing job losses."

One reason could be labor hoarding. After struggling to hire and train workers during the pandemic-induced labor crunch, employers are now balking at letting them go, even as sales slip, given the labor market's unusual tightness. There were 10.1 million vacant jobs in April, well above the 5.7 million people looking for work that

month. Some firms—particularly services such as restaurants and travel-related businesses—ran short-staffed for the past couple of years and are still catching up.

It's "not that technology got worse in the last year, but that businesses were selling less stuff and they're nervous about their ability to attract employees, so they're holding on to their employees," said Jason Furman, an economist at Harvard University who served in the Obama administration. It is also plausible, he said, that the shift to working from home generated a hit to productivity, whose impact grows with the cumulative loss of creative exchange and mentoring.

Productivity growth is im-

portant in the long run because it is one of two engines of economic growth, the other being an expanding workforce. Sweet, the Oxford Economics economist, notes businesses have been spending on equipment, software and intellectual property, investments that should eventually raise productivity. Though it may take many years, so should recent advances in artificial intelligence.

A more imminent concern is that when workers produce more, companies can raise wages without increasing prices. When productivity falls, it is harder to keep inflation in check.

This could make things even more challenging for the Fed. "Companies probably have the ability to pass on higher prices to consumers if they want to," said Neil Dutta, head of economic research at Renaissance Macro Research. "That would be problematic for the Fed."

Moreover, if GDI is a better indicator of output than GDP, "it would mean that the economy has slowed more than we had thought, without bringing down inflation that much," Furman said. That might mean it will ultimately take an even bigger economic pullback "to bring inflation down."

### Los Angeles Fire Crew Battles 'Danny Fire'



FIGHTING FIRE: A helicopter drops water on what was dubbed the 'Danny Fire' as it burned over 1,500 acres of the Antelope Valley on Sunday. The effort was complicated by high winds in the area.

### Recession Remains Elusive

Continued from Page One

ing spending. Many economists expect the Fed's rate increases to cool the economy and price pressures over time, triggering a recession later this year. So far, however, the data keep coming in hotter than forecast.

Job gains, in particular, remain robust, pumping more money into people's wallets. Payrolls grew by a surprisingly large 339,000 in May, and the increases for the preceding two months were higher than initially estimated, the Labor Department said Friday.

"I don't think there's any chance we're in a recession," said Justin Wolfers, professor of public policy and economics at the University of Michigan.

The National Bureau of Economic Research, an academic research group and the official arbiter of U.S. recessions, analyzes a slew of economic data to help determine whether the economy is in a recession. Most of those indicators look healthy, Wolfers said.

### Strong labor market

Employers hiring last month included those in sectors such as healthcare, leisure and hospitality and government, which saw sharp job losses at the pandemic's onset in spring 2020. State and local government, which includes public schools, and leisure and hospitality—a category that spans restaurants, hotels, entertainment and spectator sports—have yet to return to their prepandemic employment levels amid continuing labor shortages.

Average hourly earnings grew a solid 4.3% in May from a year earlier, similar to annual gains in March and April.

"I certainly did not think the labor market would remain this strong for this long," said Carl Tannenbaum, chief economist for Northern Trust.

Courtney Wakefield-Smith is among those who have recently benefited from the strong labor market. The 33-year-old said she was promoted last year to an office job at a New Jersey water utility company. She makes more than \$25 an hour, well above her part-time jobs earlier in the pandemic that paid be-

tween \$11 and \$17 an hour.

Her higher wage and benefits including maternity leave are helping support her newborn son. "This is my first child," she said. "I don't think I would have been able to afford a child before now to be completely honest."

The job market could stay tight, largely because millions of former workers near retirement age have dropped out of the labor force since the pandemic began. The share of people age 16 and older working or seeking a job held steady last month at 62.6%.

### More money to spend

People in the U.S. have about \$500 billion in so-called excess savings—the amount above what would be expected had prepandemic trends persisted, according to a May report from the Federal Reserve Bank of San Francisco.

That allows them to shell out for summer travel, concert tick-

### Americans splurge on activities they skipped during the lockdowns.

ets and cruises despite rising prices—and enabling companies to keep raising them.

Southwest Airlines Chief Executive Bob Jordan said recently the carrier sees strong demand in the next two to three months, the window during which most people book flights. American Airlines raised its projections for unit revenue in the second quarter, citing strong demand.

The number of people passing through U.S. airports during the Memorial Day weekend topped the prepandemic figure from 2019, according to the Transportation Security Administration.

Brett Keller, CEO of travel site Priceline, said he has been surprised at the strength of travel demand when many consumers are paying more to book an airline ticket or reserve a hotel room.

### Signs of resilience

Economic activity and inflation haven't slowed as much as Fed officials anticipated. Since March 2022, they have lifted the benchmark federal-funds rate from near zero to a range between 5% and 5.25%, a 16-year high.

Higher borrowing costs typically are felt first in rate-sensitive parts of the financial markets and economy, such as stocks and housing. The S&P 500, for example, fell about 25% from late December 2021 to last October as the Fed raised rates sharply. The broad index has since rallied about 20%, which wouldn't typically happen if the economy were falling into recession.

Sales of existing and new homes fell sharply last year but have climbed since January. A shortage of homes for sale has helped drive home prices higher recently. Home builders are feeling more confident as a shortage of existing homes boosts demand for newly built residences. Residential and industrial construction firms added 25,000 jobs last month, up from a monthly average of 17,000 over the prior 12 months.

These signs of resilience suggest the Fed might need to raise interest rates further to push inflation down from its current rate around 5% toward the central bank's 2% target.

Fed officials signaled last week an inclination to hold rates steady at their meeting this month. But Friday's jobs report strengthened the likelihood they would pair any such pause with a stronger preference to raise rates later this year.

Many economists and business executives have said it is just a matter of time before interest-rate increases significantly sap the economy's vigor.

Economists surveyed by The Wall Street Journal in April put the probability of a recession at some point in the next 12 months above 50%. But they have said that since October, and the recession appears no closer.

—Alison Sider and Chip Cutter contributed to this article.



Shopping at a Whole Foods Market supermarket in New York. Americans have about \$500 billion in so-called excess savings.

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**CORRECTIONS & AMPLIFICATIONS**

An August 1995 train collision near New Delhi that killed 358 people was one of the worst train accidents in India's history. A World Watch item in some editions Saturday incorrectly said it was the worst train accident in the country's history.

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

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U.S. NEWS

# Drug Staves Off Growth Of Brain Tumors

By Brianna Abbott

An experimental drug significantly delayed the growth of a pernicious type of brain tumor, a major advance in a field that has made little progress for decades.

Patients with low-grade gliomas who took the drug vorasidenib from **Servier Pharmaceuticals** after surgery staved off cancer growth for more than twice as long as patients who didn't take the drug, a study published Sunday in the *New England Journal of Medicine* showed.

The median time without spread for patients on the drug stretched beyond two years, and the drug reduced the risk of cancer progression or death by 61% in the 331-person study, Servier said.

By pushing off tumor growth, the drug also lengthened the time the often young, relatively healthy patients could wait before starting chemotherapy and radiation, the study showed. That could help to delay cognitive decline, memory loss and other side

## The fight against brain tumors has remained mostly stagnant.

effects that can accompany radiating brain cancer.

"This is going to be a practice-changing study," said Dr. Eric Winer, director of the Yale Cancer Center and president of the American Society of Clinical Oncology, who wasn't involved in the research.

The drug was so successful that researchers in March revealed who was part of the placebo group to offer them treatment. Chad Wittwer, from the Indianapolis suburbs, took that option. The 37-year-old shuttle-business owner and father of two joined the trial in 2021, wanting to avoid radiation, and has been taking the daily pill for the past six weeks. His tumor hasn't progressed.

"I have this second chance at life," Wittwer said.

The fight against brain tumors has remained mostly stagnant, even as treatment for other types of cancer including breast and lung have made great strides. Most drugs can't cross the protective layer of vessels and tissue known as the blood-brain barrier to reach a tumor, and the small number of affected patients makes big trials challenging to put together.

"It's a very difficult disease without much success," said Dr. Patrick Wen, director of the center for neuro-oncology at Dana-Farber Cancer Institute in Boston and a senior author of the study. "Seeing these patients do well on the trial has been really gratifying."

Some 25,000 people in the U.S. are diagnosed with brain and spinal-cord cancers each year, according to the American Cancer Society, and about 4,000 patients a year are diagnosed with low-grade gliomas. Patients in the trial had grade-2 gliomas, slow-moving tumors that often hit people in their 30s or 40s.

To treat grade-2 gliomas, doctors take out as much of the cancer as possible with surgery. They then monitor tumors for growth or treat them with chemotherapy and radiation. The tumors are incurable and often come back, sometimes years later.

More than 80% of grade-2 glioma patients have cancers with mutations in genes called IDH that boost tumor growth. This trial was the first late-stage study to target those mutations in brain cancer, said Dr. Ingo Mellinghoff, chair of neurology at Memorial Sloan Kettering Cancer Center in New York and lead investigator on the trial.

Vorasidenib targets and blocks the IDH-mutated proteins, said Dr. Susan Pandya, Servier's vice president of clinical development.

# 'Zombie Mortgages' Come Back to Bite

Homeowners get bills, foreclosure threats on loans they thought were taken care of

By Nicole Friedman and Ben Eisen

Long-dormant mortgages are coming back to bite.

Homeowners around the country are facing large bills and even foreclosure threats from investors who own their second mortgages. The loans were often made more than a decade ago. High home prices have given the investors a new incentive to try to collect.

Many homeowners say they were unaware that their second mortgages still existed. Lenders often "charged off" these loans years ago, deeming them unlikely to be repaid after borrowers fell behind. Many homeowners stopped receiving monthly statements, giving them the impression that the mortgages had gone away.

They hadn't. The lenders sold the second mortgages to other investors, sometimes for just pennies on the dollar. Now, some borrowers could lose their homes even though they have been consistently paying the bills they receive each month for their primary mortgages. Federal regulators have taken notice.

Investors both large and small are part of the ecosystem that makes mortgage lending work in the U.S. Some investors say their goal is to positively impact homeowners' lives by helping them resolve past debt. They also say that borrowers are obligated to pay what they owe.

Warren A. Brown was flummoxed when he got a notice last fall telling him that the Randallstown, Md., home he lives in was subject to foreclosure. The reason, he learned: failure to make payments on a home equity line of credit taken out in 2006.

Brown hadn't known the second loan existed, he said. He moved into the house and started paying the primary mortgage in 2010. His brother, an architect who designed and owned the house, died in 2015, and the house is now owned by his estate.



Warren A. Brown received a notice last fall telling him the Randallstown, Md., home where he lives, shown below, was subject to foreclosure because of an unpaid mortgage he hadn't known existed.

"I had been paying a mortgage for 13 years," Brown said, "and so I didn't understand it at all."

The owner of the second loan is FirstKey Master Funding 2021-A Collateral Trust, according to an affidavit from a lawyer who filed foreclosure paperwork against the estate in February.

The affidavit said the estate owed about \$180,000. Almost half of that was interest, the affidavit said, charged at a rate of 6.625% for more than 14 years.

FirstKey Mortgage is owned by private-equity firm Cerberus Capital Management. A spokesman for Cerberus declined to comment.

Second mortgages, including home equity lines of credit, were popular in the boom years leading up to the global mortgage meltdown. Investors have owned and traded them for years. But their investments got a lot more valuable when housing prices shot up over the past several years.

In a foreclosure, the second-mortgage holder is paid



only if the home still has equity left after the first mortgage is paid off. Higher home prices mean that, increasingly, the second-mortgage holders can be made whole.

"All of a sudden we saw these second mortgages come out from under the woodwork," said Andrea Bopp Stark, a senior attorney at the National Consumer Law Center. "It's a moneymaking opportunity."

Nonperforming second mortgages sold for 59% of the

unpaid principal balance in 2022, versus 40% in 2021, according to data from Paperstac, a small platform where individual investors trade these notes.

Some 1.84% of active second mortgages originated between 2005 and 2008 are late on payments by 90 days or more. The delinquency rate on all second loans is less than half that, according to mortgage data and technology company Black Knight.

The Consumer Financial

Protection Bureau held a hearing on these second mortgages in April. The agency released guidance telling certain debt collectors that they can't threaten judicial actions, such as foreclosures, for debts that are past a state's statute of limitations.

"The CFPB is hearing increasing reports of debt collectors seeking to resurrect these expired second mortgages," CFPB Director Rohit Chopra said at the hearing, where he referred to them as "zombie mortgages."

The affected homeowners are typically up-to-date with payments on their primary mortgages, and they have often accrued significant equity in a home they have owned for years, said Rick Alembik, an attorney in Georgia who has worked on dozens of these cases. The investors sometimes offer only minimal documentation to prove their calculations for how much homeowners owe in interest and fees, Alembik said.

—Jim Oberman contributed to this article.

# Chicago Volunteers Aid Newcomers in Limbo

By Joe Barrett

CHICAGO—Erika Villegas pulled up to a police station on Chicago's South Side on a recent day in a Toyota Prius stuffed with donated clothes, bottled water, juice, diapers, toiletries, hot coffee and 24 egg-ham-and-cheese sandwiches she had made that morning.

She chatted in Spanish as she handed out the items to a group of Venezuelan migrants who had been sleeping on the station's floor after the city ran out of shelter space—until she realized there was a problem.

"We had 20 people yesterday, but 12 showed up overnight," said the 41-year-old real-estate agent.

Cities across the country have been scrambling since last summer to deal with a wave of migrants bused or flown north from border states.

In Chicago, more arrivals prompted by the expiration of Title 42, a pandemic-era law that curbed immigration, started overwhelming shelters in April. As city officials looked for more spaces to house the migrants, they directed the overflow to the lobbies of police stations across the city.

An ad hoc network of volunteers like Villegas, who leads a group at the police station in the Chicago Lawn neighborhood, has pulled together since. The volunteers are providing food, showers, clothing, medication and other necessities to migrants who are spending weeks in the stations as they wait for spots to open up in shelters or temporary facilities the city is calling respite centers.

"This is a humanitarian crisis that is being managed by the citizens of Chicago," said Marco Galvan, co-leader of volunteers at the Bridgeport police station, where 60 migrants were staying recently.

Officers in several stations with migrants referred questions to the Chicago Police Department, which in turn re-



Volunteer Erika Villegas distributed clothes at a South Side police station in Chicago.

## California Probes Migrants' Trip

California is investigating the arrival of more than a dozen migrants who were left at a Sacramento church Friday night with no prior notification, according to Gov. Gavin Newsom.

The migrants were transported from Texas to New Mexico, and then flown on a private, chartered jet to Sacramento, said Newsom. They were "dumped on the doorstep of a local church without any advance warning," the Democrat said Saturday.

The California Department of Justice is investigating the circumstances of the migrants' trip

to see if they were misled, or if any laws were broken, he said. California Attorney General Rob Bonta said some of the migrants had paperwork allegedly issued by the state of Florida.

to see if they were misled, or if any laws were broken, he said.

"While we continue to collect evidence, I want to say this very clearly: State-sanctioned kidnapping is not a public policy choice," he said.

It is not known who transported the migrants to California, according to officials and a local activist group assisting the new arrivals. Cecilia Flores, communications strategist for Sacramento's Area Congregations Together, said there were 16 adults in the group. They came to the U.S. from Venezuela and Colombia, she said.

"Most of them had traveled to the U.S. separately, but they met each other in El Paso at a migrant center," she said. According to Flores, the immigrants said they were approached outside the center by unidentified people who claimed to be contractors. They told the migrants they knew of a place that had jobs and could provide transportation to get there, Flores said.

Over the last year, Texas Gov. Greg Abbott and Florida Gov. Ron DeSantis, both Republicans, have bused or flown some newly arrived immigrants from the southern border to Democratic cities and strongholds around the country. Abbott and DeSantis didn't respond to requests to comment Sunday.

—Ginger Adams Otis

ferred questions to the city. In answer to a query about whether there is a plan to move the migrants out of the police stations, the city said: "Decompressing the Chicago Police Department District stations is a top priority."

With new arrivals still coming in, the city said it is working to find new shelters, respite centers and permanent housing.

Volunteers said the cooperation from police varies from station to station. Some officers pitch in to help, while others complain about noisy children. Most stations require the migrants to leave during cleanings, volunteers said, while

others turn them out of the building during the day.

Since August, Chicago has received 5,573 migrants on buses and a further 4,816 who have come by other means, a city spokesman said. As of Wednesday, there were 4,459 migrants staying in Chicago shelters and respite centers,

city officials said. A further 610 were staying at police stations and 23 were at a temporary facility at O'Hare Airport.

Former Mayor Lori Lightfoot declared a state of emergency before leaving office last month. Her successor, Brandon Johnson, won city council approval on Wednesday to spend \$51 million in surplus funds to address the problem. The city, which declined to provide an official for an interview, said it is continuing to seek more help from the state and the federal government.

Laarni Livings, a 47-year-old web-designer who has been coordinating help for migrants at a station in the South Loop, said she began noticing that migrants were hanging around outside the station in late March as she walked by.

Soon she was bumping into other volunteers, and they started a Facebook group to coordinate their efforts.

Nan Warshaw, who heads a volunteer group called the Refugee Community Connection, said something similar happened at stations across the city, with many volunteers coordinating on WhatsApp.

One Friday night at the end of April, Galvan said he got a call from Villegas, asking if he could help feed five families in the Bridgeport police station. The 40-year-old civil engineer ended up taking the families out for Chinese food across the street.

"And then I thought, 'Are these people just gonna be sleeping here with these babies and an old lady?'"

Most of the migrants are thankful, but they are growing frustrated with their situation.

Jean Rodriguez Guedes, a 25-year-old from Venezuela, said he was being threatened by gang members back home. He has now been sleeping at police stations in Chicago for three weeks, unable to get work because he doesn't have an ID and won't even leave the station for fear his meager possessions would get tossed out.



U.S. NEWS

Democrats Weigh How to Disarm The Debt Ceiling

Democrats expressed relief that the debt-ceiling fight with Republicans is over and an unprecedented default was averted, but some are already making plans to prevent a future standoff by trying to defuse the borrowing limit as a weapon.

By Siobhan Hughes, Andrew Restuccia and Lindsay Wise

President Biden signed into law Saturday bipartisan legislation that suspends the \$31.4 trillion debt ceiling until January 2025, paired with spending cuts sought by Republicans and measures related to energy projects, among other provisions.

The resolution headed off widely feared economic fallout and market disruptions. Yet Democrats argue that unless changes are made, taking the country to the brink of default will remain a routine and dangerous part of negotiations. Some lawmakers are pressuring Biden to act unilaterally to ignore Congress and raise the debt ceiling as needed, while others are looking to craft legislation that would limit the ability of Congress to block a debt-ceiling increase.

Congress created the debt ceiling in 1917 to remove itself from day-to-day financial management, giving the Treasury Department authority to borrow up to a set amount rather than passing legislation for each debt issuance. Because the U.S. consistently runs large annual deficits, the debt ceiling must regularly be raised before the Treasury can issue new debt.

Heading into this year's talks, the White House had bitter memories of 2011, when House Republicans used the debt ceiling as leverage against Biden, then vice president, and the Obama administration to enact the Budget Control Act, which was designed to force spending cuts in exchange for raising the debt ceiling. That year Standard & Poor's for the first time removed from long-term debt a triple-A credit rating the U.S. had held for 70 years.

This time around, Biden refused for months to negotiate on the debt ceiling, insisting on a "clean" increase with no conditions. The lesson of the 2011 episode, in Biden's view, was that negotiating over U.S. credit was too damaging to be repeated. In the end he relented and launched negotiations after House Republicans passed a bill in April that

served as their opening position and as the deadline for possible default drew near.

Throughout the talks, some House and Senate liberals pushed Biden to raise the debt ceiling unilaterally by relying on the 14th Amendment to the Constitution, which says that "the validity of the public debt of the United States, authorized by law...shall not be questioned."

Biden ultimately opted not to invoke the 14th Amendment because he worried the resulting legal battle would have prompted widespread uncertainty and chaos in financial markets. But he has also signaled openness to testing in court whether he can invoke the amendment to prevent the debt ceiling from being used in the future.

Sen. Tim Kaine (D., Va.) has introduced a bill to allow the executive branch to raise the debt limit, subject to a disapproval resolution by Congress.

Under the bill, the president would be able to raise the debt ceiling to cover spending authorized and appropriated by Congress, with the disapproval resolution available if Congress declines to cover bills it has already incurred. If the debt comes within \$250 billion of the limit, the president would submit another certification, explaining what drove the additional debt and proposing a new limit for the remainder of the fiscal year.

"Congress should have to own the consequences of its actions," Kaine said.

Rep. Brendan Boyle (D., Pa.), the top Democrat on the House Budget Committee, said he plans this coming week to reintroduce a separate bill to give the executive branch the power to raise the debt ceiling subject to a disapproval resolution. Aside from the risks of not paying the government's bills, he said the debt ceiling is a time-wasting distraction. "Because we have been fixated on this issue for months and months, we are dramatically behind on all the rest of the legislative work that Congress has to get done," he said.

With any legislation likely on hold until Democrats regain control of the House, some Democrats are privately skeptical that Biden would ultimately pursue a legal test of his authority under the 14th Amendment. Biden told reporters he is considering pursuing the matter "at a later date, a year or two from now."



'I know bipartisanship is hard. And unity is hard. But we can never stop trying,' President Biden said in an Oval Office address Friday.

Biden Looks to Sell Latest Compromise to Wary Voters

By ANNIE LINSKEY AND KEN THOMAS

WASHINGTON—By raising the nation's debt ceiling, President Biden averted an economic catastrophe that could have hobbled his first term and hurt his chances at a second, and he did it using a tactic critics in his own party were wary of—cutting a deal with Republicans.

It was the second time in a matter of weeks that Biden crafted a compromise that angered some fellow Democrats but helped defuse a potential crisis, after he dealt with the end of the pandemic-era Title 42 policy by creating a new carrot-and-stick asylum system that appears to have reduced an expected surge of migrants at the border.

Those compromises in May followed up on a string of bipartisan wins last year, including a chips and science law that will bolster the nation's semiconductor industry and the first meaningful gun legislation in a generation. And it came as the administration continues trying to sell voters on the benefits of a bipartisan \$1 trillion infrastructure law that Biden signed during his first year as president.

"I know bipartisanship is hard. And unity is hard. But we can never stop trying," Biden said during his Oval Office

address Friday night, summing up his frequent approach to the job.

So far, voters don't appear to be rewarding Biden for his deal-making prowess.

His approval ratings are hovering around 41%, according to the FiveThirtyEight.com poll average—and have barely budged despite those policy wins. Many voters have cited concerns about his performance at the age of 80, and they got a fresh reminder of that issue Thursday when he tripped and fell at the end of a commencement ceremony at the Air Force Academy.

"It disappoints me actually that those successes are not accruing to the president," said Rep. Dean Phillips (D., Minn.). Some factors are specific to this president, he said, pointing to Biden's advanced age and the White House's light domestic travel schedule.

Phillips said the White House faces structural problems in touting centrist wins, including what he called "multibillion-dollar entertainment machines" that have grown up on the left and the right to foment anger and resentment.

Republicans say many of Biden's policies, including his approach to the border and proposals to raise taxes, are still too far to the left. And they caution that Biden's twin achievements recently are more

about avoiding disasters than improving the lives of Americans and therefore less likely to sway even the sliver of independent voters up for grabs.

"He hasn't succeeded in bringing people together," said former Virginia Rep. Tom Davis, a moderate Republican. "The country's still very polarized."

Biden aides tend to look not at his day-to-day approval ratings, but how he compares to potential GOP opponents. Poll averages show the president in

The president's approval is hovering around 41% and has barely budged.

a statistical tie in separate matchups against both former President Donald Trump and Florida Gov. Ron DeSantis.

The debt-ceiling and border episodes offer a blueprint for how Biden seeks to position himself in his re-election campaign as the Republican presidential race gets under way: as a deal maker capable of rising above the nation's divisions.

White House officials also believe the debt-ceiling deal clears the way for Biden to focus more on his economic vi-

sion for the country, which entails revitalizing manufacturing and bringing parts of the supply chain for key industries back to the U.S. He could also benefit from a surge of hiring in the spring showing the economy remains strong.

Biden will need to sell the wins carefully to avoid antagonizing the left wing of the party, whose enthusiasm he will need as he looks to re-election.

Biden frustrated liberals with a new border-control policy requiring asylum applicants to apply for protection in another country before trying to enter the U.S., a restriction similar to one enacted by Trump.

Some Democrats say the policy results in swift deportation of asylum seekers that denies them due process and undermines a central tenet of American justice that the country is open to those persecuted abroad.

The debt-ceiling deal, meanwhile, forced Biden to accept a number of conditions that angered progressives within his party, including cuts to domestic spending, new work requirements for food assistance and the speeding up of certain energy projects, including the Mountain Valley Pipeline in West Virginia and Virginia.

—Michelle Hackman and Lindsay Wise contributed to this article.

GOP Hopefuls Flock to Iowa Event as the Field Is Set to Grow

By JOHN McCORMICK

DES MOINES, Iowa—A state fairgrounds stage Saturday showed just how crowded the 2024 Republican presidential field has become—even before three new entrants join next week—as candidates courted voters amid grilled pork, motorcycles and heated rhetoric.

The "Roast and Ride" fundraiser, organized by Iowa Republican Sen. Joni Ernst, drew eight prospective and declared presidential candidates. Absent was former President Donald Trump, who has so far declined to make in-person appearances at multicandidate events and has threatened to skip the first Republican National Committee-sanctioned debate on Aug. 23.

Trump wasn't directly mentioned by the candidates, but there were subtle digs at him and the mostly losing record the national GOP has recorded since his 2016 victory.

"We need to dispense with the culture of losing that has beset the Republican Party in recent years," Florida Gov. Ron DeSantis told an audience of about 1,000 after they had grazed on roughly 200 pounds of sliced pork loin, baked beans, chips and cookies.

Nikki Haley, the former South Carolina governor and United Nations ambassador, managed to ding both Trump and DeSantis in the closing minutes of her speech. She stressed the many town hall events she has done in the state and her willingness to take questions from voters, something some Republicans



Iowa Republican Sen. Joni Ernst at her annual 'Roast and Ride' fundraiser held Saturday at Big Barn Harley-Davidson in Des Moines.

have criticized DeSantis for not doing much of so far.

She also suggested Trump has cost the party winnable races. "We've got to start doing this in a way that we can win a general election. It's time for a new generational leader. We've got to leave the baggage and the negativity behind," she said.

Ernst criticized Trump's absence at a gathering she has hosted since 2015.

While Trump has a sizable lead in national polls, Ernst

said he shouldn't assume he will win the Iowa caucuses that start the nomination process early next year.

"It's far from over," said Ernst. "He maintains a significant portion of our base, but I've also heard those supporters say, 'I am interested in hearing what other people have to say.'"

Trump's campaign had a presence even without the candidate. Voters who agreed to share their contact information were entered into a raffle

for a red baseball cap emblazoned with both his MAGA slogan and autograph.

The former president spent about 24 hours in Iowa earlier in the week, attending a meeting of a conservative club, a luncheon with pastors and the taping of a Fox News show.

The field will grow this week with campaign announcements planned by former New Jersey Gov. Chris Christie, former Vice President Mike Pence and North Dakota Gov. Doug Burgum.

was his second trip to Iowa in less than a week, reflecting the state's importance in his goal to topple Trump from his front-runner perch.

The Floridian had the largest campaign presence at the event, thanks to a super PAC backing his candidacy. There was free ice cream, water and hand fans. The group also brought an inflatable motorcycle-themed bouncing platform, and a bus that people could sign.

DeSantis and other candidates had tables next to the food buffet, where campaigns distributed T-shirts, mini footballs and other souvenirs. They all sought to collect names and contact information for get-out-the-vote efforts early next year.

Sharon Ridgway, a 61-year-old quality manager for a plastics manufacturer from West Des Moines, said she is leaning toward supporting Trump or DeSantis. She said Trump's frequent criticisms of DeSantis bother her. "You don't have to take everyone else down with you," she said.

Sen. Tim Scott of South Carolina pitched his rise from poverty as a challenge to claims of systemic racism. "I scare the dickens out of the radical left and Joe Biden. The proof of my life destroys their lies," he said.

Other candidates who spoke included former Arkansas Gov. Asa Hutchinson, Michigan businessman Perry Johnson, former California gubernatorial candidate Larry Elder and Vivek Ramaswamy, a multimillionaire biotech company founder.



## U.S. NEWS

# 3M Seeks Deal in Wide-Ranging Pollution Suit

By KRIS MAHER AND DAN FROSCH

Attorneys for both sides in a landmark environmental battle set to begin Monday in federal court are seeking to delay the trial so they can work out the terms of a potential settlement, according to a court motion filed late Sunday.

According to a joint motion filed by attorneys for corporate giant 3M and the city of Stuart, Fla., the two parties want a delay to finish final details of a settlement over Stuart's claims that chemicals supplied by 3M polluted its water supply.

The potential settlement would likely cover claims

brought by hundreds of other cities, who allege, like Stuart, that 3M for years supplied firefighting foam it knew would eventually taint ground water. "The parties are making material and significant progress toward a resolution, and believe that their time would be more productively spent attempting to resolve the matter," the filing says.

On Monday, 3M is set to face off against Stuart, a city of 18,000 on the Atlantic coast. Stuart is seeking \$115 million for the cost of building and operating a treatment system to filter out PFAS it detected in its water wells and to clean up soil contaminated

with the chemicals.

Stuart's case was chosen as a bellwether from about 300 other lawsuits filed by cities from Philadelphia to San Diego, and it was expected to determine whether 3M and other companies would pay to filter the chemicals from drinking water or if those costs would be borne by water systems and ratepayers. The city says its fire department trained with 3M's foam, which was effective at extinguishing fuel fires, hundreds of times. Chemicals in the foam leached into the soil and spread into Stuart's drinking supply, the city alleges.

Litigation involving PFAS has been on the rise as federal

and state regulators have cracked down on the chemicals and started imposing limits on them in drinking water.

### A question of who should pay to clean up after the use of firefighting foam.

In March, the Environmental Protection Agency proposed limits on six PFAS chemicals and said that public water systems serving as many as 94 million people could be

required to install filtration systems, if the agency's regulations are completed.

The American Water Works Association, an industry group, has estimated the cost of complying with the proposed EPA regulations at \$64 billion over 20 years for more than 7,000 public water systems that could be affected.

PFAS are known as "forever chemicals" because they don't break down easily in the environment, and they have increasingly been linked to cancer and other health problems.

3M has said in legal filings that the chemicals haven't been shown to cause health problems at the levels being

discovered in drinking water, and that Stuart is seeking "wildly inflated damages."

The company said that "PFAS are safely made and used in many modern products" but that it would no longer manufacture the chemicals by the end of 2025 because of increased regulations focused on reducing their presence in the environment.

The Stuart case is one of more than 4,000 firefighting-foam lawsuits against 3M and other companies that have been consolidated in federal court in Charleston, S.C. In addition to the 300 water-provider claims, there are more involving personal-injury claims.

## U.S. WATCH

FAA

### Trottenberg Is Likely Pick for Interim Chief

Deputy U.S. Transportation Secretary Polly Trottenberg is expected to be named the next interim leader of the Federal Aviation Administration, people familiar with the matter said.

Trottenberg's appointment, which the people cautioned wasn't final and could change, would come as the Biden administration's attempts to install permanent management of the air-safety regulator have faltered.

Acting FAA administrator Billy Nolen is expected to step down from the agency as soon as this week, the people said.

Trottenberg has served as deputy to Transportation Secretary Pete Buttigieg during the Biden administration.

Her appointment would come as the FAA faces various challenges, including managing air safety during a busy travel season. Trottenberg previously served as an assistant transportation secretary during the Obama administration.

The FAA has been without a Senate-confirmed permanent leader since Steve Dickson, a Trump appointee, stepped down as administrator in 2022.

—Andrew Tangel

WASHINGTON, D.C.

### F-16 Jets Scrambled Over Private Plane

The Pentagon scrambled two F-16 jet fighters Sunday in response to a private Cessna plane that flew over the nation's capital, the military said.

The jets were authorized to travel at supersonic speeds, creating a sonic boom that was heard across the Washington, D.C. area, the North American Aerospace Defense Command, or Norad, said in a statement.

The pilot was unresponsive, Norad said.

The Cessna later crashed in a mountainous area near Charlottesville, Va. U.S. officials said the plane wasn't shot down.

The Virginia State Police said first responders reached the crash site about 8 p.m. Eastern time and found no survivors.

The Cessna took off from an airport in Elizabethton, Tenn., the Federal Aviation Administration said. The plane overflew its destination of Long Island MacArthur Airport in New York, the National Transportation Safety Board said. A flight-tracking service showed the plane then turned south and traveled directly over Washington before crashing in Virginia.

The Cessna was registered to Encore Motors of Melbourne, Fla.

—Julie Bykowitz

TENNESSEE

### Judge Rules Against Anti-Drag-Show Law

A federal judge has said a Tennessee law meant to curtail drag shows is unconstitutional and can't be enforced.

In his 70-page ruling issued late Friday, U.S. District Judge Thomas L. Parker said the law is "unconstitutionally vague and substantially overbroad."

Judge Parker's decision came in response to a lawsuit filed by a Memphis-based theater company, which argued that the state's Adult Entertainment Act would have a chilling effect on everything from pride parades and pop concerts.

The law, signed by Republican Gov. Bill Lee in March, doesn't specifically mention drag shows but seeks to prohibit cabaret performances, including those by male and female impersonators, on public property or in a place where they could be viewed by minors.

—Ginger Adams Otis

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## WORLD NEWS

# Soldiers Captured in Raid Inside Russia

Cross-border forays by Ukraine-backed forces test Kremlin defenses away from front line

By Matthew Luxmoore  
and Thomas Grove

KYIV, Ukraine—A fresh incursion into Russia's Belgorod region on Sunday by Ukraine-backed troops, who said they seized territory and captured two Russian soldiers, added to signs of vulnerability in Russia's defenses on its own territory ahead of a major expected offensive by Ukraine aimed at taking back land occupied by Moscow.

Belgorod regional governor Vyacheslav Gladkov said fighting was taking place with enemy troops in the border village of Novaya Tavolzhanka, where authorities had sought to evacuate residents following heavy shelling by Ukrainian forces. "Battles are ongoing right now," said Gladkov.

Two groups composed mainly of Russian nationalists, opposed to the Kremlin and backed by Kyiv, are posing a growing threat to Russian border regions and pressuring Moscow to draw troops away from front-line areas inside Ukraine, where Russian forces are bracing for attempts by Ukraine to break through their heavily fortified positions.

Sunday's incursion is the latest, and likely the largest, foray into Russia by the anti-Kremlin fighters supported by Ukrainian military intelligence, or HUR. The attacks are turning the Belgorod region to Ukraine's north into one of the flashpoints of the current phase of the war. Russian local officials have urged residents to evacuate and called on Moscow to send reinforcements.

Deploying more troops to shore up Russia's border regions could weaken its defenses in parts of its 600-mile front line in eastern and southern Ukraine, where Moscow in re-



A photo released by Ukrainian authorities shows a building near Dnipro that was struck by a Russian missile. A 2-year-old girl died.

ing, authorities there said. Serhiy Lysak, the head of the regional military administration, said the strike had brought the death count among children in the war to 17 in the Dnipropetrovsk region alone. Another five children were among the wounded in Sunday's strike, he said. The United Nations said Thursday that 535 children have been killed since Russia invaded Ukraine in February 2022, and more than a thousand have been injured.

Russia has intensified its missile and drone attacks on Ukraine in the past month, seeking to deplete the country's air defenses and keep them away from the front lines, where Ukrainian forces are gearing up for a widely anticipated offensive aimed at breaking through Russian defenses and retaking occupied territory. The Russian aerial attacks have become almost nightly since early May. Despite a high interception rate by Ukraine's air defenses, Russia has succeeded in hitting some military targets, including the headquarters of military intelligence in Kyiv, according to a person familiar with the matter, and an air base in the western Khmelnytskyi region, where officials said five aircraft were damaged a week ago.

Civilian areas have been particularly hard-hit. Ukrainian President Volodymyr Zelensky denounced the deaths of children in Russia's strikes. "Many of them could have become famous scholars, artists, sports champions, contributing to Ukraine's history," Zelensky said in the aftermath of the Dnipro strike on Sunday morning. "They fell victim to the enemy's missiles and hate, which keep ravaging and claiming lives of young Ukrainians."

Russia has repeatedly denied targeting civilians, though thousands have died as a result of its missile strikes and ground assaults on cities since Moscow launched its full-scale invasion early last year.

cent months has built fortifications including trenches, minefields and antitank ditches. Kyiv has said it is ready to launch its offensive against Russia's occupation forces, but has kept secret where it will try to strike a blow.

A Russian journalist who reached the outskirts of Novaya Tavolzhanka on Sunday afternoon told The Wall Street Journal that the last remaining villagers refused to leave for fear of coming under fire. He said he saw no Russian troops or military hardware in the area.

The Russian Volunteer Corps, one of the two groups that said they participated in Sunday's cross-border attack, reported taking two Russian soldiers prisoner. It offered to release them if Gladkov agreed to meet at a church in Novaya Tavolzhanka.

"You have a chance before 5 p.m. today to come and chat without weapons and take home two Russian citizens, simple soldiers, whom you and



People sheltered Sunday inside a metro station in Kyiv, Ukraine's capital, during an overnight Russian missile and drone strike.

your political leadership sent to war," said a group spokesman.

In a statement on Telegram, Gladkov called the raiders murderers, fascists and scoundrels. He suggested he would receive the Russian prisoners at a border crossing, if they were still alive. It couldn't be confirmed whether the release happened.

Russia's defense ministry

said it had forced the opposing fighters to retreat under artillery fire, without offering evidence.

Yevgeny Prigozhin, the founder of the paramilitary Wagner group that spearheaded the recent Russian capture of Bakhmut in eastern Ukraine, said he is ready to send troops to rescue the Rus-

sian soldiers taken prisoner.

In Ukraine's southern Zaporizhzhia region, partially occupied by Moscow, Kyiv-backed forces launched attempts to break through Russia's defensive lines, said Russian-installed regional official Vladimir Rogov.

Earlier on Sunday, Russia launched a fresh barrage of missile strikes across Ukraine, killing a 2-year-old child and wounding almost two dozen people in the country's east.

Two cruise missiles hit a military air base on the outskirts of Kropyvnytskyi in central Ukraine, air force spokesman Yuriy Ihnat told Ukrainian television. He didn't give details about the damage caused. "All of Ukraine should be strengthened with air-defense systems," Ihnat said.

Near the city of Dnipro in eastern Ukraine, rescue workers recovered the body of a young girl from the rubble of a building struck by a Russian missile early on Sunday morn-

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# WORLD NEWS

## Saudis to Curb Oil Output

Continued from Page One  
break the deadlock, they said. The Saudi decision to voluntarily cut output helped get the deal over the line, delegates said.

"I would have to call it the Saudi lollipop," Saudi Oil Minister Prince Abdulaziz bin Salman said during a news conference aired live after the OPEC+ meeting, referring to the 1-million-barrel cut for July. "It is really a great day for us because the quality of the agreement is unprecedented and I would have to say the quality of cooperation is unprecedented."

The Saudi decision to cut output in July, which it said can be extended, could help boost oil prices in the short term, but analysts expect them to continue to trend lower. U.S. gasoline prices usually follow the price of crude oil, but at an average of \$3.55 a gallon they are down more than 25% from a year ago.

Brent crude, the international oil benchmark, is down about 20% since OPEC+ first jolted the market in October by slashing output by 2 million barrels a day.

In April, some of the group's largest members, including Saudi Arabia and Russia, cut a further 1.6 million barrels a day. The OPEC+ decision last year drew a rebuke from the U.S., which at the time had requested that Saudi Arabia and its allies increase production to help lower energy prices and tame high inflation. The White House called the OPEC+ decision shortsighted and suggested the group was actively supporting Russia's invasion of Ukraine.

Sunday's meeting also came amid growing tensions between Saudi Arabia and Russia—two of the world's biggest oil producers—over previously agreed-upon production cuts.



Saudi Oil Minister Prince Abdulaziz bin Salman, shown over the weekend in Vienna, has been lashing out recently at short sellers, whose bets can cause oil prices to fall.

Russia keeps pumping huge volumes of cheaper crude into the market, undermining Saudi Arabia's efforts to bolster energy prices, The Wall Street Journal has reported. Russia backed the OPEC+ eventual plan for the group to stick to current production levels, delegates said.

The latest available data indicates that Russia continues to pump large volumes of oil into the market, which has helped maximize income for its beleaguered economy but added to a global surplus, they said.

The Saudi oil minister's protracted efforts to prop up prices suggest that the world's biggest oil exporter could be underestimating concerns about a slowing global economy, industry officials and analysts said.

OPEC delegates said the cartel's big production decisions are increasingly made by the Saudi oil minister, often without consulting with other group members.

On Saturday, Abdulaziz called some of the African delegates to his hotel suite in Vienna and told them that their production quotas within the

group would be reduced, people familiar with the matter said. They walked out of the meeting without a deal, the people said. But in a last-ditch attempt, Kuwaiti and Algerian delegates managed to persuade Angola to endorse an adjusted quota, salvaging a deal that had been hanging by a thread, according to people familiar with the matter.

African countries such as Nigeria and Angola have often struggled to even meet their current production targets for various reasons, including pandemic shutdowns that proved hard to reverse and years of underinvestment.

Representatives for the energy ministries of Saudi Arabia, the U.A.E., Nigeria, Angola, Gabon and the Republic of Congo didn't respond to requests for comment. A representative for Equatorial Guinea declined to comment.

Sunday's deal came after a standoff between Saudi Arabia and Angola, delegates said. OPEC+ announced adjustments to collective targets that would reduce the cartel's overall production ceiling by almost 1.4 million barrels a day next year. Russia, along with

three African countries—Nigeria, Angola and Congo—will bear the brunt of those cuts while the U.A.E. received a bigger allocation, for which it has lobbied hard for years.

In recent months, Abdulaziz has also been fixated on Wall Street short sellers, lashing out repeatedly this year against traders whose bets can cause prices to fall. Late last month, he warned them to "watch out," which some analysts saw as an indication that OPEC+ might reduce output at Sunday's meeting.

The meeting's outcome reinforces the argument of Saudi Arabia's uneasiness with the level of short positions in the market rather than signaling concerns around demand outlook, broker Jefferies said in a report. The decision to keep the additional 1-million-barrel cut in July open for extensions is "likely put in place to discourage future short positioning," it said.

Saudi officials and other people familiar with Saudi oil policy said Riyadh is under pressure to maintain higher oil prices, with its budget requiring an estimated \$81 a barrel to break even.

## AI-Driven Fraud Makes News in China

By SHEN LU

Artificial intelligence is making its way into daily Chinese life—including a surge of AI-driven fraud.

Beijing, which has adopted some of the world's most-restrictive regulations to govern its internet, has become something of a pioneer in curbing the use of hyper-realistic AI-generated content.

In recent weeks, police around the country have cautioned on their official social-media accounts that criminals have employed AI software to generate deceptive text and impersonate friends of the people they target.

In April, a man surnamed Guo received a video call from an impostor on the Chinese messaging app WeChat. Impersonating a friend of Guo, the scammer persuaded him to transfer the equivalent of \$600,000 to a bank account in Inner Mongolia within 10 minutes. He complied, and it wasn't until he contacted his friend to confirm the transfer that he realized he had been swindled.

"We had a video chat, and I recognized the face and voice in the video; that's why I let my guard down," Guo told authorities, according to a social-media post by Inner Mongolia police. Authorities were able to halt the transfer of most of the funds and were working to recover the rest, according to the post on the police's WeChat account.

The same month, police in the Anhui province in eastern China detained scammers who tricked a man into transferring a large amount of money to a supposed friend using AI face-swapping and voice-synthesis technology, according to the local state-owned newspa-

per Xin'an Evening News. Regulators around the world have struggled to govern so-called deepfakes, in which a person in an image, audio or video is swapped with someone else.

In January, the country's internet watchdog, the Cyber-space Administration of China, started enforcing new rules that prohibit the use of AI-generated images, audio and text to spread misinformation or content that violates the law or is deemed disruptive to the economy or national security.

Guo's plight struck a nerve in China. It trended on the social-media platform Weibo with the hashtag #AIFraudsEruptingAcrossChina once the police made his case public in May.

### Police caution that criminals have employed AI software.

Chinese authorities have in recent weeks clamped down on disinformation generated by AI chatbots—sometimes seemingly modeled on previous incidents that sparked social-media storms.

Last month, in the province of Gansu, authorities detained a man who allegedly created an article on ChatGPT about a nonexistent train crash by using news clips he had gathered online. The article generated 15,000 views, police said.

Also in May, authorities in Henan province alleged that a man generated disinformation about a violent scuffle in a restaurant in an attempt to attract clicks.

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WORLD NEWS

# China-U.S. Rift Rattles Region

By Chun Han Wong

SINGAPORE—With the U.S. and China trading accusations over strained ties, Asia-Pacific defense officials found a common voice urging the two powers to talk more and warning of the heightened risks of the strained relationship spiraling into a direct conflict.

A senior defense official from the Philippines warned that the great power tension—if left unchecked—could bring down an “Iron Curtain” across Asia.

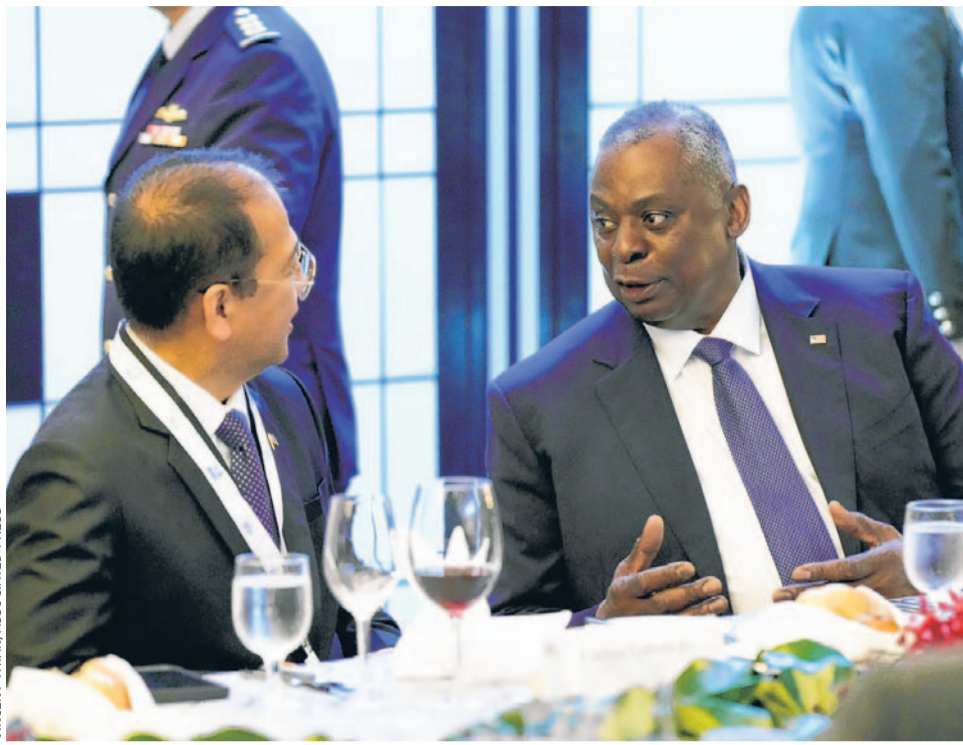
“While the risk of conflict looms, it is time for more dialogue, not less,” Carlito Galvez Jr., senior undersecretary at the Philippines’ defense department, said in a speech at the Shangri-La Dialogue, an annual meeting of defense officials in Singapore.

Their appeals went unanswered. U.S. Defense Secretary Lloyd Austin and Chinese Defense Minister Li Shangfu limited their interaction to a handshake before dinner on Friday evening, where they sat at the same table but not close enough to speak to one another.

Instead, Austin and Li delivered dueling speeches that blamed each other’s governments for the communication breakdown, while on Saturday a Chinese destroyer crossed in front of a U.S. warship—150 yards from the bow—in the Taiwan Strait.

The risk of such close encounters sparking conflict animated discussions during the conference, where some attendees recalled past U.S.-China diplomatic crises triggered by accidental clashes—such as the 2001 collision between a Chinese jet fighter and an American spy plane off China’s island province of Hainan, which left the Chinese pilot dead.

“Channels of communication—both formal and informal—must exist so that when these unplanned incidents occur, those channels can be used to de-escalate and avoid conflict,” said Singapore De-



Carlito Galvez Jr., senior undersecretary at the Philippines’ defense department, talking with U.S. Defense Secretary Lloyd Austin at an annual meeting of defense officials in Singapore on Saturday.

fense Minister Ng Eng Hen. “Such channels of communications must be built over time, it will be too late to start or activate them only in moments of crisis.

“How can mere words stop steel and fire,” Ng said. “But what else do we have, if not words.”

Australian Prime Minister Anthony Albanese called on countries in the Indo-Pacific region to set up more communication channels that can serve as “guardrails” for ensuring peace and stability. “The silence of the diplomatic deep freeze only breeds suspicion, only makes it easier for nations to attribute motive to misunderstanding, to assume the worst of one another,” he said Friday.

U.S. officials said the Chinese declined an invitation to meet with Austin, while Beijing reiterated that it wouldn’t agree to such a meeting until Washington lifted sanctions it placed on Li in 2018. The U.S. imposed the sanctions after Li,

who was overseeing the equipment development for the Chinese military at the time, approved the purchase of Russian jet fighters and missiles.

In a Saturday speech, Austin criticized China for not communicating better with the U.S. military. Li responded Sunday by rebuking the U.S.

## A Philippine official warned a rift could bring down an ‘Iron Curtain’ across Asia.

for actions he said were disturbing peace in the region. He said foreign countries should stop conducting reconnaissance near China—operations that he blamed for causing risky military encounters.

Tensions colored some of the sessions during the security conference. Chinese military officials frequently chal-

lenged speakers who expressed support for the U.S. and Western-led institutions such as the North Atlantic Treaty Organization.

After Estonian Prime Minister Kaja Kallas praised NATO during one session, Zhao Xiaozhuo, a senior colonel in the Chinese military, called it a military alliance looking for enemies. The goal of NATO “was not peace and stability, but division and confrontation,” Zhao said.

Kallas said the alliance was designed to be defensive, and that it was absurd to think of NATO conquering a country and dividing up the territory among its members.

Some delegates at the Shangri-La Dialogue said the impasse between the U.S. and Chinese militaries, while concerning, shouldn’t detract from the other lines of communication that the U.S. and China continue to maintain.

“It’s not great, but it’s also not a disaster” that Austin and Li didn’t meet, said Bilahari

Kausikan, a retired Singapore diplomat who attended the conference. “A meeting between the top U.S. and Chinese defense officials is mainly about optics,” he said, noting that other senior officials are still meeting and traveling between Beijing and Washington.

Whether or not the perceived risks of a U.S.-China conflagration are overblown, many countries in the region have been caught in the middle of the rivalry, trying to balance relationships with both the U.S. and China.

Southeast Asian countries “do not want to be forced to choose sides,” Singapore’s deputy prime minister, Lawrence Wong, said in a recent speech. “We want to grow our links with both the U.S. and China. Any attempt either to contain China’s rise or to limit America’s presence in the region will have few takers. Nobody wants to see a new Cold War.”

Some countries say they are already feeling the consequences of the turbulent U.S.-China relationship. Fiji’s minister for home affairs, Pio Tikoduadua, bemoaned the inability of the great powers to work together to address major global challenges such as security and climate change, an existential threat for many small Pacific island states. “As they say, when elephants make love or fight, the grass still dies,” he said on Saturday in Singapore.

“When a rising great power meets a pre-eminent global power, tensions do arise and the historical record shows many of these conflicts result in open conflict,” Indonesian Defense Minister Prabowo Subianto said on Saturday. “Any confrontation of force can very quickly result in a dangerous descent into disaster.”

Even so, Prabowo expressed optimism that “great statesmanship will prevail” between the two powers. “The only alternative to an optimistic view is one that I do not dare to consider,” he said.

—Alastair Gale contributed to this article.

# Defense Minister Faults Washington

By Chun Han Wong and Keith Zhai

SINGAPORE—China’s defense minister rebuked Washington for actions he said were disturbing peace in the Asia-Pacific region, while the U.S. military said a Chinese destroyer had “executed maneuvers in an unsafe manner” near an American warship transiting the Taiwan Strait.

“China believes that a major power should behave like one,” Gen. Li Shangfu said in a speech Sunday at the Shangri-La Dialogue, an annual security conference in Singapore. The U.S. “needs to act with sincerity, match its words with deeds, and take concrete actions with China to stabilize relations.”

Asked about Saturday’s encounter between warships of the two countries in the Taiwan Strait, Li criticized what he called efforts to assert hegemony under the pretense of upholding freedom of navigation. “They are not here for innocent passage, they are here for provocation,” he said.

Li asked why such encounters often happen near China. “What’s the point of going there?” he said. “We always say, ‘Mind your own business. Take care of your own territorial airspace and waters.’”



Chinese Defense Minister Gen. Li Shangfu at the conference.

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FROM PAGE ONE

# Nickel Challenges EV Makers

Continued from Page One

The challenge is playing out across Indonesia's mineral-rich islands, by far the world's largest source of nickel. These deposits aren't deep underground but lie close to the surface, under stretches of overlapping forests. Getting to the nickel is easy and inexpensive, but only after the forests are cleared.

One Indonesian mine, known as Hengjaya, obtained permits five years ago to expand its operations into a forested area nearly three times the size of New York City's Central Park. The mine's Australian owner, Nickel Industries, said that rainforest clearing in 2021 caused greenhouse gas emissions equivalent to 56,000 tons of carbon dioxide. That's roughly equal to driving 12,000 conventional cars for a year, according to calculations by The Wall Street Journal based on U.S. Environmental Protection Agency data.

Nickel Industries says that forestland it cleared had previously been degraded by illegal logging, which is why the Indonesian government allowed mining there. The company says it works hard to rehabilitate land, including planting over two million trees, and notes that its efforts have received environmental stewardship awards from Indonesia's government.

"Unfortunately, land clearing is required for all open-cast mining processes, including our operations," said the firm's sustainability manager, Muchtazar, who, like many Indonesians goes by one name. The negative impact is offset, he said, by nickel's use in environmentally friendly batteries.

## A new source

Tesla said in an April report that EVs cause more emissions during the manufacturing phase than conventional vehicles, due in part to the process of extracting and refining minerals. The company said it takes less than two years of driving for an EV's total emissions to fall below that of a comparable internal combustion engine vehicle, however.

Nickel is responsible for more than a third of the carbon emissions generated from making a common type of battery cell—more than any other mineral or production process—the report said.

Before 2018, most of the nickel used in EVs was the type generally found in non-equatorial countries, including Canada and Russia. The sulfide nickel found there is generally of a higher grade and easier to process than other varieties. The mines, often located deep underground, are expensive and time-consuming to develop.

Auto executives worried about having enough nickel to meet rapidly growing demand for EVs. They had moved away from cobalt, another battery component, after human-rights groups and journalists reported on widespread child labor in cobalt operations and dangerous conditions faced by miners in the Democratic Republic of Congo. Automakers tweaked their batteries to re-



A smelter at the nickel processing complex operated by Harita Group on Obi Island, North Maluku, Indonesia.

duce cobalt by adding more nickel.

Tesla Chief Executive Elon Musk said in a 2020 earnings call: "Any mining companies out there, please mine more nickel, OK?" Nickel prices soared on growing demand.

By then, Chinese companies had begun working to unlock an expansive, albeit tricky, source.

Millions of years ago, tectonic plates converged in what is now eastern Indonesia, lifting the ocean's mineral-rich seafloor to the surface and creating today's nickel bounty. The region is covered in rainforest, filled with flora especially adapted to the nickel-rich soil.

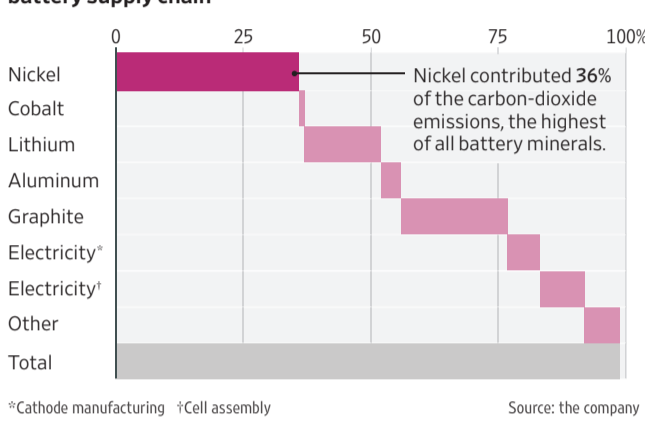
Many of the creatures here don't live anywhere else, like the maleo, a pink-breasted bird that buries its eggs underground, where they are heated by geothermal energy, and the anoa, the world's smallest wild cattle species.

But the laterite nickel found here wasn't particularly suitable for EVs. Chinese companies focused on a process that turns that type of nickel into materials for EV batteries, known as high-pressure acid leach, or HPAL. The technique had been around for decades, but had proved glitchy.

If Chinese scientists and engineers could develop facilities at scale, they could power the shift to electric vehicles.

That was the pitch China's Lygend Resources and Technology made to Indonesian

## Carbon-dioxide emissions within Tesla's nickel-based battery supply chain



miner Harita Group in 2018, when the two companies discussed setting up what would become Indonesia's first HPAL facility. Investments such as these were encouraged by an Indonesian policy that in 2020 banned the export of raw nickel and required companies to process domestically.

By 2021, at least two other Chinese companies had announced plans to construct billion-dollar nickel facilities, and more were drawing up proposals. The projects ramped up quickly.

Indonesia produced around half of all nickel used in EV batteries made last year, up from somewhere between zero and 5% in 2017, according to CRU, a London-based firm specializing in commodities business intelligence. That's expected to exceed 80% by 2027, CRU says.

The nickel rush has cre-

ated pressing new environmental concerns. The HPAL process involves dousing nickel ore in sulfuric acid and heating it to more than 400 degrees Fahrenheit at enormous pressures. Producing nickel this way is nearly twice as carbon-intensive as mining and processing sulfide nickel found in Canada and Russia. Another way of processing laterite ore that often uses coal-powered furnaces is six times as carbon-intensive, according to the International Energy Agency.

Companies also face questions about how to get rid of the processing waste. It is difficult to safely sequester in tropical countries because frequent earthquakes and heavy rains destabilize soil, which can cause waste dams to collapse. A 2018 Indonesian law allowed companies to obtain permits to discard mineral

processing waste into the ocean.

Environmentalists campaigned against the practice, which they said could pollute eastern Indonesia's seas. A Maritime and Investment Affairs Ministry official, Septian Hario Seto, said authorities hadn't approved any requests for deep-sea tailings disposal for HPAL plants and wouldn't do so, as the contents of the waste didn't meet criteria for being dumped into the ocean.

Indonesia's government says it is committed to enforcing environmental law and prosecutes companies it alleges have illegally mined in forests. Earlier this year, officials told nickel-industry executives to facilitate building military and police posts near their operations to ensure better oversight, according to an official presentation seen by the Journal.

## Competition

China's domination of Indonesian nickel processing poses risks for Western electric-vehicle companies at a time of fraying relations between Washington and Beijing. Last year, the U.S. government declared nickel a critical mineral whose supply is vulnerable to disruption, with very limited nickel production operations in the U.S.

In March, Ford Motor announced that it was investing in a nickel-processing operation on Indonesia's nickel-rich

Sulawesi island. The company said the investment will help it hit its target of producing approximately two million electric vehicles in 2026.

A Chinese company is at the center of that operation. For years, the the Indonesian unit of Brazilian miner Vale worked with Japan's Sumitomo Metal Mining to develop the project. But the partnership hit snags. Sumitomo withdrew last year, and Vale signed an agreement with Zhejiang Huayou Cobalt, a Chinese firm, to develop a nickel HPAL facility that Vale says will be larger than any that exist today.

A Sumitomo spokesman said the venture was scrapped because of differences in scheduling. A Vale spokeswoman said the company partnered with Zhejiang Huayou because that project was larger.

"This framework gives Ford direct control to source the nickel we need—in one of the industry's lowest-cost ways—and allows us to ensure the nickel is mined in line with our company's sustainability targets" said Lisa Drake, a senior Ford executive.

French miner Eramet is also in the early stages of developing a nickel facility alongside German chemical giant BASF. It isn't seeking a Chinese partner, but its model takes advantage of "what has been unlocked by the Chinese engineering companies," said Geoff Streeton, Eramet's chief development officer. The ore for its potential plant will be sourced from a mine in which a Chinese company holds the largest stake.

Clearing land in order to mine is inevitable, said Mr. Streeton. "Our intent is to rehabilitate back to a biodiverse outcome," he said.



Workers at a Harita nickel-processing facility, left, and stockpiles of raw ore at the facility, above. Indonesia produced around half of all nickel used in EV batteries made last year.

# New Hotel Takes After Odd Emoji

Continued from Page One

see it while I was here," said Elly Watson, a visitor from Seattle who was taking in the skyline from the top of Calton Hill. To her south were the ramparts of Edinburgh Castle and a jumble of medieval streets. To her north was the building local smart alecks have dubbed the "Golden Turd," for the way it sometimes catches the sun.

"Why is it there?" Watson asked. "I don't get it." Nearby visitors chatted in a smattering of languages, all peppered with the word "emoji."

The building will open soon as the W Hotel, owned by Marriott International and

part of a billion-dollar-plus shopping development. It will start taking guests in November, some two years behind schedule, the company said. Designed by the London firm Jestico + Whites, the ribbon shape was meant to symbolize the festival spirit that takes over the city each summer.

"Once you're told that the bronze coil resembles the poop emoji, it's really hard to see anything else," Jay Rayner, a restaurant critic, wrote in his newspaper review of a nearby Thai restaurant. Since it first emerged on the city's skyline back in 2020, it has gotten attention for all the wrong reasons. A poll conducted by a Twitter account deemed it that year's worst building. The architectural firm that designed it didn't respond to requests for comment.

Edinburgh writer and historian David Black said it has defaced one of Europe's most

picturesque cities. Worse, he said, the mall beneath it has sucked business from the city's shopping streets.

A mocking petition calling for the eyes that adorn the emoji to be added to the building—"Pit Googly Eyes Oan the Jobby," using a Scots word for you-know-what—has gotten over 2,000 signatures on the website change.org. "It's vital to humanize new architecture," explained one of its backers, Stuart Edy.

Other building designs said to resemble the rude emoji include Amazon's proposed HQ2 in Arlington, Va., which founder Jeff Be-

zos calls "The Helix." The top of the Asahi Breweries headquarters in Tokyo, designed by Philippe Starck to resemble the frothy head on a beer, also has been said to invoke something more disgusting.

The new W Hotel does have its admirers, some of whom think Edinburgh could stand to be a little less stuffy about its buildings. A woman who dared to paint the front door to her Georgian townhouse pink a couple of years ago was ordered by the city council to paint it over to preserve the neighborhood's historic character. She complied last month, just before the deadline.

Richard J. Williams, an author and professor of contemporary visual culture at the University of Edinburgh, said the city has long been known for its self-regarding streak. The far-from-quaint new hotel, he said, could help skewer that sensibility.

"It's just decorative, so obviously functionless," he said. "That it offends the modernists and the conservationists is a bit of a plus in my book."

Some historical groups are now looking to preserve newer and different kinds of buildings to broaden Scots' appreciation for all sorts of architecture, not just the old stuff.

Buildings recently granted protected status include the so-called Banana Flats in Edinburgh's Leith neighborhood, a curved brutalist-style behemoth featured in the film "Trainspotting," about the city's drug addicts. Another was Scotland's first multistory parking garage, at the foot of

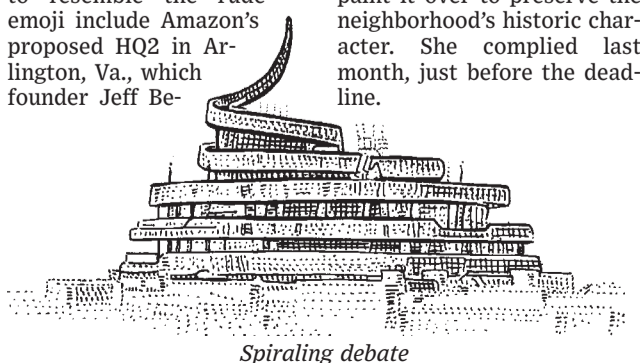
Edinburgh Castle.

At a recent comic convention in Edinburgh, participants dressed as Batman and assorted Pokémon characters climbed a hill to take pictures of themselves with the W Hotel in the mist. "It's good for a laugh, isn't it?" said Elaine MacGowan, who had taken the train in from Glasgow for the day.

"With modern buildings, it's easy to say, 'Oh, look, you made a square,' or 'You made a poop,'" said Rianne Craig, who was visiting from Vancouver, Canada. "But who knows how people will see it in the future?"

On a future Saturday, workers had erected scaffolding along its northern side to spruce up the hotel's facade for the summer crowds—and prompting a few giggles below.

"Who says you can't polish a turd, then?" said Robert McLean, laughing with his friends.



Spiraling debate



# PERSONAL JOURNAL.

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THE WALL STREET JOURNAL.

Monday, June 5, 2023 | A11



**WORK & LIFE**  
**RACHEL FEINTZEIG**

**M**ake an inventory of your life. Subtract the work, the errands, the cleaning. If you have kids, take away the parts of parenting that feel like drudgery. How much time is left for the things you actually want to do?

Zero, one mother of two young kids outside Erie, Pa., told me flatly.

I asked the question about leisure time again and again while reporting this column, mostly to working mothers and fathers, and was greeted with laughter, sighs and the occasional expletive.

"There is this constant doing," especially for women, says Cassie Holmes, a business professor at the University of California, Los Angeles who studies the relationship between time and happiness.

It's no wonder so many Americans feel "time poor," as Holmes describes it. Work consumes much of our days. The real and imaginary pressures of parenting fill in the cracks. We miss sharing a languorous drink with friends, painting (even if it's just a kit from the craft store), practicing the violin and camping, according to workers I talked to.

### Me-time for men

Working moms might be having the least fun. Even in marriages where women bring in similar income to their husbands, men still spend about 3.5 more hours a week on leisure activities, according to a recent study from Pew Research Center.

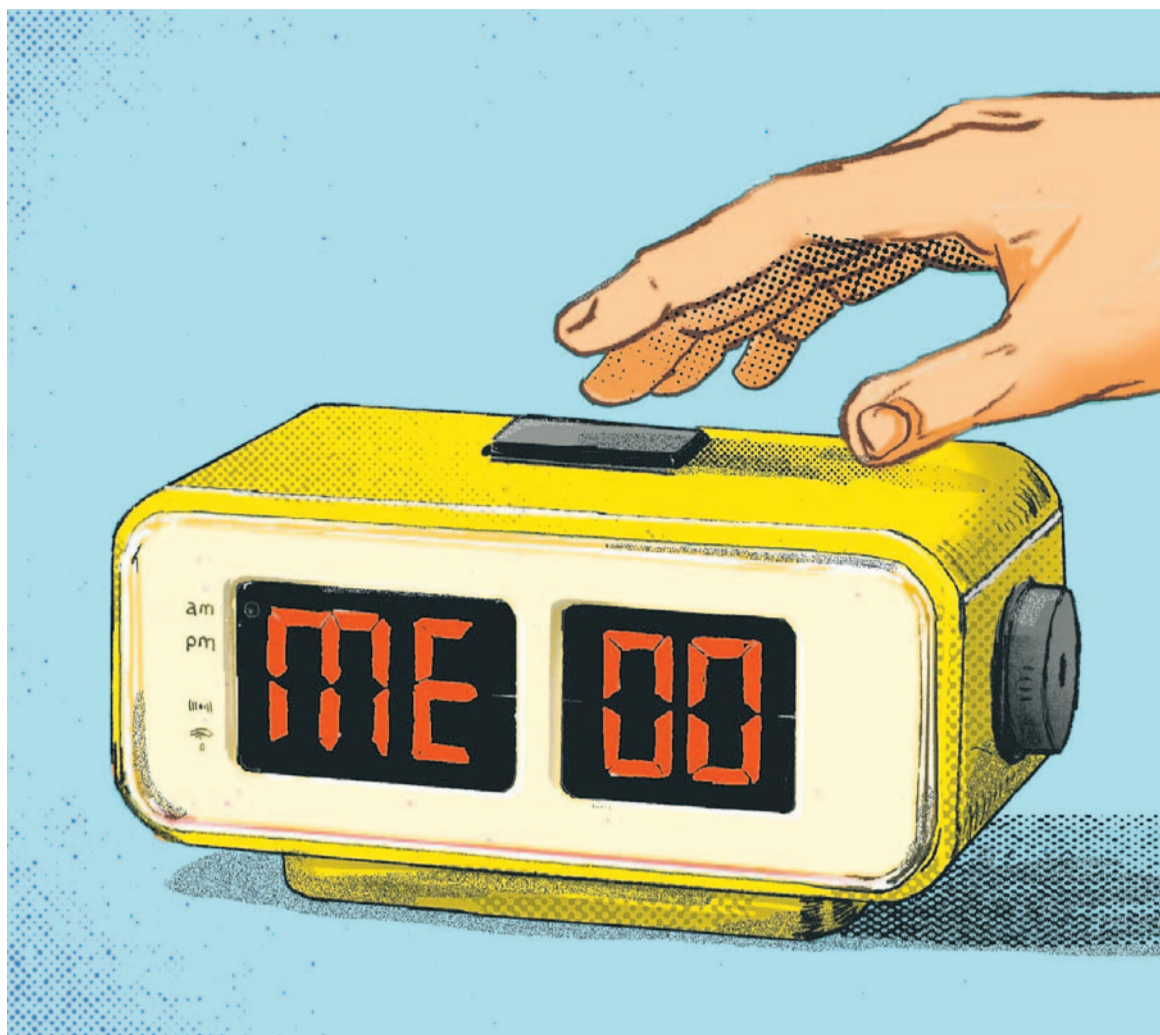
"When I go, I go," says Stephen McCabe, who heads out for hourlong mountain-biking sessions in Asheville, N.C., three times a week. The 48-year-old engineer sees that his wife, Melissa McCabe, is less likely to allow herself time to destress or play, and he feels guilty about it, he told me.

"I can go through a day and think, you know what? I've completed everything I wanted to do in a day, and I still feel like I have time left over," he says. "I never see her going to bed feeling that way."

Holmes's research finds that people who have less than two hours of free time per day are less happy. (So are those who spend more than five hours daily on unproductive leisure pursuits, like scrolling Instagram.)

Melissa, the general manager of an education-software company, says she's trying to carve out more me-time. She started going to yoga and taking naps. She stopped folding socks for her family of five.

"I want that hour. I want that hour for something else," she says.



together, I never skip.

Formalize the time on your calendar, even if it seems like it's defeating the purpose.

"I don't want to have to schedule time to relax," says Mike Barbeau, a Scottsdale, Ariz.-based executive for a marketing technology consulting firm. Still, after three years of running his company's workout-challenge group, he sees who gets stuck paying \$20 into the pot when they miss their monthly target: people who don't block off an hour to make their runs or Orangetheory Fitness classes happen.

At home, Barbeau noticed he had about an hour more each day

### Formalize the time on your calendar, even if it seems like it's defeating the purpose.

to workout or watch a baseball game than his wife, who's a lawyer. It's not that he doesn't pick up the kids from school or pack their lunches. But his domestic responsibilities are more discrete, with clear boundaries, he says, while his wife seems to spend infinite hours signing the children up for summer camp and planning family vacations.

To make their relaxing time a little more equal, he now asks if she needs help with anything before he sits down to take in the latest zombie movie. Sometimes she'll request a hand doing the dishes, he says, and even when she says no, at least he tried.

### Time together

Jillian Rothe, an engineer in Denver, has started tracking her time alone (four hours last month) and time spent with just her husband (11 hours) in an app called Toggl. The first few months of data made her realize how overstuffed with obligations her days were.

She cut back on her hours at work, switching from a job that routinely had her putting in 13-hour days, and orchestrated a bi-weekly date night with her husband. They rotate who's in charge of planning dinner out or getting a reservation at Topgolf, a driving-range game. Reminiscing about times in their 20s or dreaming about vacations ahead, she feels closer to him and more like a wife and adult, she says, not just a mom of three and roommate to her husband.

Sometimes the answer is to join in the fun. Jack Kelly has long loved golf: being outside, socializing, the roller coaster of the game. After years of watching him return home revitalized from a round, his wife, Meghan Kelly, wondered if she should give it a shot. It's good for networking, the real-estate development professional reasoned. And it looks relaxing.

Last month, she started lessons. "I'm going to make myself love it," she says.

## Gender Gap Extends To Scarce Leisure Time

What women can learn from men about making more space for fun



Stephen and Melissa McCabe, near left, balance parenting their kids with carving out personal time. Mike Barbeau, right, put workouts on his calendar. Jack and Meghan Kelly, below, spent some rare joint leisure time in Italy.



life," she says.

Begin by setting aside 15 to 30 minutes a day for a long-lost hobby or even just a phone call with a friend. It will feel strange at



first, Samuel cautions. The running to-do list in your brain won't cease. Your kids might be fighting in the background. Do it anyway.

"We keep waiting for a moment that's never actually coming," she says.

Accountability can help, too. Pay money for a class, or invite a friend along on your activity. Last fall, I started swimming laps with a neighbor every week. Plagued by the thought of bailing on her, and missing our precious catch-up time

## Tourist Spots Worry LGBT Travelers Will Balk and Say 'Don't Say Florida'

By Allison Pohle and Jacob Passy

**S**ome Florida tourism businesses say they are worried about LGBT travelers who are thinking twice about visiting the Sunshine State.

Event organizers and business owners in Florida say recent legislation signed into law by Republican Gov. Ron DeSantis has made their LGBT customers wary of traveling there. One bill bans people from entering public bathrooms other than ones designated for their sex assigned at birth. Another bans children from what it calls "adult performances"—the state Senate cited drag shows as an example.

LGBT travel is a major source of tourism revenue in Florida. Visit Orlando estimates that LGBT visitors represent 6% of total domestic visitors to the Orlando area, totaling about four million visitors a year and more than \$3.1 billion in direct visitor spending.

Beyond Orlando, many Florida cities host parades, festivals and performances in June in recognition of Pride Month, attracting out-of-state visitors and providing revenue during a slower tourist season.

Alexander's Guesthouse, an up-

scale, adults-only property that caters to LGBT guests in Key West, has noted a significant drop in bookings, general manager Laura Smith says. In response, the inn distributed a message over email and social media in May that emphasized how the property and Key West remain havens. "While yes, the struggle is real out in the world, we must also rest and replenish ourselves, too," the message read in part. The guesthouse's bookings rose after it posted the message.

Numerous groups have issued Florida travel advisories in recent weeks, including Equality Florida, an LGBT advocacy group, and the NAACP and League of United Latin American Citizens, which warned about hostility toward Black and Latino communities. The latest Equality Florida advisory, issued with the Human Rights Campaign, says the notice isn't a "blanket recommendation against travel nor a call for boycott," but meant to outline risks to LGBT people's health and safety.

A spokesman for DeSantis said the state is experiencing record-setting tourism and described the recent travel advisories as "a stunt."

Dana Young, chief executive of Visit Florida, the state's tourism promotion body, said the advisories "are

a disservice to the traveling public and are disrespectful to the incredibly diverse visitors and residents that are proud to call Florida home."

Jaden Rivera, 40 years old, has gone to Orlando Gay Days events since he was a teenager. He now lives in the Midwest, and has returned for Pride events annually, including last year. This year, Rivera didn't attend. He lost six friends in the Pulse nightclub shooting in 2016

and says he was alarmed by the recent legislation. Seeing photos online of a road sign that read "Kill All Gays" in a neighborhood in Orlando clinched his decision, he says. "It sent chills down my spine," he says.

Orlando police said they are investigating the road-sign incident.

Orange County Mayor Jerry Demings said in May that some LGBT and minority groups have asked him questions about whether it is safe to do business in Florida. "What they ask me to do is reassure them that we are [an] open, kind, compassionate, loving community that wants their business," said Demings, whose county includes Orlando.

Organizers in St. Cloud and Port

St. Lucie canceled Pride-themed events this spring, citing the state's legislation. The owners of Orlando's Hamburger Mary's restaurant filed a lawsuit in May alleging the recent legislation that would revoke the food and beverage licenses of businesses that admit children to "adult performances" is a violation of First Amendment free-speech rights. After the legislation passed and Hamburger Mary's notified patrons that drag shows would be for those 18 and up, revenue took a hit, the restaurant's lawyers say.

The Stonewall Pride event in Wilton Manors, near Fort Lauderdale, has instituted new guidelines for outfits and conduct for vendors, performers and people in its parade. Jeffrey Sterling, the event's organizer, says that the changes protect officials and businesses who could face legal exposure. The event is a major moneymaker, Sterling says, with Stonewall Pride drawing 50,000 attendees in 2022.

Paul Smith, 36, makes an annual pilgrimage to Key West in May. This year he stayed at Alexander's Guesthouse with his husband and two friends. Smith says they approached the trip with some caution, but found the vibe as welcoming as ever. "The community of Key West has always prided itself on being a really inclusive, diverse and open-minded community, and there was never really any point where I felt that was different," says Smith, who lives in Texas. Smith says he has already booked his return trip for next year.



Several LGBT and minority groups issued travel advisories for Florida.

CLOCKWISE FROM TOP: ILLUSTRATION BY RUH GWILTY; MIKE BARBEAU; TOM MCBRIDE; MELISSA MCCABE; CRISTOBAL HERRERA-ULASHKEVICH/SHUTTERSTOCK



PERSONAL JOURNAL.



**PERSONAL TECHNOLOGY**  
NICOLE NGUYEN

# An Apple Wish List As iOS 17 Makes Debut

Software upgrades are coming to iPhones, iPads and Apple Watches

New devices are fun, but among Apple's glitzy product launches, its software-focused June event is my favorite. We get a glimpse of the new features coming to existing iPhones, iPads and other Apple devices—at no additional charge!

Ahead of the news, I've got a long list of things I'd like for the company to announce.

There are Android features I am jealous of, like separation of work and personal apps and the ability to snooze notifications. I also want more advanced Apple Watch fitness options. And iPad owners have been clamoring for some basics for years. Seriously, where is that calculator app?

I'll be at Apple's Cupertino, Calif., headquarters on Monday for the Worldwide Developers Conference (aka WWDC). As usual, we expect to learn details of coming versions of its iOS, iPadOS, WatchOS and macOS software. They will make their way to devices in the fall, the same time Apple typically introduces its newest crop of gadgets.

The biggest WWDC news is likely to be Apple's long-awaited mixed-reality headset, which will combine virtual reality and augmented reality into one device. We're expecting a demo of the new headset, Apple's first major hardware project since the Apple Watch.

On the software-update front, my Wall Street Journal colleagues have reported on an iPhone journaling app and the ability to download alternative app stores.

### iPhone wishes

**Work and personal profiles:** I use an iPhone, and my husband is on Android. One of the Android features I'm constantly jealous of? He has dedicated profiles to keep work data out of personal apps. Basically, you can have two copies of an app—Gmail, for instance—that don't share any information. Company IT admins can only access your work-related activity. Best of all, work notifications can stop at the end of the day. It's great for privacy and work-life balance.

**Notification snoozing:** I snooze



emails in Gmail at night so they resurface in the morning, when I'm most productive. Android users can snooze all notifications—silence them so they resurface after a specific time. I wish I could do the same on my iPhone. In iOS, you can "mute" apps temporarily, but it doesn't clear the notification.

**Simpler call screen:** If you get a call while you're already on the phone, prepare to be confused. There's a big Decline button, which makes sense. But what about "End & accept" and "Hold & accept"? I want to see options in iOS 17 that make it easier to avoid hanging up on people.

**Friendlier green-bubble texting:** There's a new text-messaging standard called Rich Communication Services, or RCS, that brings some iMessage-like features to

### The biggest news will likely be Apple's long-awaited mixed-reality headset.

regular texts. With RCS, you can send texts over Wi-Fi, share high-resolution media, and see when someone is typing or has read your message.

Google already has RCS on Android and publicly campaigned for Apple to adopt it, too. In a perfect world, Apple would comply, though there's little incentive for the iPhone maker. Its messaging platform—which shows blue bubbles when everyone is on iOS, green

bubbles when someone isn't—is one way it holds on to users. That said, a strong argument for RCS is that it supports end-to-end encryption, which makes messages more secure, and Apple has long touted privacy as one of its core values.

**Account security changes:** My colleague Joanna Stern and I earlier this year reported on a rash of iPhone thefts that resulted in people losing thousands of dollars and getting locked out of their Apple accounts. The thieves exploit the iPhone's passcode—the four- or six-digit code to unlock the device—to access money and data. Apple could make several changes to beef up its security.

Thieves with the device passcode can change the iPhone owner's Apple ID password and boot them from logged-in devices immediately.

Implementing a delay, such as 24 hours before the password change goes into effect, could give victims time to react defensively.

Apple could also provide the option of a separate passcode to protect the Apple ID, as it does for Screen Time.

**Passkeys everywhere:** Passkeys are an easy way to sign into apps and websites, using a face or fingerprint scan instead of passwords and pesky two-factor authentication codes.

More service providers, such as Google, are offering passkey logins and they're meant to be easier and safer to use than passwords. Apple supports passkeys in the iCloud Keychain password manager, but it's a technical challenge for third-party password managers such as 1Password and Dashlane to use them on iPhones. Google announced support for this in Android 14 due this fall. Hopefully, Apple will follow suit.

### iPad wishes

**Multiuser switching:** This is something iPad owners, especially those who share devices with their kids, have been wanting for a while now. A way to quickly switch user profiles, similar to what's available on a Mac, would be helpful for families that split custody of the tablet.

**Tablet TV:** With AirPlay, you can send videos or music from a nearby Apple mobile device to a Mac—but not to an iPad. That would be the perfect screen for sharing memes, presentations and other media on-the-go with a larger group.

**A calculator app:** The iPhone, Mac and even Apple Watch have one. We need an iPad-sized calculator app!

### Apple Watch wishes

**Route finding:** Apple added several mapping features to the watch last year to retrace your steps if you get lost. But hikers, runners and cyclists are often trying to find their way forward. I would like to see the ability to import mapping files and display them on the Apple Watch.

**More training metrics:** Many wearables can tell you how intensely you should train based on your heart-rate variability and other factors. The Apple Watch already captures this data. A way to interpret it would be helpful.

## Take Steps Now to Prepare for End of the Student-Loan Freeze

BY JULIA CARPENTER

**MILLIONS OF** borrowers need to make room in their budgets for monthly student-loan bills starting Aug. 30 when a three-year freeze on payments and interest comes to an end.

The pause began in March 2020 amid the coronavirus pandemic. Millions of federal student-loan borrowers saw the pause repeatedly extended over the next three years, providing a once-in-lifetime break from payments and interest.

But now, President Biden won't be able to hit the snooze button again, because of a provision of the debt-ceiling deal.

For the other 99% of borrowers, the resumption could squeeze their household financial plans, said Scott Buchanan, executive director of the Student Loan Servicing Alliance. He recommends concerned borrowers call their servicers to confirm the details of their monthly payments so they can calculate how much they will need to cut or adjust to make room for that recurring bill. "Start building it into your budget today," he said. "That way, it's not a shock when all of a sudden you have to make that payment in September."

If you don't have an existing budget or understanding of your current cash flow,

in forgiveness.

Though debt forgiveness would wipe out many borrowers' debts and could alter monthly payments for others, Buchanan cautions against pinning hopes on that outcome.

Some borrowers might be tempted to refinance their federal student-loan debt in the meantime, Behr said. She advises clients against making any big changes to their loans until they know whether or not they will qualify for forgiveness.

### ► Will payments pick up on their usual schedule?

Under the debt-ceiling deal, payment schedules for federal student loans would resume as of Aug. 30. Buchanan said that could mean different things for different borrowers, depending on their regular payment dates before the March 2020 pause.

Three years is a long time, and if you have forgotten your past payment schedule, Buchanan recommends logging into your student-loan account and reviewing your payment history. Call your servicer now with any questions, Buchanan says; come

deadline day, millions of other borrowers will likely be clogging the phone lines.

### ► Are there other repayment plan options?

If your financial circumstances have changed since 2020, there might be options to consider. In January, the Biden administration announced changes to income-driven repayment plans. These revamped plans lower monthly payments for many borrowers and speed up the repayment process.

Income-driven repayment plans calculate monthly student-loan payments based on income and family size.



The pause on loan payments since March 2020 will end this summer.

Some borrowers might be holding out hope for loan forgiveness. The Supreme Court is expected to rule later this summer on Biden's loan's loan-forgiveness plan.

For now, the student-debt payment pause remains in effect through the summer.

But financial advisers say borrowers should begin taking steps now, such as calling their loan servicers and scrutinizing their cash flow.

### ► How should I prepare to make payments again?

Just over 1% of borrowers continued making payments on their student loans during the payment pause.

now is the time to do so, said Sarah Behr, financial adviser and founder of Simplify Financial Planning.

### ► Will the Supreme Court decision affect this deadline?

Under Biden's proposed forgiveness plan, those with federal student-loan debt are eligible for up to \$10,000 in relief if they earn less than \$125,000 a year, or under \$250,000 a year for couples. The income limit applies to gross adjusted income from 2021 or 2020. People who received federal Pell Grants in college would be eligible for up to \$20,000



DAVID DOUBILET, MARINE PHOTOGRAPHER

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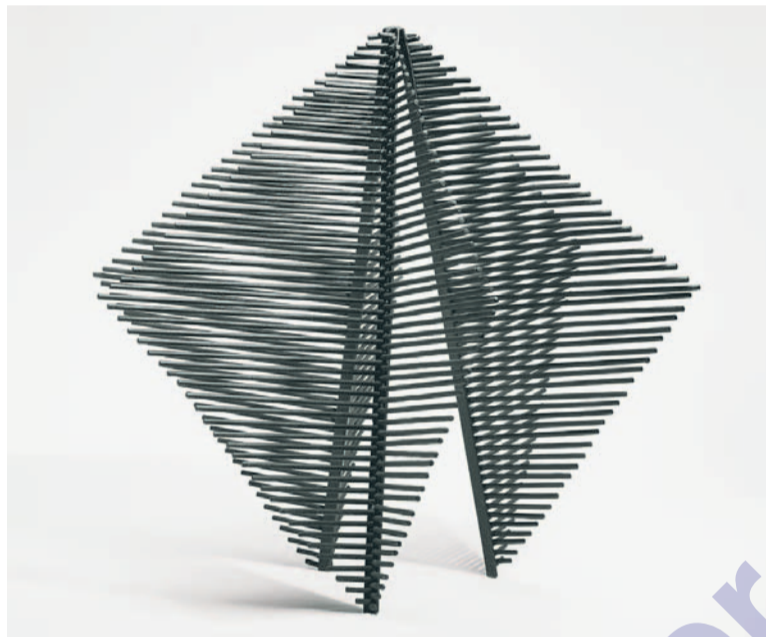


# ARTS IN REVIEW



ART REVIEW

## Drawing in The Third Dimension



By LANCE ESPLUND

**G**ertrud Goldschmidt (b. 1912, Hamburg), the German-Venezuelan Jewish artist who called herself Gego, thrived in Germany before fleeing Nazi persecution in 1939. Denied visas to England and America, Gego obtained a work visa and immigrated to Venezuela, where she flourished as an architect, sculptor, painter, professor, printmaker, graphic and industrial designer, and installation and textile artist. Before and since her death in Caracas, in 1994, numerous exhibitions of Gego's work have been mounted in the U.S., but nothing with the scope and scale of the Solomon R. Guggenheim

Museum's "Gego: Measuring Infinity," an exhilarating, comprehensive retrospective comprising some 200 works spanning more than four decades. Despite those previous shows, Gego remains not well known outside Venezuela, where she's a national treasure. A complex, multi-dimensional, multinational artist, Gego invented and reinvented herself primarily as a geometric abstractionist. Trained in Stuttgart in architecture and engineering, she was influenced by European abstraction, Constructivism and kinetic art—genres she uniquely furthered. Although one can identify many of her pioneering influences—including Wassily Kandinsky, Frank Lloyd Wright, Le Corbusier, Naum Gabo, Alexander Calder, Anni Albers and László Mo-



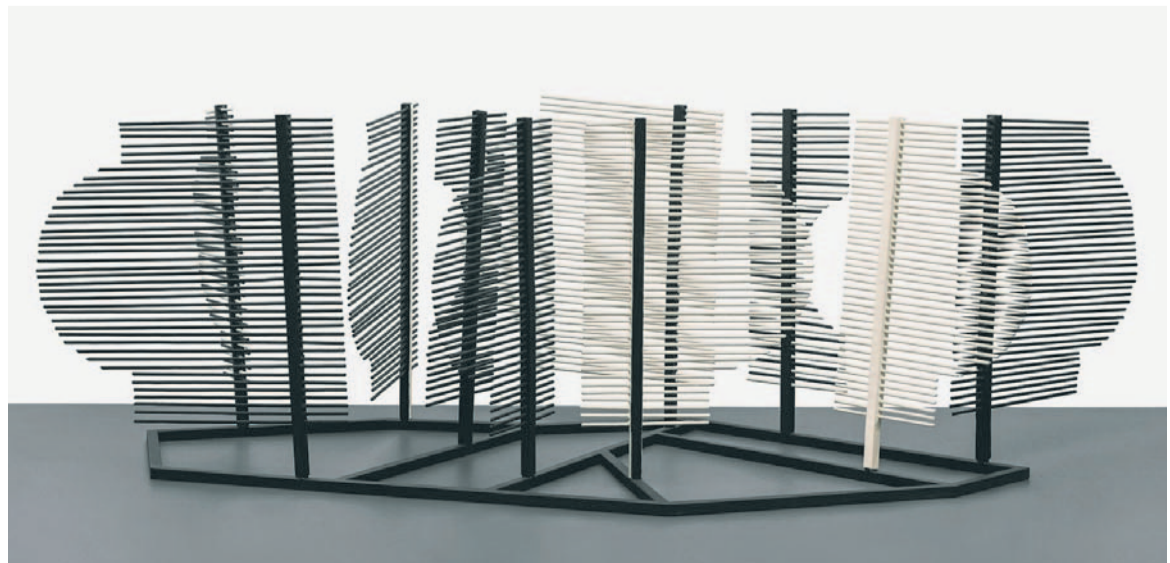
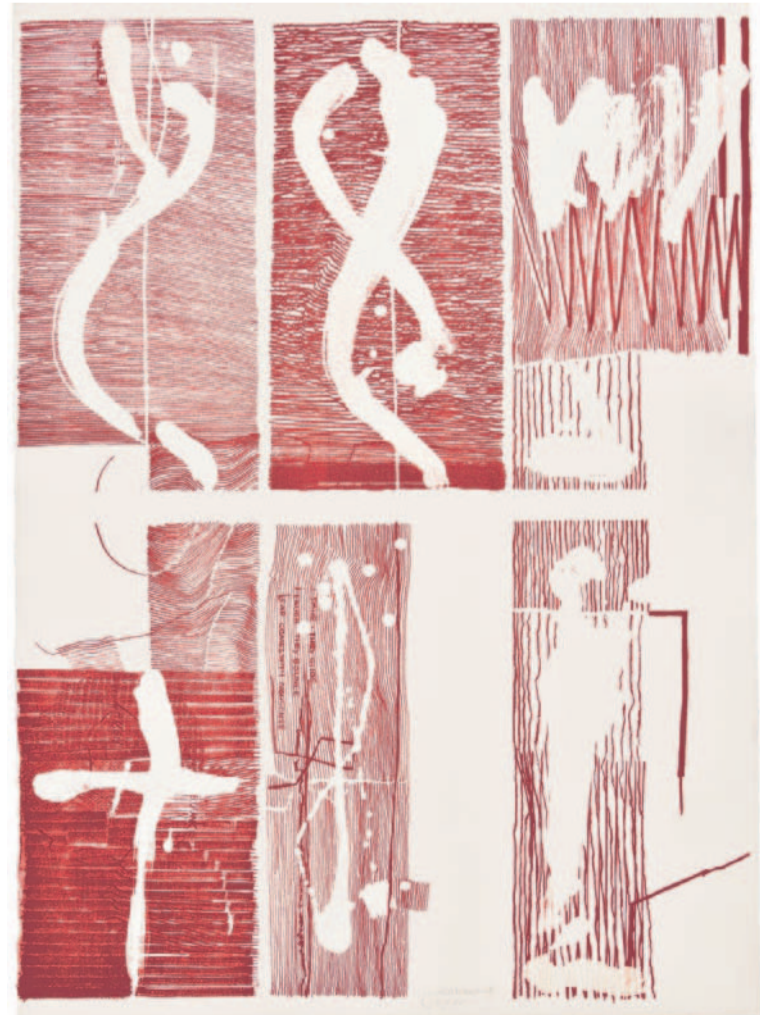
Gego installing 'Reticulárea' at the Museo de Bellas Artes de Caracas in 1969, above; her 'Gegofón' (1959), left; an installation view of the show, top

holly-Nagy—Gego remains sui generis. Clearly part of yet also distinctively outside of Western modernist traditions, Gego embraced Venezuelan abstraction and Latin American weaving, and she incorporated scrap materials—impure, subversive approaches that have led to her being labeled an "involuntary" modernist. Primarily, Gego was an abstract sculptor—a geometrician drawing with line in three dimensions. A poet composing predominantly

with wire and tautly orchestrated, rhythmic intervals of light, shadow and empty space (suggesting volumes within voids), she wove organic webs and nets: hanging columns, wall-mounted works, warped planes, mobiles and free-standing structures. Fifteen of these wire sculptures (from the late 1960s through the early 1980s)—some more than 12 feet tall—enliven the High Gallery here and are the show's dramatic opening salvo. This installation allows you to walk among Gego's sculptures, as if in a glistening forest of spectral trees, bushes, lattices and climbing vines. It also enables you to experience them as individual entities when seen from the balcony above. To form these hand-made sculptures, some as delicate and fine as Queen Anne's lace, Gego pinched, looped, twisted, knotted and wrapped wires, creating intersections resembling toy jacks, buds, lassos, tiny stars. Some of Gego's wire sculptures recall molecular models or geode-



Gego's 'Small Bug 87/14' (1987), left; 'Jungle' (1964), below; and 'Untitled (Tamarind 1848B)' (1966), far left



sic domes á la Buckminster Fuller. Others evoke baskets, cages and chandeliers. Or, like dangling squid or dragon's tails, they feel lyrical, menacing or playful—alive. But they remain abstract, beyond easy identification.

Walking among this transparent, interwoven installation, in which a stiff breeze can engender blousy wobbles, is surreal. The suspended "Column [Square Reticulárea]" (1972) suggests a quivering swarm, a murmuration. "Square Reticulárea No. 6" (1973) resembles a string of wide-open shark's mouths. "Reticulárea" (1975) flits among birds, fish, netting. In "Trunk" (1981), the sculpture's heavy, zigzagging spine—like a rogue, sinuous tail; a needle and thread—whiplashes in and out of its own body.

Climbing the Guggenheim's ramp, "Measuring Infinity" unfolds more or less chronologically and thematically. Here are small, accomplished landscape paintings and landscape-based abstractions, from the early 1950s; dynamic, geometric abstract prints and drawings, from the late 1950s and '60s; and abstract books that open cinematically, like accordions.

Appearing in the 1950s are freestanding, abstract tabletop sculptures—Constructivist rectangles, squares, triangles, cubes, circles and spheres each made of horizontal bars and dowels. Slotted like louvered blinds, the overlapping shapes of these bold, graphic, geometric sculptures create moiré patterns that change and interact as you circle them. Though stationary, they seem to shudder, to shift and to spin in place—like origami, to open and close. The triangular "Gegofón" (1959), as if anxiously pulsating, appears ready to unfold its wings, to lift like a butterfly. The black-and-white "Jungle" (1964), roughly 6 feet across, beautifully shimmers, like breeze-borne branches, leaves and shadows. It vibrates, as if strummed, conjuring sheets of rain.

In the 1960s and '70s, leaving Constructivism behind, Gego—through wire—streamlined, purified and freed her forms. She embraced transparency and the interwoven grid, plane, rectangle, column and sphere. At first, however, she let wire be wire. Some of her small, early sculptures in this medium suggest renegade tuning forks, trashed desktop file organizers and messes of giant paper clips; as well as haystacks, bound sticks and wild grasses.

Beginning in the 1970s, in the series "Drawings Without Paper," Gego gave her sculptures flight. She mounted them, like tethered birds, to the walls and suspended them, like dancers grazing the floor, from the ceiling. In the 1980s and '90s Gego distilled and liberated her sculptures even more. She squared the circle; she wove intricate paper, metal and plastic textiles; she created experimental, itty-bitty jewel-like sculptures ("Small Bugs") that resemble crumpled baskets and wire tangles.

"Measuring Infinity"—organized by Julieta González, at the Instituto Inhotim in Brumadinho, Brazil; Geanine Gutierrez-Guimarães and Pablo León de la Barra, at the Guggenheim; Tanya Barson, formerly at the Museu d'Art Contemporani de Barcelona; and Michael Wellen, at London's Tate Modern—is a triumph. Comprehensive to a fault, however, it's overstuffed. Pace yourself, or you'll have little energy left to appreciate the late gems by this underknown, underappreciated German-Venezuelan master.

**Gego: Measuring Infinity**  
Solomon R. Guggenheim Museum, through Sept. 10

*Mr. Esplund, the author of "The Art of Looking: How to Read Modern and Contemporary Art" (Basic Books), writes about art for the Journal.*



SPORTS

Blazers Remain Off the Market

Nike co-founder Phil Knight has tried to buy the NBA team. Paul Allen's heir says it isn't for sale.

By RACHEL BACHMAN

Billionaire Nike co-founder Phil Knight mostly gets what he wants in Oregon, where he is the state's dominant business figure and philanthropist. Yet for more than a year, he has been unable to get through to Jody Allen, the person who controls the future of the NBA's Portland Trail Blazers.

Allen is the executor of the estate left by her brother, Microsoft co-founder Paul Allen, who died of cancer in 2018 with instructions to sell his assets—then valued at more than \$20 billion—and donate the vast majority of the proceeds to charity. A spokesman for Jody Allen calls it “likely the most intricate estate in American history.”

A year ago, as the 2022 NBA Finals began, news broke that Knight and Alan Smolinisky, a real-estate investor and minority owner of the Los Angeles Dodgers, had offered \$2 billion to buy the Trail Blazers, one of the estate's most valuable assets. The 85-year-old Knight is concerned about the future of Portland—his hometown which has recently been beset by social problems—and he wants to cement the team's future there, according to people familiar with Knight and Smolinisky's plans.

The bid was rejected without a counteroffer or a phone call with Jody Allen, according to people familiar with their interactions. “Phil Knight and I have not spoken,” Jody Allen said in response to questions from The Wall Street Journal last fall. Instead, she had put Knight and Smolinisky in touch with Bert Kolde, the Trail Blazers vice chair and a longtime associate of Paul Allen, who she says delivered the message that “the Trail Blazers remain not for sale.”



A courtside seat for Portland Trail Blazers owner Paul Allen had a rose and hat placed on it after his death in 2018.

Also not for sale are the National Football League's Seattle Seahawks, which were also owned by Paul Allen. Resolving an estate that is the size and complexity of Paul Allen's, Jody Allen says, can take up to 20 years.

A lot has changed over the past year. The value of professional sports teams skyrocketed, with the NBA's Phoenix Suns recently selling in a transaction that valued the team at \$4 billion. And in the last half of 2022, more than four years after Paul Allen's death, his estate sold other valuable assets. In rapid succession Jody Allen disposed of two apartments on Manhattan's Upper East Side for a total of \$101 million, the second of two yachts and a record \$1.5 billion trove of art.

So Knight and Smolinisky tried again, according to a person familiar with their plans. On numerous occasions, including earlier this year, they made it clear to Jody Allen that they still wanted to make a deal. They indicated that they realized the price had gone up and were willing to pay more than their initial offer, this person said. Again, Knight's calls to Jody Allen were diverted to Kolde, and nothing came of the discussions.

A few months ago, Smolinisky even sent a handwritten letter to Jody Allen seeking common ground and saying he and Knight would love to discuss the Blazers with her, according to a person familiar with the matter. In response, Smolinisky received an email from someone replying on Jody Allen's behalf with a familiar message: Paul Allen's sports teams aren't on the market.

“As Jody said publicly last year, the sports teams are not for sale,” says Jason J. Hunke, a spokesman for Vulcan, the umbrella company founded by Paul and Jody Allen in 1986, the year of the initial public offering of Microsoft, the software company Allen co-founded with Bill Gates. “That will eventually change pursuant to Paul's wishes, but there is no pre-ordained timeline for when that will happen. Interested parties can engage when we establish a sales process at some point in the future.”

Representatives of Jody Allen responded to some requests from The Wall Street Journal but didn't answer detailed questions about the Allen estate documents' language, charitable beneficiaries or more recent efforts by Knight and Smolinisky to acquire the team.

The situation with Allen's estate highlights the ways in which a simple concept—Paul Allen's pledge to sell his vast holdings for charity—can be far from simple in execution. In 2010, Allen became one of the early signers of the Giving Pledge, a movement among the ultrawealthy to publicly commit to giving the majority of their wealth to philanthropy either during their lifetimes or posthumously. In his pledge letter, Allen said he aimed through his giving to save species, restore ocean health and prevent epidemics “before it's too late.”

The specifics of Paul Allen's estate are private, however. Hunke says that the existing vehicle for the Allen family's philanthropy, the Paul G. Allen Family Foundation, isn't a beneficiary of Paul Allen's estate.

Some lawyers familiar with complex estates say that taking 10-20 years to resolve any estate would be highly unusual, even one as sprawling as Paul Allen's.

Selling the teams would generate an enormous windfall for Paul Allen's charitable vision. He bought the Trail Blazers for \$70 million in 1988 and the Seahawks for \$194 million in 1997. Together they're now worth 25 times that, or \$6.6 billion, according to estimates by Statista.

One factor that could compel Jody Allen to keep the Seahawks for another year relates to the bonds sold to help fund construction of the team stadium, now called Lu-

men Field. A public referendum passed in 1997 required that 10% of the team's selling price go to the state of Washington if the team was sold within 25 years of the first bonds being sold.

That stipulation expires May 21, 2024, according to an official at the Washington State Public Stadium Authority.

The uncertainty about the ownership of the Trail Blazers comes at a pivotal time. The

that hasn't undergone a comprehensive overhaul.

Hunke, the Vulcan spokesman, said that a renewal of the lease and arena improvements such as the structural and seat upgrades happening this summer and other needed improvements are a “high priority.”

The plan for Knight and Smolinisky to try to buy the team first took shape when the men met and got to know each other in a planned community in southern California where the two spent much of the pandemic.

Smolinisky is interested in redeveloping the area around the Moda Center, which sits across the Willamette River from downtown Portland. Improving the team's surroundings would create jobs and maximize the Blazers' value, the men believe. Smolinisky has driven through Portland with members of Knight's family, according to people familiar with the matter.

The road to acquiring the team runs through Jody Allen, a trusted confidant of her brother, who never married or had children. Brother and sister not only bonded over the Blazers and Seahawks, but Jody Allen says she was integral in getting facilities for each team built in their respective cities.

“My brother Paul and I talked about the sports teams often and I regularly advised him and team leaders on various matters,” she wrote in an email to the Journal. “I led development of both Moda Center and Lumen Field, and have attended games for many years.”

When Paul Allen died, he left Jody Allen as trustee of the Paul G. Allen Trust and executor of his estate. Allen is her brother's fiduciary, making her legally bound to fulfill the wishes laid out in his estate documents. Jody Allen,

64 years old, is chair of Vulcan, and also of the Blazers and Seahawks, positions she suggests aren't temporary. “As chair, my focus is building championship teams and managing the franchises for the long-term,” she wrote. “Today, I work regularly with the GMs, presidents, and coaches on significant sports, business, and organization decisions and have final say on strategic moves such as key hires, trades, and player extensions.”

At Jody Allen's right hand is Kolde, her brother's friend and associate. Kolde is also vice chair of the Seahawks and executive vice president of sports strategy and operations at Vulcan.

It was Kolde who Knight first spoke to by phone last year about a possible sale. Knight's plan to buy the Blazers is rooted in his desire to keep the team in Portland, which has suffered from rising crime in recent years, according to people familiar with Knight's thinking.

Although NBA commissioner Adam Silver said last year that “our preference, my preference, would be that that team remain in Portland,” fans need only look a few hours' drive north to Seattle for evidence that teams can move. In 2008 the NBA's SuperSonics were sold, relocated and rebranded as the Oklahoma City Thunder.



Jody Allen is chair of the Blazers and Seahawks.

Blazers have missed the post-season the past two years. The franchise has the No. 3 pick in the June 22 draft, but seven-time All-star guard Damian Lillard has said he wants the Blazers to attract players to win now, not rebuild with young talent.

The future of the Blazers' home is also approaching an inflection point, and whoever owns the Blazers will make important decisions that bind the team for the long-term. In October 2025, the original 30-year ground lease expires for the Blazers' arena, the Moda Center. In other cities, looming lease expirations have spurred negotiations over who would pay for costly renovations. The Moda Center is one of the older NBA arenas



Phil Knight says he is concerned about the future of Portland.

The WSJ Daily Crossword | Edited by Mike Shenk

Crossword grid with numbers 1-68 indicating starting positions for clues.

- 31 CBS forensic series
32 Toward the stern
33 Peach center
36 Practice one's jabs
37 Patriot Nathan
38 Asian New Year
39 Flaky dessert of Turkey and Greece
40 Nationals' baseball rivals
41 Offshore drilling platforms
44 Ground that's often rich
45 "Hah! Funny joke!"
46 Media revenue source
48 Pub order
49 Homes in trees
50 Alan of "M\*A\*S\*H"
52 Maker of Frisbees and Hacky Sacks
53 Blackjack request
54 Egypt's Sadat
58 Smoothie berry
61 Airport with many connecting flights
62 Sunscreen letters
28 Little lie

FEELIN' GROOVY | By Lisa Senzel & Jeff Chen

Word puzzle section with Across and Down clues and answers.

Previous Puzzle's Solution grid and explanation of the contest answer TRIO.

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# OPINION

## Can the Climate Heal Itself?



**INSIDE VIEW**  
By Andy Kessler

Stop with all the existential-crisis talk. President Biden said, “Climate change is literally an existential threat to our nation and to the world.”

Defense Secretary Lloyd Austin also talks about the “existential threat” of climate change. National security adviser Jake Sullivan identifies an “accelerating climate crisis” as one reason for a “new consensus” for government picking winners and losers in the economy. Be wary of those touting consensus.

But what if the entire premise is wrong? What if the Earth is self-healing? Before you hurl the “climate denier” invective at me, let’s think this through. Earth has been around for 4.5 billion years—living organisms for 3.7 billion. Surely, an enlightened engineer might think, the planet’s creator built in a mechanism to regulate heat, or we wouldn’t still be here to worry about it.

The theory of climate change is that excess carbon dioxide and methane trap the sun’s radiation in the atmosphere, and these man-made greenhouse gases reflect more of that heat back to Earth, warming the planet. Pretty simple. Eventually, we reach a tipping point when positive feedback loops form—less ice to reflect sunlight, warm oceans that can no longer absorb carbon dioxide—and then

we fry, existentially. So lose those gas stoves and carbon-spewing Suburbans.

But nothing is simple. What about negative feedback loops? Examples: human sweat and its cooling condensation or our irises dilating or constricting based on the amount of light coming in. Clouds, which can block the sun or trap its radiation, are rarely mentioned in climate talk.

Why? Because clouds are notoriously difficult to model in climate simulations. Steven Koonin, a New York University professor and author of “Unsettled,” tells me that today’s computing power can typically model the Earth’s atmosphere in grids 60 miles on a side. Pretty coarse. So, Mr. Koonin says, “the properties of clouds in climate models are often adjusted or ‘tuned’ to match observations.” Tuned!

Last month the coddling modelers at the United Nations’ World Meteorological Organization stated that “warming El Niño” and “human-induced climate change” mean there is a “66% likelihood that annual average global temperatures will exceed the threshold of 1.5 degrees Celsius above preindustrial levels by 2027.” Notice that El Niño is mentioned first.

Richard Lindzen, a professor at the Massachusetts Institute of Technology and lead author of an early Intergovernmental Panel on Climate Change report, told me, “Temperatures in the tropics remain relatively constant compared with changes in the tropics-to-pole temperatures.

The tropics-polar difference is about 40 degrees Celsius today but was 20 degrees during the warm Eocene Epoch and 60 degrees during Ice Ages.” This difference has more to do with changes in the Earth’s rotation, like wobbling, than anything else. According to Mr. Lindzen, this effect is some 70 times as great as human-made greenhouse gases.

### Dissenters from the catastrophe consensus on warming are worth listening to.

OK, back to clouds. Cumulus clouds, the puffy ones often called thunderclouds, are an important convection element, carrying heat from the Earth’s surface to the upper atmosphere. Above them are high-altitude cirrus clouds, which can reflect heat back toward the surface. A 2001 Lindzen paper, however, suggests that high-level cirrus clouds in the tropics dissipate as temperatures rise. These thinning cirrus clouds allow more heat to escape. It’s called the Iris Effect, like a temperature-controlled vent opener for an actual greenhouse so you don’t (existentially) fry your plants. Yes, Earth has a safety valve.

Mr. Lindzen says, “This more than offsets the effect of greenhouse gases.” As you can imagine, theories debunking the climate consensus are met with rebuttals and more

papers. Often, Mr. Lindzen points out, critics, “to maintain the warming narrative, adjust their models, especially coverage and reflection or albedo of clouds in the tropics.” More tuning.

A 2021 paper co-authored by Mr. Lindzen shows strong support for an Iris Effect. Maybe Earth really was built by an engineer. Proof? None other than astronomer Carl Sagan described the Faint Young Sun Paradox that, 2.5 billion years ago, the sun’s energy was 30% less, but Earth’s climate was basically the same as today. Cirrus clouds likely formed to trap heat—a closed Iris and a negative feedback loop at work.

In a 2015 Nature Geoscience paper, Thorsten Mauritsen and Bjorn Stephen at the Max Planck Institute for Meteorology reran climate models using the Iris Effect and found them better at modeling historic observations. No need for tuning. Wouldn’t it be nice if the U.N. used realistic cloud and climate models?

Earth has warmed, but I’m convinced negative feedback loops will save us. Dismissing the Iris Effect or detuning it isn’t science. Sadly, climate science has morphed into climate rhetoric. And note, Treasury Secretary Janet Yellen explained in April that green spending “is, at its core, about turning the climate crisis into an economic opportunity.” Hmmm. “Catastrophic,” “existential” and “crisis” are cloudy thinking. Negative feedback is welcome.

Write to [kessler@wsj.com](mailto:kessler@wsj.com).

**BOOKSHELF** | By Edward Kosner

## North Pole Or Bust!

### Battle of Ink and Ice

By Darrell Hartman  
(Viking, 387 pages, \$30)

If New York’s media elite of the late Gilded Age ever sat down for a banquet at Delmonico’s, you might find Horace Greeley of the Tribune, Adolph Ochs of the Times, Joseph Pulitzer of the World, William Randolph Hearst of the Evening Journal and Charles Dana of the Sun gathered at the table. They’d be washing down their oysters with champagne and dishing on their conveniently absent rival James Gordon Bennett Jr., publisher of the mighty Herald, off cruising the Med in his 314-foot superyacht, the Lysistrata.

After that they’d spar over whose sponsored explorer would get to the North Pole first—and prove it. The Spanish-American War was over, and triumphant Americans had set their sights on putting a man on top of the world—their equivalent of the mid-20th century’s race to the moon.

Now, Darrell Hartman, a journalist and member of the Explorers Club, has combined the saga of the jostling press lords with the narrative of the sometimes-deadly competition to plant a banner at 90 degrees North latitude, 0 degrees longitude.

His “Battle of Ink and Ice: A Sensational Story of News Barons, North Pole Explorers, and the Making of Modern Media” can be a challenge for the reader, who may well get snowbound in a blizzard of mounting detail. Still, like reaching the pole itself, the journey is rewarding as Mr. Hartman adroitly re-animates a colorful and courageous era in American history.

The stars of Mr. Hartman’s account are the innovative, cosmopolitan and sporting James G. Bennett, now almost forgotten, and the era’s two premier explorers: Commdr. Robert E. Peary, a naval engineer who’d made eight expeditions to the pole before claiming to reach it, and Frederick A. Cook, a surgeon and a veteran of both Arctic and Antarctic treks, who had once been a member of Peary’s crew. On Sept. 1, 1909, Cook reported that he’d reached the pole on April 21, 1908. He was being acclaimed after a long journey back to civilization when, eight days later, Peary, also long-unheard-from, cabled that he’d reached the pole, too.

Tall and imperious, Bennett was one of the most flamboyant figures of a gaudy age. At 26 he’d inherited the rambunctious Herald—then the most profitable paper in the country—from his Scottish-immigrant father. Junior scored his greatest triumph early: In 1869, he’d dispatched the intrepid Henry Morton Stanley to find the “lost” Dr. David Livingstone in deepest Africa—the scoop of the century.

A yacht-racing clubman, young Bennett would get plastered on a couple of glasses of champagne and make a spectacle of himself. In 1877, he scandalized his fiancée when he weaved into her New Year’s Day open-house reception, promptly peed in the fireplace (or piano, the reports conflict), and was later beaten up by her brother.

The disgraced bachelor soon abandoned New York for France, from where he ran his paper with a firm hand and huge cable budget. When not messing about in boats, Mr. Hartman writes, “Bennett oversaw operations . . . with all the whimsy and grandiosity of a fairy-tale monarch.” “Uncowed” by organized religion, he once denounced the pope, who had yet to name an American cardinal, as “a decrepit, licentious, stupid, Italian blockhead.” By contrast, Bennett’s principal adversary in the polar wars was the modest Jewish family man Ochs, who came to New York from Chattanooga, Tenn. Ochs had bought into the Times in 1896, made it a model of serious journalism, and founded the dynasty that still controls the paper today.

### In 1909, two rivalrous explorers each claimed to be the first to reach the top of the world. In the end, neither could convince the public.

The Cook-Peary race to the pole started amid hoopla and ended in squalid controversy. In 1906, Cook claimed to be the first to scale the tallest mountain in North America, the 20,300-foot Mount McKinley (now Denali) in Alaska. Not long after, he cut an exclusive deal with Bennett’s Herald, set off for the pole across Greenland, and wasn’t heard from directly for two more years. In 1907, the better-financed, better-equipped Peary headed north again, this time under the aegis of Ochs’s Times. On previous forays, he’d lost eight toes to frostbite and established a base 200 miles from his goal.

On his final dash to the pole, Cook’s only companions—and witnesses—were two young Inuit, Etukishuk and Ahwelah. Cook described the pole as “a cheerless spot” and took some pictures. But he left his sextants and other instruments, his location calculations and daily diary, stashed safely in a camp structure and started the long journey to Denmark, which then governed Greenland. In Copenhagen, Frederick VIII hailed him, as did the scientific authorities charged to certify his feat once he turned over his data. Cook cabled a long account to the Herald, which splashed it all over page one and paid him the equivalent of \$1 million in today’s money.

Peary cabled his claim on Sept. 9, 1909, and returned to New York. The Times headlined his dramatic story, and the National Geographic Society celebrated him. But soon, Mr. Hartman writes, Peary broke the explorers’ code of honor and accused Cook of faking his discovery of the pole.

The controversy dragged on for years. The Herald and the Times backed their champions and spread dirt on their adversaries. Inevitably, it all turned political, with ex-President Teddy Roosevelt and his fellow Republicans staunchly for Peary-Ochs and William Jennings Bryan and the Democrats firmly in Cook-Bennett’s corner. Under questioning, Etukishuk and Ahwelah said that they turned west with Cook 200 miles short of the pole. Cook’s documentation turned out to be so flimsy that the Danish authorities withheld certification. Peary’s was thin, too, and his claim was generally discredited, the consensus being that he missed his goal by 30 to 60 miles. His reputation in tatters, Cook went into the oil business—and ultimately to prison for a Ponzi-ish scheme out West. Peary died in 1920, at age 63.

In the end, the only unchallenged claim to be first to the pole went to the daredevil Norwegian Roald Amundsen, who’d been the first to reach the South Pole, in 1911. Fifteen years later, on May 12, 1926, Amundsen flew over the North Pole with a group of other explorers in the airship Norge and was lavishly lauded by, yes, the New York Times.

Mr. Kosner was the editor of Newsweek, New York, Esquire and the New York Daily News.

## Evan Gershkovich and Our Brave New World



**AMERICAS**  
By Mary Anastasia O’Grady

It’s been almost 10 weeks since my Journal colleague Evan Gershkovich was detained by Russian authorities, a day after this newspaper published an article titled

“Russia’s Economy Is Starting to Come Undone.” The story carried a Moscow dateline and Mr. Gershkovich’s byline. The subheadline read: “Investment is down, labor is scarce, budget is squeezed. Oligarch: ‘There will be no money next year.’”

I don’t know Mr. Gershkovich, but I’ve thought about him every day since Vladimir Putin took him hostage. I’ve also thought about what the arbitrary detention of a law-abiding foreign reporter in Russia says about the brave new world we inhabit. The rising number of police states in Latin America that take their cues from the Kremlin naturally increases the risks to good journalists in the Western Hemisphere. This is especially true in Cuba, where the Russian grip is getting tighter by the day.

Cuba has a long record of beating, jailing and exiling journalists. Havana also takes hostages: From 2009-14 it held U.S. Agency for International Development contractor Alan Gross prisoner and released him only when President Obama agreed to a swap for convicted Cuban spies.

Mr. Gershkovich, 31, is a

professional, and his reporting on Russia was honest and fearless. This may have been what the Kremlin couldn’t tolerate. The Journal denies the allegations of espionage against him.

Police states grant visas to foreign correspondents expecting sanitized reports from iconic places—like Red Square in Moscow—that will transmit to an international audience a sense of normality and contentment among the population. It’s called propaganda.

Dictators count on being able to control editorial output through a combination of carrots and sticks—access and intimidation. Reporters who dare share the reality of life on the ground (i.e., do their job) risk their freedom and their lives. Not all are arrested. It can be enough simply to make an example of one or two newshounds. Beijing wants the world to believe that nothing has changed in Hong Kong since it took over. But the arrest of independent media mogul Jimmy Lai is designed to signal to journalists that they should shut up. On May 18 Mr. Lai was awarded the Cato Institute’s Milton Friedman Prize for Advancing Liberty.

The Cuban dictatorship learned totalitarianism at the knee of the Soviets—including message control. Long before he marched triumphantly into Havana in January 1959, the maniacal Fidel Castro grasped the value of manipulating the press in the U.S. and Europe. New York Times reporter Herbert Matthews helped create

a favorable image of the aspiring dictator with an interview from the Sierra Maestra in 1957. His glowing dispatches of the *comandante* continued even as Castro ruthlessly consolidated power. A 1961 essay by William F. Buckley Jr. captured the sentiments of many a Cuban exile with a drawing of Fidel and a headline that read: “I got my job through the New York Times.”

### Dictators count on being able to control what is reported about their countries.

Castro quickly took over the local media with the help of more than a few useful-idiot journalists who clamored to cancel anyone who bucked his purge. Numerous foreign reporters were kicked out of the country in the 1960s. In 1966 Canadian Paul Kidd wrote an exposé for United Press International about the island, including its forced labor camps filled with Roman Catholics, Jehovah’s Witnesses and other dissidents. “Interior (Police) Minister Ramiro Valdes is whisperingly alluded to as ‘a Latin Beria,’ a reference to the former hated Soviet secret police chief,” Kidd reported. He was expelled.

In 1969 Castro decreed that all American reporters living in Cuba had to leave. Other

foreign journalists were allowed to stay, and in the decades since U.S. media has returned. But the regime has always used its total control to censor—or achieve self-censorship of—the “news” gathered by international outlets. None have ever been allowed to report freely.

The nongovernmental organization Cuba Archive has documented 51 cases of aggression against the foreign press since October 1986. That’s when two journalists—from Reuters and Agence France-Presse—were expelled for quoting a dissident, reporting the “existence of labor camps” and publishing a political-prisoner estimate. Reporters who have filed stories unfavorable to the regime have lost their accreditation to work in the country and been deported—or denied entry upon return.

Several journalists covering the work of human-rights activists or antigovernment demonstrators have been savagely attacked by brown shirts and state security. Some have been detained and interrogated. Notebooks and cameras have been confiscated. In November 2021, in anticipation of a large protest march, the dictatorship withdrew the credentials of the entire Spanish news agency EFE.

Mr. Gershkovich told the truth and is paying the price. It’s something to keep in mind the next time you see a report from inside Russia—or Cuba.

Write to [OGrady@wsj.com](mailto:OGrady@wsj.com).

## School Choice Saves Arizona Money

By Jason Bedrick  
And Corey DeAngelis

Is school choice bankrupting Arizona? That’s what Gov. Katie Hobbs and Democratic legislative leaders would have you believe, but simple math says otherwise.

Arizona’s choice program, Empowerment Scholarship Accounts (ESAs), “in its current form is not sustainable,” Ms. Hobbs tweeted last week. “We need to bring an end to this out of control and unaccountable spending, and I will work tirelessly to make that happen.”

With an ESA, parents can use a portion of their child’s state education funds—typically about \$8,000 a year—to pay for private-school tuition, tutoring, textbooks, online courses, home-school curricula, special-needs therapy and other expenses.

Ms. Hobbs’s declaration came in the wake of the Arizona Department of Education’s latest projection that the

program, which has about 58,000 participants, will serve 100,000 students by the end of fiscal 2024 at a cost of roughly \$900 million.

“Without reform, Empowerment Scholarship Accounts will bankrupt our state & our public schools,” tweeted Rep. Andrés Cano, leader of the

### Democrats claim a new program will bankrupt the state. The opposite is true.

Democratic caucus in the Arizona House. He omitted the portion of the department’s letter noting that “many of the students that are enrolling now are coming from the public school system, which in the end saves the state money.”

That \$900 million is barely 2% of total Arizona state spending of \$80.5 billion in

2022. Arizona public schools spend about \$14,000 per pupil, or \$1.4 billion for 100,000 students. If the department’s enrollment projection is reached, school choice would serve roughly 8% of Arizona’s students for 6% of the \$15 billion that Arizona will spend on public schools.

A new report by the Common Sense Institute finds that “current enrollment in Arizona public district and charter schools combined is over 80,000 students below pre-pandemic projections,” producing a savings of \$639 million. Arizona’s population is growing, so the vast majority of those students left for private or home schools, for which they could avail themselves of Arizona’s two private choice policies. In addition to the 58,000 students using education savings accounts, last year school tuition organizations issued more than 32,000 tax-credit scholarships.

The attacks on school

choice are more than a public relations campaign. When Ms. Hobbs’s budget retained last year’s school-choice expansion, Arizona’s Attorney General Kris Mayes used the “bankrupt the state” talking point as a pretext to threaten a lawsuit. In a public letter to Ms. Hobbs and the Legislature, Ms. Mayes decried the “catastrophic drain on state resources caused by universal Empowerment Scholarship Accounts.” She later went on television and threatened to investigate participating families for “waste, fraud, and abuse.”

Ms. Hobbs lacks the legislative support to roll back school choice, as Republicans have slim majorities. But she’s signaling what she would do if she could. Arizona families should take note.

Mr. Bedrick is a research fellow at the Heritage Foundation. Mr. DeAngelis is a senior fellow at the American Federation for Children.



OPINION

REVIEW & OUTLOOK

Targeting Toyota for Its EV Heresy

It wasn't long ago that Toyota's hybrid vehicles were all the rage with the climate-change left. Now progressive investors and government pension funds are targeting the Prius manufacturer in a proxy campaign because it has questioned the climate lobby's electric-vehicle orthodoxy.

Public pensions and proxy advisers try to punish the company.

Toyota discloses its CO2 emissions and has pledged to make all its vehicles carbon neutral by 2050. This should please the climate crowd. Yet progressive investors are seeking to oust Chairman Akio Toyoda and are pushing a resolution at its June 14 shareholder meeting to make the world's largest auto maker disclose its climate-related lobbying.

News reports say the California Public Employees' Retirement System (Calpers) and New York City's public-worker pension funds have voted against Mr. Toyoda's re-election, and the proxy advisory firm Glass Lewis has recommended that shareholders do so as well. They say Mr. Toyoda deserves the boot because Toyota's board isn't sufficiently independent of management.

But Toyota's corporate governance model is old news. The sudden concern suggests it is merely a pretext for punishing Mr. Toyoda for the heresy of doubting the West's hell-bent EV transition. He made news in December when he claimed that a "silent majority" in the auto industry "is wondering whether EVs are really OK to have as a single option. But they think it's the trend so they can't speak out loudly."

He also emphasized that battery-powered EVs "are not the only way to achieve the world's carbon neutrality goals." Toyota is promoting its hybrids and plug-in hybrids as alternatives to battery-powered EVs. Plug-in hybrids contain an internal combustion engine that can kick in when the battery runs low, which alleviates range anxiety. They are also cheaper than EVs.

plained the challenges to full electrification. For instance, "most public chargers can take anywhere from 8-30 hours to charge. To meet the federal [zero-emissions vehicle] sales targets, 1.2M public chargers are needed by 2030. That amounts to approximately 400 new chargers per day." The U.S. isn't close to meeting that goal.

Toyota also noted that "more than 300 new lithium, cobalt, nickel and graphite mines are needed to meet the expected battery demand by 2035," and they could take decades to develop. "The amount of raw materials in one long-range battery electric vehicle could instead be used to make 6 plug-in hybrid electric vehicles or 90 hybrid electric vehicles."

And here's an even more striking statistic: "The overall carbon reduction of those 90 hybrids over their lifetimes is 37 times as much as a single battery electric vehicle." These inconvenient truths undermine the climate religion and government mandates.

Speaking of which, progressives have attacked Toyota for lobbying against aggressive EV mandates. Toyota backed the Trump Administration's lawsuit against California's stringent emissions rules. It also pressed West Virginia Sen. Joe Manchin to oppose a \$4,500 tax credit bonus for union-made EVs. Toyota isn't unionized and has a large plant in West Virginia.

The shareholder campaign against Toyota shows how public pension funds and the proxy advisory duopoly of Glass Lewis and Institutional Shareholder Services (ISS) work in concert to exploit corporate governance to push progressive political goals. ISS, Calpers and New York City's pension funds have all backed the shareholder resolution calling on Toyota to disclose its climate-related lobbying.

Mr. Toyoda deserves support for speaking the truth about EVs, and it's a shame he's the only auto leader with the courage to do it.

Connecticut May Cut Taxes, of All Things

States run entirely by Democrats these days follow a predictable tax-spend-tax model: Raise taxes, spend more, then raise taxes again. Think New York, California, New Jersey, Oregon and now Minnesota. The exception has been Connecticut under Gov. Ned Lamont, who is trying to break from the progressive pack with a tax cut if his Democratic Legislature will let him.

Mr. Lamont began his second term this year with a proposal to cut his state's income-tax rates for the first time since the 1990s. His plan would cut tax rates across the board except for high earners. The state's top tax rate is 6.99%, starting at \$1 million in income, which is high compared with most GOP states but the lowest in its neighborhood. Top earners continue to flee the state, especially retirees, so a cut in the top rate would have been the best move for the state economy and tax revenue.

But Mr. Lamont's proposal would at least cut the rate to 4.5% from 5% on households earning between \$20,000 and \$100,000. That would return about \$600 a year to families near the top of the bracket. The rate would fall to 2% from 3% on incomes up to \$20,000.

If that sounds modest and reasonable, you aren't a Democrat in Hartford. Democratic leaders in the General Assembly wasted no time whittling down the Governor's plan. The Finance Committee released a version in April that halved the tax cut to a quarter-point—enough to say they didn't kill it.

A co-chair of the committee boasted that its

budget preserves other cuts, including the Governor's cut for \$20,000 earners. "The entire package is about reducing taxes," said Rep. Maria Horn, who also pointed to tax relief for elderly renters and property-tax breaks for veterans. Yet nothing in that two-year, \$51 billion budget outline would signal a change in fiscal direction from the state's recent tax-and-spend history.

Mr. Lamont was able to restore the full half-point cut to the outline late last week after talks with legislative leaders. One source of support is his alliance with the GOP minority. Republican Assembly leader Vincent Candelora offered an alternative budget in May that included the same tax cut as the Governor's.

Democrats have been stubborn because a cut with any substance would upset their plans for more spending. Democratic leaders want to eliminate the state's spending cap, which limits annual spending growth to the pace of inflation. As usual, denying income-tax relief has nothing to do with fiscal restraint. Progressives in Hartford have already marked every dollar of the state's \$3 billion surplus for the teachers unions and other progressive causes.

The tax fight was one of the last remaining budget disputes as the Legislature heads toward a June 7 deadline. Mr. Lamont deserves credit for trying to reverse Connecticut's tax-and-spend ratchet. But the opposition from a Legislature run by his own party shows how hard it is to change a state government once it is dominated by public unions.

China's Military Provocations

The risk of conflict in the Western Pacific is growing as China raises the military stakes with a goal of dominating the region. The Biden Administration will have to keep its nerve, while preparing for a more aggressive response if the Chinese Communist Party keeps pushing.

Beijing's war hawks are making it harder to improve relations.

Consider China's actions in the past two weeks:

• On May 26 a Chinese fighter jet came within 400 yards of a U.S. reconnaissance plane flying in international air space above the South China Sea. The unprofessional intercept forced the U.S. plane to fly through the jet's wake and was a clear attempt to intimidate.

• China's defense officials snubbed a request by U.S. Defense Secretary Lloyd Austin for a bilateral meeting on the sidelines of the annual Singapore security conference this past weekend. Such meetings have become routine at the annual conference, and Mr. Austin criticized China's opposition to military communication that could reduce misunderstanding.

• A Chinese naval ship this weekend came within 150 yards of a U.S. missile destroyer traversing the Taiwan Strait with a Canadian warship. The U.S. rightly views such patrols as essential to maintain the principle of freedom of navigation, but China claims the strait as its territorial waterway.

"The relevant countries are intentionally creating trouble in the Taiwan Strait, deliberately stirring up risks, and maliciously undermining regional peace and stability," said Senior Colonel Shi Yi, the spokesman for China's Eastern Theatre Command. The naval harassment is an attempt to scare the U.S. and its allies into ending naval transit in the strait.

All of this comes despite the Biden's Administration beseeching Beijing for better relations. It also comes despite the recent press report that CIA Director William Burns made a secret visit to Beijing to smooth relations. The overtures aren't making headway with President Xi Jinping.

Perhaps China is playing hardball so President Biden won't impose new restrictions on U.S. investment in China. Such an executive order has been mooted but hasn't been issued. A recent editorial in China Daily, a government propaganda organ, warned the U.S. not to issue it.

China also wants the U.S. to remove sanctions against defense minister Li Shangfu. He was sanctioned in 2018 over the purchase of combat aircraft and equipment from Russia's main arms exporter. The military provocations may be China's way of threatening the U.S. with what could happen if it continues sanctions and high-tech export controls.

No matter what Mr. Biden does, China's clear military goal is to push the U.S. out of the Western Pacific, and it is getting bolder as its military power rapidly increases. Mr. Xi warned Chinese national-security officials last week that they should prepare for the "worst-case" scenario and "stormy seas."

The risk of an accidental confrontation is growing, but so is the risk that China will perceive weakness if Mr. Biden responds to its provocations by appeasing Mr. Xi. A war in the Western Pacific would be a disaster for the world. But the Chinese war hawks need to understand that their military provocations make it harder for a U.S. Administration to pursue bilateral detente.

LETTERS TO THE EDITOR

New York vs. Florida on Covid, by the Numbers

Your editorial "The Trump-Cuomo Covid Bromance" (June 1) gives former President Donald Trump too much credit for accuracy. You write, "Florida had more total deaths than New York, but Florida's population is older and thus more vulnerable to Covid." In fact, even using the absurd metric of state pandemic performance favored by Mr. Trump and former New York Gov. Andrew Cuomo—total Covid-associated deaths, which are 95% correlated with total state population—Florida outperformed New York. According to the most recent Centers for Disease Control and Prevention data, Florida had 78,642 total deaths, while New York had 80,568.

These numbers are from the CDC's count of digitized death certificates,

which was always the more accurate CDC death count and is now the CDC's only death count. The agency also used to publish a separate "data tracker" count that reflected whatever was submitted by states. In that count, New York had fewer total deaths than Florida, but that was only because of Mr. Cuomo's refusal to include probable deaths, contrary to the reporting instructions.

On the more relevant, age-adjusted metric published by the CDC, New York has the 17th highest cumulative Covid-associated death rate, while Florida is down at 36th. But even using Mr. Trump's dubious standard, Florida outperformed New York.

PHIL KERFEN  
Washington

Is College Worth It? Depends What You Learn

A college education benefits only those students who are motivated to learn or willing to explore until they find an area of study that interests them ("Yes, a College Degree Is Still Worth It," Review, May 20). A student came to me at the end of the term to ask why he had failed. I reminded him that he had never submitted any of the required assignments and had been repeatedly informed of the consequences. His reply: "When you get out of here, it's not what you know, it's who you know." I wonder how he fared in the real world.

Some students were miserable because their parents had dictated their majors, believing that one or the other would lead to lucrative employment. They had no interest in their courses and cheated to get by. Others were so busy working to pay the fees that they didn't have time to master the material. They would have been better off reducing their load, learning and taking longer to graduate.

One student was clearly bright but coasted by with Cs, and couldn't get into an M.B.A. program. I advised him to work for a few years and reapply. He did that and got accepted.

EM. PROF. LAVETTE TEAGUE  
Cal Poly Pomona  
Altadena, Calif.

When I was admitted to Caltech in 1963, people still used vacuum tubes.

A Win for Teachers Unions, Not Kids, in Illinois

Your editorial "The Illinois Scholarship Scandal" (May 27) is spot on. As annual contributors to the scholarship program, my wife and I have been proud to help underprivileged children attend an excellent school. We know that without these "advancement" funds, the children would miss out on a competitive education and the opportunities that our local Boylan Catholic High School offers—mostly by way of the friends the students make and the standards they learn to live up to. The countless testimonials that these students provide clearly wasn't enough to convince the Democrats in the Illinois Legislature, who let the program die.

DAVE VOSS  
Rockford, Ill.

The Money Supply Can Tell The Story of Our Inflation

Ben Bernanke and Olivier Blanchard studied pandemic-related nuances in labor and product markets to help explain why inflation took off ("Why Did Inflation Take Off? Two Top Economists Answer," U.S. News, May 24). This can be explained, however, in a different way. The money supply (M2), which should grow 4% to 5% a year to achieve 2% inflation, rose 15% from March 2020 to May 2020. That is three years' worth of M2 growth in three months. By February 2021, M2 was a stunning 27% above its level a year earlier. Annual average M2 rose 19.1% in 2020 and 16.3% in 2021, and this excessive M2 growth caused inflation to take off. There is still excess M2 to burn off, which explains why inflation is slowing only gradually.

ARNIE DILL  
Atlanta

Insurance Troubles in Florida

Your editorial "Why Insurers Are Fleeing California" (May 31) refers to Florida's legal reforms. So far, those reforms have resulted in prices for wind and hail coverage rising to ridiculous levels. Is it sensible to pay, between premiums and deductibles, as much as a 30% premium against the face value of the coverage offered? Insurers may be prodded into our market, but the aversion to risk is obvious.

GREG DEJOHN  
Sewall's Point, Fla.

Illinois has been under assault by teachers unions for years. They will do whatever they can to retain their power, even if it means keeping low-income families undereducated.

Look at the recent election of Chicago's Mayor Brandon Johnson, a union activist and employee. How many millions were poured into his campaign by the teachers union to get him elected? His transition team and office are loaded with union appointees. The great demand by parents for an alternative says it all. If the public schools were so great, as the teachers union alleges, why are so many parents going to any length to get their children out?

Thank goodness for the Supreme Court's 2018 decision in *Janus v. AFscme*, in which I was the plaintiff. This let teachers know they have a choice: They are no longer bound to support a union that treats children in such a deplorable way.

MARK JANUS  
Punta Gorda, Fla.

Lakes Are for Our Use, Too

A letter writer scolds Justice Samuel Alito for the statement that "many formerly fetid bodies of water are safe for the use and enjoyment of the people," contending that the intent of the Clean Water Act wasn't to increase leisure activity (June 1). That would be news to the sponsors of the 1972 act, which includes the goal of achieving water quality that "provides for recreation in and on the water," and requires the EPA to work to improve water quality to "conserve such waters" for "recreational purposes."

JON JEWETT  
Ashland, Va.

Pepper ... And Salt

THE WALL STREET JOURNAL



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



OPINION

# The Costs of Political Regulating

By Lawrence B. Lindsey

It is widely assumed that regulation makes the financial industry safer. But that is true only if the regulation is designed to promote safety and not some other political objective. Requiring firms to submit climate-impact reports on their lending, for example, has nothing to do with the safety and soundness of loans. The purpose is to dissuade banks from making loans to carbon-based producers, which actually leaves banks less safe by making their assets less diverse.

The negative may be small in this case, but sometimes a regulation makes financial institutions less safe in a significant way. Consider the European-backed Solvency II regulatory scheme for insurers and other financial institutions. The European financial regulators give a zero-risk weighting to the debt issued by any European Union country. The result has been predictable: increased lending to the riskiest sovereigns. Three large European insurers—AXA, Allianz, and Zurich—have loans to European countries in excess of 40% of their capital. The insurance company Generali has nearly three times as much peripheral European debt as it has capital.

Now the EU is trying to force American insurers into the same situation by making Solvency II a global standard. America's own recent experience should remind us that having many forms of financial investment is valuable in case one of those forms (such as banks) runs into trouble. Europe's Solvency II leads to fewer options, which is a problem, since



GETTY IMAGES/STOCKPHOTO

roughly three-quarters of all business lending in Europe comes from banks, and roughly a quarter from banks in the U.S. The effect of Solvency II on such long-term patient capital as annuities is clear. Over the past decade,

## From climate to the EU's protectionism, many rules promote something other than financial safety.

annuities rose 46% in America while declining 43% in France, 32% in Belgium and the Netherlands, and 16% in Germany.

Nonbank alternatives have other advantages. The business model of banks is the inherently risky process of borrowing short-term and lending long-term, while also offering instant

liquidity to depositors. This is a recipe for trouble on both the asset and the liability balance sheets, as we saw with recent bank failures.

By contrast, pension funds, insurance companies and endowments have longer time horizons and invest for the long run. This is less risky, and it is also better for long-term economic growth. The EU proposal turns these fundamental financial concepts on their head.

Amazingly, Solvency II also gives a zero-risk weighting to unrated loans. Any security issued in the broad marketplace is risk-weighted. Bank loans don't go through such a rating process. This means that loans to a random company in Germany get a much lower risk weighting than does AAA-rated structured credit. The motive for this rule isn't safety and soundness. It is a protectionist move to promote the bank-lending financial system of Germany and its clients.

## ProPublica Recycles Old Clarence Thomas News

By Mark Paoletta

The first attack in the left's spring offensive against the U.S. Supreme Court was an April 6 ProPublica hit piece about Justice Clarence Thomas. The site quotes "ethics experts" who accuse him of violating federal law by not disclosing trips he had taken with a longtime friend. The accusation turns out to be old news that was adjudicated more than a decade ago.

"For over 20 years," ProPublica breathlessly declared, "Thomas has been treated to luxury vacations by billionaire Republican donor Harlan Crow. He goes on cruises in far-flung locales on Crow's yacht, flies on his private jet and keeps company with Crow's powerful friends at the billionaire's private resort."

## The site accuses the justice of legal violations—but he was officially cleared more than a decade ago.

But in June 2011 the New York Times reported that Mr. Crow had "hosted the justice aboard his private jet and his 161-foot yacht . . . and at his grand Adirondacks summer estate called Topridge." Based on that story, 20 Democratic members of Congress, led by the late Rep. Louise Slaughter of New York, released a letter dated Sept. 29, 2011, to the Judicial Conference of the U.S., in which they alleged that Justice Thomas "failed to disclose this travel as a gift or travel reimbursement on his federal disclosure forms as required by the Ethics in Government Act." Common Cause and the Alliance for Justice also released a letter of Sept. 13, 2011 to the Judicial Conference making similar allegations. (Disclosure: I am friends with both Justice Thomas and Mr. Crow, was on some of the trips ProPublica cites, and am quoted in the April 6 article.)

The Ethics in Government Act assigns the Judicial Conference, composed of federal judges, the authority to implement the statute for the judiciary. The conference referred the 2011 allegations to its Committee on Financial Disclosure, which consisted of 16 judges and was chaired by Judge Joseph McKinley Jr., a Clinton appointee. The committee's deliberations aren't public, but in a May 15, 2023, letter to Sen. Sheldon Whitehouse (D, R.I.), the conference revealed that Judge McKinley reviewed the allegations and took the extra step of asking its Subcommittee on Compliance to review the issues.

Result: In April 2012, the committee issued a report in which (quoting the conference's 2023 letter) "Judge McKinley indicated based on his review of all documentation and the discussion by the Committee members that nothing had been presented to support a determination that Justice Thomas . . . willfully or improperly failed to disclose information concerning travel reimbursements." That message was conveyed to the Democratic lawmakers and activist groups in letters dated April 30, 2012.

The conclusion got little or no attention at the time, but the original complaints were publicized. On Twitter I asked ProPublica's reporters and their editor, Jesse Eisinger, if they had asked the Judicial Conference about its investigation. Mr. Eisinger refused to answer: "Not going to play Twitter call & response." The article still contains no mention of this crucial fact.

Mr. Paoletta served as general counsel of the White House Office of Management and Budget, 2018-21. A Washington lawyer, he represented Ginni Thomas in the Jan. 6 Select Committee investigation.



LIFE SCIENCE  
By Allissa Finley

Empty dirt lots are scattered across American cities where developers once planned to build new homes. The problem isn't that builders can't find workers or obtain permits. They lack the electric transformers required to connect homes to the grid. "We were so concerned about things like lumber and appliances, and those all help. But then all of a sudden it was this power transformer—you can't get them," a home builder in Greenville, S.C., told a Fox affiliate in March. "We have 106 town-home sites and so we've only been able to get the first six going."

Transformers step up or step down electrical power that passes through transmission and distribution lines. According to the American Public Power Association, 1 in 5 housing projects has been delayed or canceled owing to shortages. The pandemic dearth of semiconductors, appliances and cars eased as demand ebbed and supply increased, but don't expect this one to let up anytime soon.

Thank President Biden's green-energy policies, which are increasing demand for transformers and the specialized electrical steel to manufacture them while creating enormous market uncertainty. The lack of transformers is exacerbating the country's housing shortage and causing longer and more-frequent power outages.

Broadly speaking, there are two categories of transformer. Large power transformers, which are located at substations and weigh hundreds of thousands of pounds, step up voltage from power generators and step it down for distribution. These are crucial for building out the transmission system to carry renewable energy from rural areas to population centers. Currently it takes utilities from 20 to 39 months to procure them.

Smaller distribution transformers step down voltage to levels that homes and businesses can safely use. These are necessary for connecting homes, businesses and electric-vehicle charging stations to the grid. Until recently, they were easy to obtain and replace but wait times now exceed 18 months.

Both types are made with electrical steel, also a key input in electric-vehicle motors. Yet the U.S. is depen-

dent on a single domestic manufacturer for the electrical steel used in electric vehicles and transformers—Cleveland-Cliffs—and it can't meet growing demand from the power industry and automakers seeking to electrify their fleets.

Domestic transformer manufacturers can and do import steel but have to pay a 25% tariff even as they struggle to compete with lower-cost foreign manufacturers. The U.S. is increasingly relying on imported transformers, including from China, which presents cybersecurity risks.

U.S. officials seized a Chinese-manufactured transformer in 2019 because they suspected it had back doors embedded in its hardware that could be exploited by hackers. For this reason, President Trump in May 2020 issued an executive order banning Chinese-made equipment from the bulk-power system and required the Energy Department to "identify, monitor and replace as appropriate" equipment that might present national-security risks. Mr. Biden reversed the order shortly after entering office, perhaps because he knew Chinese-manufactured transformers would be necessary to build the administration's zero-carbon grid.

Demand for transformers is growing worldwide as low-income countries develop their power grids and

wealthier ones go green. The U.S. now finds itself in the difficult position of having to compete with other countries for transformers and electrical steel at the same time as the Inflation Reduction Act subsidies supercharge demand.

## A lack of transformers has led to a housing shortage, frequent power outages, and dependence on China.

But forget about building out the grid. We can't even maintain the one we have. An Energy Department report last year warned that most large power transformers will soon need to be replaced. The average age is 40 years, and normal life expectancy under ideal conditions is 20 years. Aging transformers "cause higher failure risk," the report notes.

Altogether this means the risk of blackouts is increasing—not only owing to shortages from unreliable renewables but also to failure of aging equipment. Distribution transformers are often damaged in natural disasters, and utilities say the lack of replacements delays power restoration after outages.

# The Debt Deal's Defense Threat

By Roger Zakheim

President Biden and Speaker Kevin McCarthy might have pulled themselves out of the debt-ceiling quagmire, but now the real work begins to ensure our military will emerge from the standoff unscathed.

The Fiscal Responsibility Act includes a mechanism that holds defense spending hostage to the passage of all 11 other appropriations bills. Unless Congress enacts all of them or passes a full-year continuing resolution, the agreement subjects the military to a 1% cut below 2023 spending levels. After accounting for inflation, this snap-back sequestration mechanism would be about a 6% cut to the military.

Passing appropriations bills may not seem like a heavy lift, but the last time Congress passed all 12 appropriation bills was 1996. Congress has relied on the annual crutch of continuing resolutions to keep the government funded; over the past 13 years the Defense Department has operated under a continuing resolution 12 times. This inefficient use of taxpayer dollars inevitably results in weapons programs being delayed or denied while diverting the Pentagon's attention from making our military more lethal. Under a continuing resolution the Pentagon is bound by the previous fiscal year spending levels and can't start new programs or significantly adjust funding to meet changing needs.

So while Washington has avoided a fiscal crisis, it is on the cusp of inviting a geopolitical crisis: The debt deal's two-year time frame overlaps with the window that Xi Jinping has set for China's military to prepare for an annexation of Taiwan. History is repeating itself. A little

more than a decade ago, a Republican House majority tried to reduce federal spending by delivering a budget control act that capped spending for eight years and included a sequester mechanism that would punish the defense budget. We were told then that the sequester would never happen as it would impose draconian cuts on the military that no one would dare stomach.

But it did happen. The military lost a decade of modernization, giving up our margin of safety over China. Military readiness suffered,

## The last sequester hurt military preparedness. Republicans can avoid repeating that mistake.

resulting in degraded deterrence and tragic loss of life owing to insufficient training and poorly maintained platforms. That national defense depends on funding the Environmental Protection Agency or congressional office supplies defies common sense. Sequestration 2.0 would rapidly erode America's position in the world. Today's stakes are higher because the threats are greater.

Still suffering from the 2011 sequestration hangover, the U.S. military has struggled to reconstitute itself to deter or defeat a Chinese invasion of Taiwan. The Pentagon is woefully behind in generating the capital necessary to upgrade military platforms and integrate new technology into the force. The war in Ukraine has exposed the shallow capacity of the defense industrial base and the dramatic need to recapitalize defense manufacturing. Combined

The attack on diversity, stability and long-term focus isn't limited to Europe. Recently, eight Democratic senators on the Banking Committee wrote to the Securities and Exchange Commission, urging it to move forward with its proposed tightening of the rules on hedge funds. The proposals haven't been finalized, since substantial evidence shared during the public-comment period suggested that it would significantly raise compliance costs.

The senators' letter said, "As investment in private funds continues to grow as record sums are allocated to subsectors such as private credit funds, it is becoming increasingly important for the Commission to ensure that investors in these funds receive adequate disclosure."

Clearly, private nonbank capital providers are the target. Investors—particularly sophisticated pension funds, endowments and insurance companies—are plowing "record sums" into private funds because they feel current disclosures are inadequate. Moreover, hedge funds don't pose a systemic risk, since, unlike banks, hedge funds have measures in place to limit the effects of a run. The long-term nature of these institutions imparts a preference for long-term financial intermediaries.

Regulation driven by concerns about the financial system's stability is justified. Regulation that is little more than political targeting isn't.

Mr. Lindsey is president and CEO of the Lindsey Group. He served as a Federal Reserve governor (1991-97) and assistant to the president for economic policy (2001-02).

The Biden administration plans ensure that such problems can and will get worse. The Energy Department in January proposed efficiency standards for distribution transformers that would require an "amorphous steel" not readily available in the U.S. Climate activists lobbied for the new standards because they say more-efficient transformers will reduce power losses and the need for fossil-fuel generation.

That's debatable. What isn't is that the standards "would upend the market and manufacturing process" for electrical equipment, as automakers, utilities and home builders noted in a May 22 letter to Mr. Biden. As a result, "plans to expand domestic steel capacity and manufacturing of critical electrical equipment, such as transformers, are now in flux."

Last week 47 senators—including 13 Democrats such as Pennsylvania's John Fetterman and Wisconsin's Tammy Baldwin—wrote to Energy Secretary Jennifer Granholm warning that her proposed rule "could put the administration's electrification goals at risk by exacerbating an existing grid vulnerability" and threaten national security.

Mr. Biden's climate policies are working at cross purposes, which might be comical if the consequences weren't so grave.

with ill-defined and underdeveloped operational concepts for how our military ought to fight the People's Liberation Army, these realities have sowed doubt about whether the U.S. can win a fight in the Indo-Pacific.

As the U.S. dithers with defense spending that barely keeps pace with inflation, the PLA's budget has nearly doubled in the past decade as China has undertaken an unparalleled modernization program. The prospect of Chinese military supremacy is real.

To avoid Sequestration 2.0, Congress needs to take two concrete steps before the start of the next fiscal year on Oct. 1. First, it should immediately pass a defense appropriation bill. That will demonstrate to adversaries that fiscal debates won't hamper U.S. military strength. Second, lawmakers should pass a defense supplemental bill—a measure not prohibited under the debt-ceiling deal—that funds the urgent requirements to defend Taiwan and provides sorely needed defense-industrial base upgrades ranging from munitions to shipbuilding. Congress added nearly \$70 billion to the Pentagon over the last two fiscal years to begin addressing these needs; it should do the same this year.

The Chinese Communist Party is pressing forward to replace the U.S. as the dominant military power in the Indo-Pacific. Now is not the time to retreat from the competition because Congress failed to agree on how much it ought to spend to keep its lights on.

Mr. Zakheim is director of the Ronald Reagan Institute, a former general counsel for the House Armed Services Committee and a member of the National Defense Strategy Commission.

## THE WALL STREET JOURNAL.

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## WORLD NEWS

## Crash Survivors Recount Cries of Dying

Signal error blamed in India tragedy involving three trains that killed at least 275 people

By SHAN LI  
AND KRISHNA POKHAREL

BALASORE, India—Kasida Das and her daughter were riding the train home from a nearby city in the eastern Indian state of Odisha on Friday when, around 7 p.m., their carriage jolted violently, slid off the track and flipped over.

Das remembers being tossed around inside the railcar, the world spinning around her. Bits of metal rained down, one striking her head. When Das was able to stand up, she saw the bloodstained face of her 35-year-old daughter under a heavy pile of debris.

"She was crying, 'Save me, Mother, save me, Mother,'" said Das. The 55-year-old tried frantically to move the chunks of metal and pull her daughter out, but failed.

"Slowly she stopped crying," said Das. "I knew she had died."

Frantic rescue efforts and heartbreaking scenes of death and survival played out in Balasore over the weekend after one of the deadliest train accidents in the country's history. At least 275 people were killed and more than 900 others injured in the tragedy that involved two passenger trains and one freight train.

A preliminary investigation concluded that a signal error sent one of the trains, the Coromandal Express, off the main line, and it collided with a freight train. The impact from that collision led coaches of a second passenger train, the Yesvantpur-Howrah Express, which was passing through an adjacent track in



Workers on the scene Sunday near Balasore, India. A report said 23 train cars derailed in Friday's collision, which involved three trains.

the opposite direction, to derail and capsize, the report said.

The passenger trains together had more than 2,200 people on board.

The report said 23 train cars were derailed in all. Aerial video footage showed train cars veered far off the tracks and tossed on their sides like giant Lego blocks, with some piled on top of each other. The Indian government said it would thoroughly probe the cause of the crash.

Early Sunday, rescuers were still finding bodies crushed inside train cars. Most of the

dead were transported to a makeshift morgue in a business park. A grim tableau stretched out inside one cavernous building, where the scent of decaying flesh hung heavy.

On one side, hundreds of corpses lay in long rows, most wrapped in black plastic. On the other side, a projector played a slideshow of photographs of the bodies, their faces tilted to the camera by a gloved hand. A crowd of people searching for their loved ones was gathered around the projector screen.

Many among the crowd went back and forth between

the screen and tables piled with stacks of the photographs, struggling to identify the bloodied bodies. A senior district official, Dattatraya Shinde, said only about 60 bodies had been identified of the 260 that had been brought to the temporary morgue. "I've never seen anything like this," he said.

"That's him! That's him!" cried Lilavati Devi, running up to the screen Sunday and pointing to a picture of a young man curled on his side. A second later, she wasn't so sure. "Is that him?" she asked a friend

who had accompanied her.

The 45-year-old thought she had recognized her young son's yellow shirt. Raja Kumar Sahani was traveling back to his job via the southern city of Chennai on Friday after visiting his family. Before he boarded the train, he sent his mother a photo of himself in a yellow shirt, blue jeans and sunglasses.

Devi said she had clung to the idea, during her frantic trip to Balasore from their family village in the state of Bihar, that her son might still be alive. But that hope had

dwindled since seeing the yellow shirt on the screen. Still, she said, she can't be certain until she sees the body.

India is home to the world's fourth-largest rail network, with train journeys sometimes spanning days. The Coromandal Express involved in Friday's accident ran from Kolkata near the country's northeast, to Chennai, way south. Air travel has become more accessible in recent years, but hundreds of millions of people still rely on trains to get around the large country.

Subhashish Patra, a 15-year-old high-school student, said he had anticipated seeing a historic temple near the city of Bhubaneswar with his family while on vacation from school. Instead, he pulled his 10-year-old brother from a pile of bodies and boosted his father out after their railcar flipped over three times, landing with the door pointing to the sky.

The teen witnessed a horrific scene as he climbed through the door. Some people's arms and hands were severed.

In the Balasore district hospital, doctors and volunteers said they were overwhelmed by the crush of injured survivors.

Hindu Marandi, who was traveling to Chennai to work at a plastic utensil factory, said it felt miraculous that he was alive after being thrown out the door as his carriage derailed. Two other men were also catapulted out and died after hitting the ground, he said.

"Some of us survived and some of us died," he said. "I can't really say why. It's all up to God."

## Watch a Video

Scan this code for a video about the deadly train crash in India.

## Erdogan Signals Economic Shift

By JARED MALINS  
AND CHELSEY DULANEY

ISTANBUL—Newly re-elected Turkish President Recep Tayyip Erdogan introduced a new cabinet that changed the leadership in the areas of foreign policy and security and signaled a shift in economic policies that have pushed the country to the brink of financial instability.

In a televised speech Saturday evening, hours after he was sworn in for another term as president, Erdogan said he was reinstating Mehmet Simsek as finance minister. Simsek, who previously served as finance minister and deputy prime minister under Erdogan, is a symbol of a time when Erdogan adopted more-conventional economic policies earlier in his 20-year run ruling Turkey.

Turkey is at an increasing risk of financial ruin largely because of the president's own policies, which have pushed the country's reserves into the red and driven millions of Turks closer to poverty. He won re-election in May despite rising costs of food, housing, medicine and other essentials, a crisis that his rivals had hoped to ride to victory.

Erdogan also shuffled the leadership of his foreign-policy and security team, moving

some key loyalists into new roles. His new foreign minister is Hakan Fidan, the longtime head of Turkey's intelligence agency, MIT. He replaces Mevlut Cavusoglu, one of the longest-serving members of Erdogan's cabinet, who was in office for nearly eight years. Turkey's new defense minister is Yasar Guler, formerly the chief of staff of the armed forces, who succeeds long-serving minister Hulusi Akar,

## The Turkish leader named a new cabinet, reinstating a former finance minister.

who oversaw a series of wars and foreign interventions under Erdogan.

Though new officials are overseeing Turkey's foreign policy and security, the shuffle isn't expected to have a major impact on the country's approach to a series of crises abroad, including Russia's invasion of Ukraine and a standoff in which Erdogan has been refusing to approve Sweden's entrance to the North Atlantic Treaty Organization. Erdogan himself has taken broad con-

trol over foreign policy, and the new ministers are his longtime deputies in new positions.

He also replaced his long-serving interior minister, hardliner Suleyman Soylu, appointing the Istanbul provincial governor, Ali Yerlikaya.

The installation of a new team to handle Turkey's economy could have wide-ranging consequences for the country, a member of NATO and the Group of 20 and once a leader among emerging markets that has been in the grips of a currency crisis in recent years.

The appointment of Simsek, widely respected in the international banking world, is seen as a signal that Erdogan is trying to stabilize the economy after the president pressured the central bank into cutting interest rates despite high inflation, an approach that has plunged Turkey into the currency crisis.

While Simsek's return is seen as returning some credibility to the Turkish government's handling of the economy, it doesn't necessarily mean that Erdogan is backing down from his stance on interest rates, which has been widely criticized by economists and triggered a flight of Western investment from Turkey.

"There is the Erdogan model, and there is the ortho-

dox model. It's going to be a mix," said Hakan Akbas, a senior adviser at Albright Stonebridge Group who advises firms on investing in Turkey. "These competent loyalists will do everything to bring inflation down, to address the current-account deficit," he said of the new economic team.

Simsek, a former Merrill Lynch strategist in London who held key ministerial positions under Erdogan from 2007 to 2018, is well-known among foreign investors who were once enthusiastic participants in Turkish markets. Kieran Curtis, head of emerging-market local-currency debt at U.K. asset manager Abrdn, recalls meeting Simsek many times. Simsek was known for presenting long lists of changes he hoped to implement, Curtis said.

"He never was really able to do what he wanted to do," said Curtis. "He didn't get the political support from his boss."

Simsek left government in 2018 after Erdogan won reelection for a second term, following months of speculation that the two were clashing over the economy.

While a return of foreign investment would help to plug Turkey's financing gaps, many investors remain cautious about what Simsek will be able to achieve.

## Mexico's Ruling Party Wins Vote in Key State

By JUAN MONTES  
AND JOSÉ DE CÓRDOBA

MEXICO CITY—Mexico's ruling Morena party scored a resounding win in Sunday's elections for the governorship of Mexico state, the country's most populous, bolstering the party's dominant position a year before presidential elections.

Morena's victory, in line with expectations, means the end of the 94-year uninterrupted rule in the state by the Institutional Revolutionary Party, or PRI, the country's former ruling party that amassed enormous power for most of the 20th century and is expected to now control just two states in Mexico.

The candidate of President Andrés Manuel López Obrador's Morena party, schoolteacher and former education minister Delfina Gómez, garnered between 52.1% and 54.2% of the votes, according to a quick count by the National Electoral Institute based on a representative sample of polling stations.

Alejandra del Moral, a former mayor who ran for a coalition formed by the PRI, the conservative National Action Party, and two smaller parties, won between 43% and 45.2%

of the vote.

Morena's wide victory is seen as an endorsement of the government of López Obrador, a nationalist elected in 2018 who remains popular after nearly five years in office. It is a blow for the opposition, which hoped to be competitive in the state to increase its chances in the presidential election of 2024. The opposition parties also plan to run as a coalition in the presidential election.

"It was a strong showing of Morena; the opposition apparently was not even close," said Carlos Bravo Regidor, a political analyst at the CIDE university. "It was a good night for López Obrador."

The opposition coalition was leading the race for governor in the sparsely populated state of Coahuila, bordering Texas, which also held elections Sunday. With votes from 37% of polling places tallied, the coalition candidate had more than 56%. Support for Morena and its allies was divided among two candidates.

Mexico state has a population of 17 million, and its \$125 billion economy is larger than that of Ecuador. It includes densely populated municipalities that form part of the Mexico City metropolitan area.

## WORLD WATCH

## NORTH KOREA

## Kim Sister Vows New Spy Satellite Launch

The influential sister of North Korean leader Kim Jong Un vowed again to push for a second attempt to launch a spy satellite as she launched a U.N. Security Council meeting over the North's first, failed launch.

The North's attempt to put its first military spy satellite into orbit last Wednesday failed as its rocket crashed off the Korean Peninsula. An emergency meeting of the U.N. Security Council was convened at the request of the U.S., Japan and other countries to discuss the launch because it had violated council resolutions.

On Sunday, Kim's sister and senior ruling party official, Kim Yo Jong, called the U.N. council "a political appendage" of the United States, saying its recent meeting was convened following America's "gangster-like request."

—Associated Press

## POLAND

## Thousands March to Protest Government

Hundreds of thousands of people marched in an antigovernment protest in Poland's capital, with citizens traveling from across the country to voice their anger at officials who they say have eroded democratic norms and created fears that the nation is following Hungary and Turkey down the path to autocracy.

Warsaw Mayor Rafal Trzaskowski, who belongs to the opposition party that led Sunday's march, estimated that 500,000 people took part. The Onet news portal estimated there were at least 300,000 at the march's culmination.

Large crowds also gathered in Krakow and other cities, showing frustration with a government that critics accuse of violating the constitution and eroding fundamental rights in Poland.

—Associated Press

## CHINA

## Security Tightened For Anniversary

China tightened access to Tiananmen Square in central Beijing on Sunday, the anniversary of the military suppression of 1989 pro-democracy protests that left a still-unknown number of people dead.

In Hong Kong, which had been the last Chinese-controlled territory to hold commemorations, eight people, including activists and artists, were detained on the eve of the anniversary of the crackdown, a move that underscored the city's shrinking room for freedom of expression. Police late Sunday said they arrested a woman for allegedly obstructing police officers in performing their duties and took 23 others away on suspicion of breaching public peace for further investigation. In Beijing, additional security was seen around Tiananmen Square.

—Associated Press



Hundreds of people gathered Sunday in Liberty Square in Taipei, Taiwan, to commemorate the victims of the 1989 military crackdown on protests in central Beijing's Tiananmen Square.



# BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Monday, June 5, 2023 | B1

Last Week: S&P 4282.37 ▲1.83% S&P FIN ▲2.12% S&P IT ▲1.37% DJTRANS ▲1.78% WSJ \$IDX ▼0.31% 2-YR. TREAS. yield 4.501% NIKKEI 31524.22 ▲1.97% See more at WSJ.com/Markets

## ETFs Look to Tap Into AI Mania

### Actively managed funds are giving investors broader exposure to innovation

By JACK PITCHER

Asset managers are rushing to help investors play the new hot corner of the stock market: artificial intelligence.

Investors are piling into shares of graphics chip maker Nvidia, Microsoft, Google parent Alphabet and other stocks that they think stand to benefit from AI technology. That has set up a race among pro-

viders of exchange-traded funds to boost their existing offerings or launch new ones.

All 10 funds tracked by ETF.com with artificial intelligence in their names have recorded inflows this year. The funds are small compared with the largest actively managed equity funds in the market, but they are universally gaining traction at the moment.

The latest AI-focused exchange-traded fund, the Roundhill Generative AI & Technology ETF, began trading May 18. Its conception began late last year when Roundhill employees first began playing around with OpenAI's Chat-

GPT, the generative AI platform that can produce sophisticated text responses to human queries.

"There are plenty of existing ETFs with AI in the name or AI and robotics in the name, but there was not one that was solely focused on the generative AI side and related technologies," said Dave Mazza, chief strategy officer at Roundhill. "We wanted to get that to market quickly."

In the two weeks since launch, assets in the actively managed fund, which goes by the ticker CHAT, have grown to \$35 million from under \$1 million. That included a net in-

flow of \$13 million on Thursday, according to FactSet.

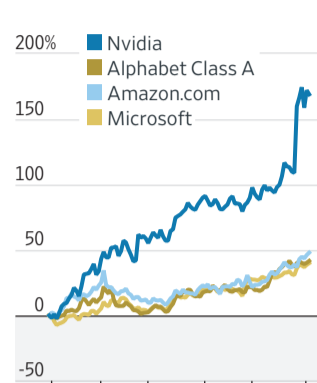
Nvidia, the highflying chip maker whose technology is integral for generative AI companies, is the fund's largest holding and has helped drive an 8% return for the fund in its first two weeks. Nvidia shares have climbed 24% over the same period and have nearly tripled in 2023.

The largest fund in the AI-theme segment, Global X's Robotics & Artificial Intelligence ETF, has \$2.2 billion

Please turn to page B6

◆ The smart way to look at artificial-intelligence ETFs... R1

### Technology stocks have soared in 2023



Source: FactSet

## Twitter's New CEO Poaches Executive From NBC

By JESSICA TOONKEL

Linda Yaccarino is expected to take over as chief executive of Twitter on Monday, according to a person familiar with the situation, and has tapped one of her top lieutenants from NBCUniversal to join her.

Joe Benarroch is taking on a senior business-operations role at the social-media company, according to a memo Benarroch sent to NBCUniversal colleagues.

Benarroch has served as executive vice president of communications, global advertising and partnerships at NBCUniversal, where Yaccarino for years has run the media company's ad-sales operation. He was one of her most trusted advisers.

"Tomorrow, I start a different professional adventure at Twitter, taking on a role focusing on business operations," Benarroch wrote in the memo sent on Sunday. He noted that he has worked with Yaccarino to champion and expand the company's business priorities and help build partnerships, among other things. "I am looking forward to bringing my experience to Twitter, and to working with the entire team to build Twitter 2.0 together."

Twitter owner Elon Musk has said Yaccarino will focus primarily on business operations, while he will focus on product design and technology. The Information earlier reported that Yaccarino will start on Monday.

Twitter and Musk didn't respond to requests for comment.

Musk bought Twitter last year for \$44 billion but has struggled to stabilize the business after many advertisers, put off by his approach to content moderation, left the platform or slashed their spending. Musk has made various efforts to encourage advertisers to return. Yaccarino's deep relationships on Madison Avenue could help that cause, ad executives

Please turn to page B4

◆ Musk pushes workers, but some prefer balance..... B4

## Online Banks Winning Fight for Deposits

By GINA HEEB

Online banks have managed to pull off what has become a tall order in 2023: They brought in more deposits than they lost.

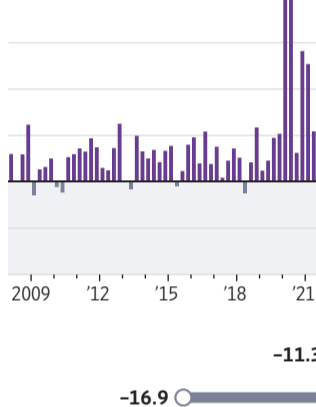
Deposits in the first quarter fell from December at regional-bank powerhouses such as U.S. Bank, Truist Financial and Citizens Financial. They were down more sharply at the smaller regional banks that have been under investor scrutiny, like Western Alliance and PacWest.

But deposits were up quarter over quarter at Ally Financial and Goldman Sachs Group's online bank Marcus, which don't have branch networks. Deposits also were up at Capital One, which has far fewer branches than the other big regionals. Online-focused banks can often offer higher rates, as they don't have to pay for the real estate, employees or equipment required to run a traditional network of branches.

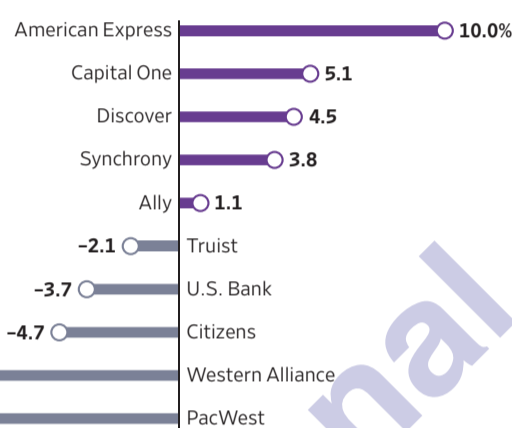
Broadly, regional banks are dealing with twin problems: The collapse of several midsize banks this year has made some customers want to keep their money at only the biggest lenders.

And with the Federal Reserve pushing interest rates up, customers are moving money to Treasuries and money-market funds for higher returns. Deposits at U.S. banks collectively fell by the most on record in the first quarter, according to Federal Deposit

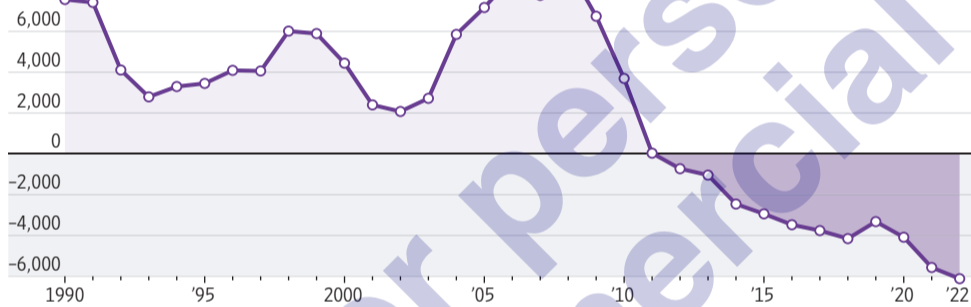
### Change in deposits at FDIC-insured banks, quarterly



### First-quarter deposits, change from previous quarter



### Total U.S. bank branches, change from three years earlier



Sources: FDIC (change in deposits, bank branches); the companies (first-quarter deposits)

Insurance Corp. data.

Even the biggest banks aren't immune to that search for yield. Deposits were down slightly at Bank of America and Wells Fargo, even though they picked up deposits from customers who left smaller banks. (JPMorgan Chase was the exception: Deposits rose 2%.)

Those dynamics make the deposit gains by some online-focused banks stand out. Deposits climbed 5% at Capital One from the previous quarter and 1% at Ally Financial. Goldman said deposits in its online bank Marcus increased, though it didn't give specifics.

"The future of everything in banking is digital," Capital One

Chief Executive Richard Fairbank told analysts on a call in April.

That growth came at a price. The average interest rate paid on deposits was 3.2% at Ally in the first quarter and 2.4% at Capital One. Both were more than 2 percentage points higher than a year earlier. At Bank of America and Wells Fargo, aver-

age interest rates on deposits were around 1% in the first quarter.

The shift toward online banks adds another layer to the debate over the value of branches. Customers have been increasingly relying on tech for routine transactions, especially since the Covid-19 pandemic. Banks closed roughly 6,100 branches between 2019 and 2022, according to FDIC data, bringing the total number to just under 71,200. That is the highest number of closures over a three-year period in history.

It can cost a bank up to \$500,000 a year to run a small branch in a city like Tampa, Fla., and as much as \$1.3 million to operate a midsize branch in a major city such as New York, said Brian Riley, co-head of payment strategy at Javelin Strategy & Research. Those estimates don't include the cost of office equipment and other capital.

On the other hand, tech also turbocharged the deposit runs at Silicon Valley Bank, Signature Bank and First Republic, as online banking made it relatively easy for people to yank out their money.

Traditional banks also say that even the tech-savviest customers still want to come inside a branch for more complicated transactions like getting a mortgage. Branches can be a key way for banks to drum up business—when they are in the right places.

JPMorgan, for example, has

Please turn to page B9

### INSIDE



#### BUSINESS NEWS

Restaurant chain Cava plans to launch initial public offering.

B3



#### COMMODITIES

Texas legislators drop the more extreme attempts to curb wind and solar projects.

B9

## Welker Replaces Todd On 'Meet the Press'

By JOE FLINT

Chuck Todd is stepping down as moderator of the long-running NBC News political program "Meet the Press" in September and will be succeeded by chief White House correspondent Kristen Welker, the network said.

Todd has anchored the program since 2014. Welker is already familiar to "Meet the Press" viewers from her regular appearances and as a substitute moderator.

In a memo to staff, NBC News Editorial President Rebecca Blumenstein credited Todd with transforming the "Meet the Press" brand into a "vital modern-day franchise"

and said he established himself as a "trusted authority" on politics.

Blumenstein joined NBC News earlier this year from her role as a deputy managing editor at the New York Times. Blumenstein was also a top editor at The Wall Street Journal.

Welker, a 46-year-old NBC News veteran, will become only the second woman to moderate "Meet the Press" and the first since the show's debut, when pioneering journalist Martha Rountree moderated the show. Rountree was also a co-creator of the show. "Meet the Press" is the longest-running show on televi-

Please turn to page B2

## U.S. Companies Counting on Profits From China End Up Disappointed

By DAN STRUMPF

HONG KONG—Big American companies in China were counting on a postpandemic boom to boost global revenue. For many, it isn't happening.

From chip maker Qualcomm to industrial bellwethers Caterpillar and DuPont, companies are reporting weak results out of China as the country's reopening from three years of Covid-related isolation has failed to gain steam.

While some retailers are seeing benefits from the reopening, other firms have said they are expecting the weakness to continue through this year and have cut company outlooks based on the slow recovery.

"I think the overall expectation is, following the reopening, the China market was going to bounce back," Qualcomm Chief Executive Cristiano Amon told investors last month. "We have not seen those signs yet."

The company said it expects global sales of smartphones—a huge share of which is powered by Qualcomm chips—to fall this year by a bigger margin than initially expected, in part because of the persistent economic slowdown in China, the world's largest market for these products.

Qualcomm books more than half its yearly revenue in China, where many customers



Apple is among the companies that have been exploring ways to scale back their reliance on China.

assemble its chips into finished electronics.

Economists have been cutting their growth forecasts for China in recent weeks after a spate of disappointing measures of the country's economy, showing contracting factory activity, tepid consumer spending, a short-lived recovery in home sales and record youth unemployment.

The slowdown is hitting companies' bottom lines. Many executives have pointed to weakness in China that has persisted for months after the Lunar New Year holiday in late

January, which was meant to herald a boom in new activity following the end of Covid-19 restrictions. So far, the boom hasn't materialized.

"China is our weakest geography," said Eric Bjornholt, chief financial officer at chip maker Microchip Technology, on Wednesday. "We really haven't seen any sort of significant bounce back since Lunar New Year."

The disappointing results are the latest challenge facing big companies with fortunes tied to China.

Deteriorating U.S.-China re-

lations and an increasingly tight web of American sanctions on the country have added to the challenges facing multinationals.

China, too, is stepping up actions against American companies. Last month, it banned major Chinese firms from buying from memory-chip company Micron Technology, a move widely seen as a response to new controls on U.S. chip exports last year. It has also launched a crackdown on consulting and due-diligence firms that work with Western

Please turn to page B9



## INDEX TO BUSINESSES

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

<b>A-E</b>	Global X Artificial Intelligence & Technology ETF.....R2	Macerich.....R3
Ally Financial.....B1	Global X Robotics & Artificial Intelligence ETF.....R2	Meta Platforms A6,B4,R2
Alphabet.....B2,R5	Global X's Robotics & Artificial Intelligence ETF.....B1	Microchip Technology..B1
American Express.....B9	Goldman Sachs Group B1,B6	Micron Technology.....B1
Anheuser-Busch InBev B2	Gotion High-Tech.....B3	Microsoft.....A6,B2
Apple.....A12,B9,R5	Harbor Group International.....B10	Mobilye Global.....B3
Bank of America.....B1	Heidrick & Struggles International.....B6	Netflix.....R5
Berkshire Hathaway..B10	Illumina.....A5	PacWest Bancorp.....B1
Blackstone.....B6	Intel.....B3	Qualcomm.....B1
BorgWarner.....B9	iShares Robotics & Artificial Intelligence Multisector.....R1	RenaissanceRe Holdings B10
Capital One.....B1	<b>J-W</b>	Roundhill Generative AI & Technology ETF.....B1
Carnival.....R3	Jefferies Financial Group.....B3	Roundhill Generative AI & Technology ETF.....R2
Caterpillar.....B1	Johnson & Johnson....B3	SpaceX.....B4
Cava Group.....B3	JPMorgan Chase ..B1,B3	Starbucks.....B9
Citigroup.....B3	Kennecott.....B3	State Farm.....B10
Citizens Financial Group B1	KKR.....B6	Synchrony Financial....B9
Costco Wholesale.....B9	Kohl's.....B2	Target.....B2
Discover Financial Services.....B9	Lime.....B2	Tesla.....A6,B4
DuPont de Nemours...B1	LVMH Moët Hennessy Louis Vuitton.....B9	3M.....A5
Enel.....B9		TrueShares Technology AI & Deep Learning..R1
Energy Select Sector SPDR ETF.....R3		Truist Financial.....B1
Engie.....B9		Under Armour.....B2
Everest Re Group.....B10		Volkswagen.....B3
Exxon Mobil.....R5		Walmart.....B2,B9
		Wells Fargo.....B1
		Western Alliance Bancorp.....B1

## INDEX TO PEOPLE

<b>B</b>	Irwin, Ella.....B4	Schmall, Thomas.....B3
Benarroch, Joe.....B1	<b>L</b>	Sekera, Dave.....R3
Bjornholt, Eric.....B1	Lamont, Kenneth.....R2	Sheldon, Michael.....R3
Blumenstein, Rebecca B1	Loukas, Michael.....R2	Spiegel, Jeff.....R2
Brenner, Sarah.....R6	Lynch, John.....R2	Stammers, Robert.....R5
Brown, A.J.....B4	<b>M</b>	
Bruner, Bob.....R2	Mazza, Dave.....B1	Thorleifsson, Haraldur B4
	Musk, Elon.....B1, B4	Todd, Chuck.....B1
<b>D</b>		Tunis, Ryan.....B10
Dessai, Tejas.....B6	<b>N - S</b>	<b>W</b>
	Niefeld, Jordan.....R6	Welker, Kristen.....B1
	Rosengren, Eric.....R2	<b>Y</b>
	Rosenbluth, Todd..B6,R5	Yaccarino, Linda.....B1

## BUSINESS & FINANCE

# After Price Peak, Eggs Go on Sale

By **JAEWON KANG** AND **PATRICK THOMAS**

Get ready for the surprise supermarket deal of the summer: eggs. Retail egg prices are on track to return to historic averages in the coming months, supermarket executives said, after the deadliest avian influenza outbreak in U.S. history helped push prices above \$4 a dozen in January. Supplies have bounced back, industry officials and farmers say, as the disease's spread has slowed and flocks of laying hens have been rebuilt.

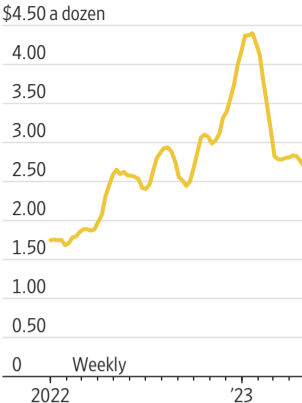
At supermarket chains such as New York-based Tops Markets, shoppers recently saw eggs on sale for the first time in months.

"Prices should all be under \$2 a dozen," said Sue Durfee, who oversees eggs, dairy and other items at Tops. "We plan on trying to promote them once or twice a month." The company recently offered eggs at a discounted \$1.49 a dozen, and plans to run sales at \$1.29 in the coming months, she said, after not giving discounts on eggs in more than a year.

Eggs became one of the most striking examples of U.S. food inflation in late 2022 as prices surged more than 30% last year, outpacing all other grocery items, according to market research firm Circana Group.

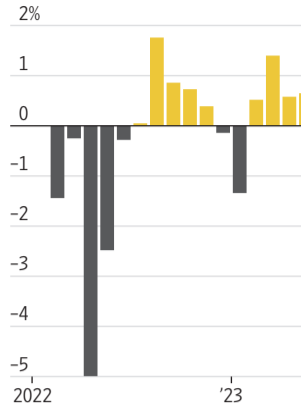
Consumers bought fewer eggs and tested egg substitutes such as chickpea liquid

Average retail prices for regular eggs at U.S. stores\*



\*As of April 29

Egg-laying hen population, monthly change



Sources: NIQ (prices); USDA (population)

and avocado. Some began raising their own chickens.

Michael Colombo, an employee at an insurance brokerage firm in Staten Island, said he had cut back on eggs in recent months to save money.

Recently, Colombo purchased two dozen eggs for \$3 at a local grocery shop. He said he has been telling everyone about the discounts and planned to resume making hard-boiled and deviled eggs.

Supermarket executives and egg companies attributed the surge to the spread of highly pathogenic avian flu, which has killed about 59 million birds in the U.S. since February 2022.

The outbreak cut U.S. egg inventories by 29% in the final week of December, compared with the beginning of 2022, according to the USDA, and prompted farmers and egg companies to spend millions of dollars on measures to prevent the virus's spread.

New cases of bird flu have waned over the past few months. Meanwhile, flocks have been rebuilt.

After peaking in December, wholesale prices of Midwest large eggs were \$1.28 a dozen last week, according to research firm Urner Barry.

Average retail prices were \$2.70 a dozen at the end of

April, according to the most recent available data from research firm NIQ, compared with a five-year high of more than \$4 in January and below \$2 before the bird flu affected inventory.

Retail prices typically lag behind wholesale prices, said Keith Bollman, senior director of commodities at Topco Associates, a cooperative of more than 40 food companies, including Wegmans Food Markets. Grocers might sell existing inventory purchased at locked-in prices or seek to recoup lost profit margins.

For egg farmers, the rapid price drop has squeezed profits, while protecting flocks from infection has added new expenses. "It's cratered the market," said Glenn Hickman, chief executive of Hickman's Egg Ranch in Arizona. "Everybody in the egg business is losing money."

Agriculture industry officials said chickens and the egg market remain at risk of a bird flu rebound. John Clifford, a former U.S. chief veterinary officer, said the recent drop in cases could be attributed to influenza-carrying wild birds building immunity, reduced migration activity or just plain luck.

"We'll see what happens in the fall with migration," said Clifford.

# Pride Campaigns Follow Target, Bud Light Battles

By **KATIE DEIGHTON**

Businesses are unveiling advertising campaigns and product lines to mark Pride Month, even as some conservatives try to build on recent clashes with Bud Light and Target by calling for boycotts of brands that advertise their support of the LGBT community.

Target last month dropped some items from its Pride collection after a backlash that included in-store incidents, and Anheuser-Busch InBev earlier put on leave marketing executives who oversaw Bud Light's collaboration with a transgender influencer that drew criticism and confrontations.

"The goal is to make 'pride' toxic for brands," conservative commentator Matt Walsh wrote on Twitter after those events.

Household brands including Kohl's, Alphabet's Google, Mars's Skittles, Microsoft and Under Armour have nonetheless introduced ads, products and initiatives for Pride Month, which takes place every June.

Walmart curated a collection of products from LGBT-founded brands under the banner

"Pride & Joy." And electric-vehicle rental company Lime said it adorned some of its bikes and scooters with the Progress Pride Flag, which includes stripes of light blue, white and pink to represent the transgender community.

"Many of us, including myself, still remember the fear growing up that being openly gay could mean a life of rejection and discrimination," Lime

**Pride Month has become a way for many marketers to signal tolerance.**

CEO Wayne Ting said. "We take this responsibility seriously and understand that we all have a role to play in creating a more just and equitable world."

Pride Month in recent years has become a way for a range of marketers to signal tolerance. But the Bud Light and Target incidents have energized critics who say corporate

Pride support politicizes commerce and prematurely exposes children to topics of sexuality and gender.

It isn't yet clear whether the changed environment has weakened some brands' appetite for Pride marketing. Some efforts this year have evolved beyond surface-level shows of solidarity, a practice known as "rainbow-washing," marketing analysts said. Companies are partnering with and committing to donating hundreds of thousands of dollars to LGBT charities and highlighting underrepresented groups in the LGBT community, such as older gay people.

"Brands have gotten closer to the LGBT community and have started to unearth the points of friction within the community—where people didn't feel seen or heard or celebrated," said Marcus Collins, a marketing professor at the University of Michigan.

"There is a sense of defiance from some organizations who see an opportunity to zig when others are zagging," said Katie Martell, a consultant specializing in marketing and social movements.



Chuck Todd, Kristen Welker and correspondent Pete Williams on 'Meet the Press' in July 2022.

## 'Meet the Press' Gets New Host

Continued from page B1

sion, dating to 1947. Blumenstein said in announcing Welker's appointment that she has "masterfully moderated primary and general election presidential debates and her sharp questioning of lawmakers is a masterclass in political interviews."

Welker's early career was spent working at local television stations in California and Pennsylvania. She joined NBC News in 2010 as a correspondent and rose to chief White House correspondent.

"The key to the survival of any of these media entities, including here at 'Meet the Press,' is for leaders to not overstay their welcome," Todd told viewers in his Sunday broadcast.

Todd, 51 years old, has been named chief political analyst and will continue to have a presence on the air at NBC News.

He told viewers he is going to also try his hand at producing documentaries and docudramas that will be "focused on trying to bridge our divides and pierce political bubbles."

Todd, a veteran of Washington journalism who made his name as editor of the buzzy publication "The Hotline," pitched himself as a common sense, middle-of-the-road reporter and commentator in a charged political climate. But he became a target, at

times, of politicians and viewers on the left and the right.

"Meet the Press" averages over two million viewers, putting it in third place in the ratings behind CBS's "Face the Nation" and ABC's "This Week," according to Nielsen data.

Initially, "Meet the Press" featured a moderator interviewing other reporters from top newspapers, as well as the network's own news team, about the big stories of the week.

While politics was the focus, the show also covered major business news as well.

In later years, the show shifted to covering Capitol Hill, the White House and the machinations of the political system. The show has low ratings but is a favorite of advertisers because its audience has a high median income.

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BUSINESS NEWS

# Hollywood Studios, Directors Agree To Tentative Deal

By ASA FITCH AND JOE FLINT

Hollywood's major studios and streamers have reached a tentative labor deal with the union representing directors, as a writers' strike rolls into its second month.

The three-year deal calls for wage increases, higher streaming royalties and an acknowledgment that artificial intelligence can't replace union members, the Directors Guild of America said.

The tentative pact is set to be submitted for approval at a board meeting on Tuesday, the union said.

The agreement gives the studios a measure of labor peace as negotiations with striking writers have stalled. The Writers Guild of America, which represents about 11,500 television and movie writers, went on strike in early May, shutting down late-night shows and threatening future scripted productions.

The tentative resolution with directors could put pressure on the writers to come to the bargaining table with the Alliance of Motion Picture and Television Producers, which represents the studios and streamers.

The WGA is making some demands similar to those of the DGA, including higher wages and better streaming residuals. Writers also want greater job security by requiring shows to hire a minimum number of writers.

The WGA didn't respond to a request for comment. In an email to members last week, the union said that a deal between the studios and the director's guild wouldn't end its strike.

The studios used divide-and-conquer tactics during the last writer's strike in

2008, the WGA said, but this time was different. "The essence of the strategy is to make deals with some unions and tell the rest that's all there is," it said.

This round of negotiations has been complicated by changes in how movies, television and streaming shows are produced. An old order where shows began with pilot episodes that were then picked up by studios has been replaced by one where a season's worth of scripts are often finished before shows are ordered, requiring fewer writers to be kept on.

The studios, meanwhile, are trying to cut costs and change how they operate as growth in streaming subscriptions slows.

The DGA said the tentative pact with studios and streamers will translate into gains in wages and benefits for its 19,000 members, including a 5% increase in the first year of the contract, 4% in the second year and 3.5% in the third year. Foreign residuals for the largest streaming platforms will increase 76%, the union said, so that a one-hour episode will yield roughly \$90,000 over the first three exhibition years.

The director's guild said its pact includes a "ground-breaking agreement confirming that AI is not a person and that generative AI cannot replace the duties performed by members."

As the writers' strike continues, the studios and streamers are set to begin talks with Hollywood actors on a new deal. The actors' contract expires at the end of June, and their union has asked members to authorize negotiators to go on strike if a suitable agreement can't be reached.

# VW Seeks New Battery Sources

Carmaker hunts for ways to depend less on China for EV components, supplies

By WILLIAM BOSTON

BERLIN—Volkswagen is searching the world, from Canada to Indonesia, for supplies to make the batteries in electric vehicles it sells in the U.S. and Europe less dependent on Chinese components, a senior VW executive said.

PowerCo, a subsidiary VW created last year, is leading the company's search for natural resources and other critical battery ingredients. Ultimately, VW wants to secure its own supplies for battery plants outside China and not have to rely on Chinese suppliers for battery materials, most of whom are in China, VW board member and technology chief Thomas Schmall said.

"Today we are 100% dependent on China," Schmall said, adding that VW's goal was to reduce the share of Chinese components in the batteries it makes to 50% globally on average—meaning less or no reliance on Chinese supplies for battery plants in Europe and North America.

Other Western automakers also are trying to build batteries independent of China.

For carmakers, the need to rely less on China is particu-



Volkswagen technology chief Thomas Schmall, in gray suit, and Spain's King Felipe VI in March viewed a billboard depicting a battery factory to be built by the automaker's PowerCo in Sagunto.

larly pressing because the battery accounts for a large portion of the value of an EV. By making their own batteries with components they source themselves, European and U.S. carmakers can capture a bigger share of the profits for every EV they sell.

Over the past decade, China has secured key sources of lithium, cobalt and nickel and built a homegrown industry for processing and refining them. China dominates global production of refined battery materials used in EV batteries, according to industry estimates.

That ultimately gave Chinese battery manufacturers control over more than half of the global market for EV batteries,

according to analyst estimates.

The U.S. and the European Union are pouring tens of billions of dollars into catching up with China and breaking its dominance on core resources that are needed for everything from high-tech weapons to smartphones and electric cars. VW makes 39% of sales in China but is under mounting competitive pressure there from local carmakers. It is trying to boost its market share in the U.S. and shorten its supply chains to become more resilient as geopolitical tensions rise.

VW will still use supplies from China to build batteries for cars sold there. The company holds a 26% stake in Go-

tion High-Tech, one of China's largest battery cell makers. VW also will rely on Chinese know-how in its drive for independence: In Germany, PowerCo is teaming with Gotion to build its first battery plant.

Schmall and PowerCo chief Frank Blome have traveled the world to secure resources. They have met government officials and mining operators from Canada, South America, Indonesia and Australia. There are large deposits of lithium in South America, where Chile in April said it would nationalize the country's lithium industry to maintain control of the resource. Mexico also has taken steps to nationalize lithium deposits.

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CLASS ACTION

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

*Sullivan, et al. v. Barclays plc, et al.*

No. 13-cv-2811 (PKC)

SUMMARY NOTICE OF PROPOSED CLASS ACTION SETTLEMENT

**If you transacted in Euribor Products<sup>1</sup> between June 1, 2005 and March 31, 2011, inclusive ("Class Period"), then your rights will be affected by a pending class action settlement, and you may be entitled to a portion of the settlement fund.**

The purpose of this Notice is to inform you of your rights in connection with the proposed settlement with Settling Defendant Société Générale in the action titled *Sullivan, et al. v. Barclays plc, et al.*, 13-cv-2811 (PKC) (S.D.N.Y.). The settlement with Société Générale (the "Settlement") is not a settlement with any other Defendant and thus is not dispositive of any of Plaintiffs' claims against other Defendants.

The Settlement has been proposed in a class action lawsuit concerning the alleged manipulation of the Euro Interbank Offered Rate ("Euribor") and the prices of Euribor Products during the Class Period. The Settlement provides a total of \$105 million to pay claims from persons who transacted in Euribor Products during the Class Period. If you qualify, you may potentially receive benefits from the Settlement if you (a) previously submitted a Proof of Claim and Release form ("Claim Form") in connection with prior settlements in this Action or (b) submit a Claim Form by the deadline set forth below. You can also choose to exclude yourself from the Settlement, or object to the Settlement.

The United States District Court for the Southern District of New York (500 Pearl St., New York, NY 10007-1312) authorized this Notice. Before any money is paid, the Court will hold a Settlement Hearing to decide whether to approve the Settlement.

**Who Is Included?**

You are a "Settlement Class Member" if you purchased, sold, held, traded, or otherwise had any interest in Euribor Products during the Class Period, and during the Class Period were either domiciled in the United States or its territories or, if domiciled outside the United States or its territories, you transacted in Euribor Products in the United States or its territories during the Class Period. "Settlement Class Members" include, but are not limited to, all persons who during the Class Period traded CME Euro currency futures contracts and options, all persons who during the Class Period transacted in NYSE LIFFE Euribor futures and options from a location within the United States, and all persons who during the Class Period traded any other Euribor Product from a location within the United States or its territories.

Contact your brokerage firm to see if you purchased, sold, held, or traded or otherwise had any interest in Euribor Products. If you are not sure you are included, you can get more information, including the Settlement Agreement,<sup>2</sup> the Notice of Proposed Class Action Settlement, September 7, 2023 Settlement Hearing Thereon, and Settlement Class Members' Rights (the "Settlement Notice"), Plan of Allocation, Proof of Claim and Release, and other important documents, at [www.EuriborSettlement.com](http://www.EuriborSettlement.com) ("Settlement Website") or by calling toll-free 800-492-9154.

**What Is This Litigation About?**

Plaintiffs allege that during the Class Period, Defendants (including Société Générale) conspired to manipulate and manipulated Euribor and the prices of Euribor Products. Plaintiffs allege that Defendants did so by using several means of manipulation. For example, Plaintiffs allege that panel banks that made daily Euribor submissions to Thomson Reuters falsely reported banks' costs of borrowing in order to financially benefit their Euribor Products positions. Plaintiffs also allege that Defendants requested that other Defendants make false Euribor submissions on their behalf to benefit their Euribor Products positions.

Plaintiffs further allege that Defendants continuously conspired to fix the prices of Euribor Products in the over-the-counter market to financially benefit their own Euribor Products positions. In addition to coordinating Euribor submissions and agreeing on where to price Euribor Products, Plaintiffs allege that to effectuate their alleged manipulations of Euribor and Euribor Products during the Class Period, Defendants engaged in "pushing cash," transmitted false bids and offers, used derivative traders as submitters, and rigged bids and offers for Euribor Products.

Plaintiffs have asserted legal claims under various theories, including the Sherman Act, the Commodity Exchange Act, the Racketeering Influenced and Corrupt Organizations Act, and common law.

Société Générale has agreed to enter into this Settlement Agreement, while denying the allegations brought in this action and maintaining that it has meritorious defenses to Plaintiffs' claims of liability and damages, in order to avoid further expense, inconvenience and the distraction of burdensome and protracted litigation, and thereby to resolve this controversy and avoid the risks inherent in complex litigation.

**What Does the Settlement Provide?**

Under the Settlement, Société Générale agreed to pay a total of \$105 million into the Settlement Fund. If the Court approves the Settlement, eligible Settlement Class Members who either previously submitted a Claim Form in connection with an earlier settlement in the Action or submit a valid Claim Form before the claims filing deadline

may receive a share of the Settlement Fund after they are reduced by the payment of certain expenses. The Settlement Agreement, available on the Settlement Website, describes all of the details about the proposed Settlement. The exact amount each qualifying Settlement Class Member will receive from the Settlement Fund cannot be calculated until (1) the Court approves the Settlement; (2) certain amounts identified in the full Settlement Agreement are deducted from the Settlement Fund; and (3) the number of participating Class Members and the amount of their claims are determined. In addition, each Settlement Class Member's share of the Settlement Fund will vary depending on the information the Settlement Class Member provides on their Claim Form.

The number of claimants who send in claims varies widely from case to case. If less than 100% of the Settlement Class sends in a Claim Form, you could get more money.

**How Do You Ask For a Payment?**

If you timely submitted a Claim Form pursuant to either: (1) the November 29, 2017 Notice (the "2017 Notice") related to the \$94 million settlement with Defendants Barclays plc, Barclays Bank plc, and Barclays Capital Inc. (collectively, "Barclays"), the \$45 million settlement with HSBC Holdings plc and HSBC Bank plc (collectively, "HSBC"), and the \$170 million settlement with Deutsche Bank AG and DB Group Services (UK) Ltd. (collectively, "Deutsche Bank"); (2) the December 19, 2018 Notice (the "2018 Notice") related to the \$182.5 million settlement with Citigroup Inc. and Citibank, N.A. (collectively, "Citi") and JPMorgan Chase & Co. and JPMorgan Chase Bank, N.A. (collectively, "JPMorgan"); and/or (3) the June 8, 2022 Notice (the "2022 Notice") related to the \$55 million settlement with Crédit Agricole S.A. and Crédit Agricole CIB (collectively, "Crédit Agricole"), then YOU DO NOT HAVE TO SUBMIT A NEW CLAIM FORM TO PARTICIPATE in the Settlement with Société Générale. Any Settlement Class Member who previously submitted a Claim Form in connection with the 2017 Notice, the 2018 Notice, and/or the 2022 Notice will be subject to and bound by the releases set forth in the Settlement Agreement with Société Générale, unless such member submits a timely and valid request for exclusion, explained below.

If you are a Settlement Class Member and have not previously submitted a Claim Form, you may seek to participate in the Settlement by submitting a Claim Form to the Claims Administrator at the address in the Settlement Notice postmarked no later than October 9, 2023. You may obtain a Claim Form on the Settlement Website or by calling the toll-free number referenced above. If you are a Settlement Class Member and do not file a Claim Form, you will still be bound by the releases set forth in the Settlement Agreement if the Court enters an order approving the Settlement Agreement.

**What Are Your Other Options?**

All requests to be excluded from the Settlement must be made in accordance with the instructions set forth in the Settlement Notice and must be postmarked to the Claims Administrator no later than July 27, 2023. All requests for exclusion must comply with the requirements set forth in the Settlement Notice to be honored. The Settlement Notice, available at the Settlement Website, explains how to exclude yourself or object. If you exclude yourself from the Settlement Class, you will not be bound by the Settlement Agreement and can independently pursue claims at your own expense. However, if you exclude yourself, you will not be eligible to share in the Net Settlement Fund or otherwise participate in the Settlement.

The Court will hold a Settlement Hearing in this case on September 7, 2023 at 2:00 p.m. (ET), to consider whether to approve the Settlement and a request by the lawyers representing all Settlement Class Members (Loweey Dannenberg, P.C. and Lovell Stewart Halebian Jacobson LLP) for an award of attorneys' fees of no more than sixteen percent (16%), or \$16,800,000, of the Settlement Fund for investigating the facts, litigating the case, and negotiating the Settlement, and for reimbursement of their costs and expenses in the amount of no more than \$500,000. The Plaintiffs may submit an additional request for service awards in light of their continued commitment and contributions that led to this Settlement for the benefit of the putative class, but have agreed to limit any such request to no more than \$150,000. The lawyers for the Settlement Class may also seek additional reimbursement of costs and expenses in connection with services provided after the Settlement Hearing. These payments will also be deducted from the Settlement Fund before any distributions are made to the Settlement Class.

You may ask to appear at the Settlement Hearing, but you do not have to. For more information, call toll-free 800-492-9154 or visit the website [www.EuriborSettlement.com](http://www.EuriborSettlement.com).

<sup>1</sup> "Euribor Products" means any and all interest rate swaps, forward rate agreements, futures, options, structured products, and any other instrument or transaction related in any way to Euribor, including but not limited to, New York Stock Exchange ("NYSE") London International Financial Futures and Options Exchange ("LIFFE") Euribor futures contracts and options, Chicago Mercantile Exchange ("CME") Euro currency futures contracts and options, Euro currency forward agreements, Euribor-based swaps, Euribor-based forward rate agreements, and/or any other financial instruments that reference Euribor.

<sup>2</sup> The "Settlement Agreement" means the agreement between Plaintiffs and Société Générale entered into on March 31, 2023, and filed with the Court in this action.



The chain has expanded to more than 260 locations in 22 states.

# Restaurant Chain Cava Plans to Launch IPO

By CORRIE DRIEBUSCH AND HEATHER HADDON

Mediterranean-style restaurant chain Cava Group is set to start marketing its initial public offering in a test of investor appetite for fast-growing companies that are still unprofitable.

Cava executives plan to launch the roadshow to pitch the shares to investors as early as Tuesday, with a goal of selling them for between \$17 and \$19 apiece, according to people familiar with the matter. The high end of that range would value Cava at around \$2.2 billion. If the roadshow is a success, Cava's stock will list on the New York Stock Exchange under the symbol CAVA the following week.

The situation is fluid, and the price range could still change, some of the people cautioned.

A successful debut could help pave the way for other young companies that are growing swiftly but still not turning a profit, traditionally a crucial component of the new-issue market, which has been in a deep funk. Last year was the slowest for new offerings in the U.S. in at least two decades, and 2023 is faring even worse in terms of money raised in traditional IPOs.

Investors have been more interested lately in cash flow and profits than in growth. In recent months, some of the largest and most-successful IPOs have been carve-outs of well-known businesses, such as Mobileye out of Intel and Kenvue from Johnson & Johnson.

Companies moving forward with traditional IPOs either make money or have been outlining a path to profitability. Cava said in a securities filing that its restaurant-level profit has nearly doubled in its last two fiscal years, and it is generating more cash as it opens new restaurants.

Companies waiting in the wings include grocery-delivery startup Instacart, marketing-automation platform Klaviyo and British chip designer Arm.

In 2011, Cava Group opened its first fast-casual restaurant. The chain, known for bowls and pitas, has expanded to more than 260 locations in 22 states. The company acquired then-publicly traded Zoës Kitchen in 2018 and converted its restaurants into Cava locations to aid its expansion, particularly into the suburbs. Washington, D.C.-based Cava aims to have more than 1,000 restaurants in the U.S. by 2032, it said in a filing.

Cava reported a net loss of \$59 million for its fiscal year ended Dec. 25, compared with \$37.4 million the prior year. Its loss narrowed to \$2.1 million in its first quarter of this fiscal year from \$20 million a year earlier.

The chain reported average restaurant sales of \$2.4 million per location last year, according to market research firm Technomic.

Cava aims to use proceeds from the stock sale to open new restaurants and for general corporate purposes.

The lead underwriters of the IPO are JPMorgan Chase, Jefferies and Citigroup.

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TECHNOLOGY

Musk Markets Self as Hustle Guru

Billionaire motivates workers with focus on sacrifice as many push for work-life balance

By TIM HIGGINS

Elon Musk endures a lot. Just ask him.

In recent weeks, he has again expounded upon his long workdays and his infrequent vacations, all while mocking workers who prefer working from home as living in "la-la land."

Since his first startup almost 30 years ago, the billionaire entrepreneur has epitomized the hustle culture of Silicon Valley that is all about grinding out late nights at the office. His public discussion of pain and sacrifice has helped him create a demanding culture at the companies he runs, including the car company Tesla and the rocket maker SpaceX.

Now, with the social-media platform Twitter, which he gained control of late last year, that approach is being tested anew as he races to remake the company and its remaining workforce, an effort that he has described as "quite painful."

His live-at-work ethos, through which his own suffering is put on display to motivate others, runs counter to the work-from-home ideal embraced by a new era of employees openly questioning one's commitment to a job. Their "quiet quitting" while working has helped fuel a broader debate about how much one should give over to the daily grind.

From Musk's view, a lot. His approach raises questions about how best to motivate workers and get results. Is it giving them flexibility and focusing on work-life balance? Or is it trying to fire them up by working insanely hard and making clear they are expected to do the same?

Musk, 51 years old, recently called working from home



Elon Musk is known not only for his long work days and hectic schedule, but talking about them.

"morally wrong," igniting blowback on social media from those unhappy with being pressured to return to their offices in the midst of child-care costs, commuting hassles and desires to keep flexible schedules.

Facebook parent Meta Platforms last week was the latest Silicon Valley giant to declare that more in-office time was needed as companies in general worry about the teamwork and productivity of their employees working from home.

Asked at The Wall Street Journal CEO Council Summit in May about managing his workload, Musk said he tries to divide his time predominantly between one company each day, such as Tesla on Tuesday, though he might end his day working on Twitter. Musk has said that with the acquisition of Twitter his work has exploded to more than 120 hours a week.

"My days are very long and complicated, as you might imagine," Musk said last month.

A week earlier, Musk suggested to CNBC in an interview that he takes off two or three days each year. "I work seven days a week, but I'm not

expecting others to do that," he said.

Still, Musk sends a message, sometimes not so subtly, that he expects something close to that.

In the early days of his Twitter ownership, Musk asked his new employees to commit to long hours and "extremely hard-core" work to reinvent the social-media company to his liking, a theme he has used at Tesla when looking to motivate the troops.

A recent lawsuit filed by former Twitter employees claims Musk ordered that conference rooms at the company's San Francisco base be converted to "sleeping rooms" to give exhausted workers a place to nap. Musk also wanted a bathroom installed next to his office, according to the complaint, so he "didn't have to wake his security team and cross half the floor to use the bathroom in the middle of the night."

Twitter hasn't responded to the lawsuit, filed in a Delaware federal court.

In a recent BBC interview, Musk described the "painful" work of taking over Twitter, similar to how he has long

talked about struggling for years at Tesla before it became consistently profitable. In 2021, he described his experience at the automaker as amounting to two-thirds of all his life's "personal and professional pain combined."

Musk has been known to praise those willing to give their all. He expressed admiration for Chinese workers last year during an interview at a Financial Times conference.

"They won't just be burning the midnight oil. They will be burning the 3 a.m. oil. They won't even leave the factory type of thing, whereas in America people are trying to avoid going to work at all," Musk said.

In China, that mind-set has received pushback. And Musk's approach can make him look uncaring.

Earlier this year at Twitter, for example, during one of the company's purge of workers, Haraldur Thorleifsson, an employee, tweeted to Musk that access to his work computer was cut off. "However your head of HR is not able to confirm if I am an employee or not," he wrote. "Maybe if

enough people retweet you'll answer me here?"

Musk responded in a string of biting tweets. "The reality is that this guy (who is independently wealthy) did no actual work, claimed as his excuse that he had a disability that prevented him from typing, yet was simultaneously tweeting up a storm," Musk wrote. "Can't say I have a lot of respect for that."

Thorleifsson has a form of muscular dystrophy and is known in Iceland for his work on disability issues. He joined Twitter after his company was acquired by the platform before Musk's takeover. Once Musk realized the full story, he apologized.

Musk's own sleeping habits are often part of the narrative regarding whatever challenge he is tackling.

When I interviewed Musk in 2018 at the Fremont, Calif., factory during troubles with Tesla's Model 3 sedan, Musk kept a pillow nearby and told me he was sleeping under his desk. "I haven't left the factory in three days," he said. "If I look a little unkempt, that's why."

Around the same time, he gave CBS's Gayle King a factory tour and pointed out the couch he had slept on. "It's terrible," he said. Then he conducted a telephone interview with the New York Times, which it dutifully noted occurred at 3 a.m., to talk about his effort.

Later, he explained his reasoning to Bloomberg Businessweek: "The reason I slept on the floor was not because I couldn't go across the road and be at a hotel. It was because I wanted my circumstances to be worse than anyone else at the company. Whenever they felt pain, I wanted mine to be worse."

Watch a Video



Scan this code for a video on Musk's hopes and challenges at Twitter.

Twitter Poaches Executive

Continued from page B1

The addition of Benarroch comes amid turnover in Twitter's upper ranks in recent days. Last week, Twitter lost two key executives: Ella Irwin, Twitter's head of trust and safety, who was in charge of handling content moderation decisions, and A.J. Brown, head of brand safety and ad quality, The Wall Street Journal reported. Their exits came in part because of a controversy over Twitter's handling of a movie about gender issues.

Twitter relies on advertising for most of its revenue. Reassuring advertisers that the platform is safe for them—that their brands won't be juxtaposed with objectionable content—is key to drawing them back into the fold.

In recent months, Twitter has touted new tools for brands to monitor and control where their ads appear. Some advertisers have expressed optimism about those moves. Musk said at the Journal's CEO Council Summit in May that Twitter isn't quite profitable, but could be cash-flow positive soon.



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BUSINESS & FINANCE

# In Private Equity, Some Forgo an M.B.A.

Emphasis wanes as costs rise and PE firms seek more diversity in recruits

By ISAAC TAYLOR

Soon after graduating from Boston College in 2017 with a bachelor's degree in finance, Lauren Wedell landed a job as an analyst at Chicago-based investment bank William Blair & Co. She subsequently joined technology-focused investment firm Battery Ventures in 2018 as an associate and has risen to vice president.

Wedell's career trajectory within private equity has been typical in many ways but for one crucial decision: She said she had decided there was more value in gaining two years of deal-making experience than in earning a master of business administration and returning to a similar role at the firm.

"I was fortunate to have a direct promotion path from associate to [vice president] and was able to do so without going to get an M.B.A.," Wedell said. "I do know there are private-equity firms where it really is mandated across the board in terms of a requirement to reach a certain level. And so I think it de-

pends on the [firm] itself and also each individual."

As the industry developed over past decades, most early-career private-equity professionals went along a well-trodden path of interning at an investment bank or buyout firm while in college, followed by entering an associate program after graduating. These budding financiers would then go back to school for an M.B.A. before returning to a senior associate or vice president role in the industry. And for many younger professionals, the benefits of networking and obtaining a broader knowledge of business and finance still move them to pursue an M.B.A.

## Individual ability

Increasingly in recent years, however, professionals entering the industry are following a similar path to Wedell's and forgoing a graduate degree as fund managers shift away from the traditional, if informal, M.B.A. requirement. Firms such as Battery Ventures and Vista Equity Partners give priority to hands-on experience and diverse backgrounds when hiring and promoting young financiers. The emphasis on individual ability opens opportunities for those without an M.B.A.

While tuition and fees can be steep, obtaining an M.B.A. can provide distinct advantages, Wedell said. Some firms reward holders of the degree with greater opportunities to participate in investment committee discussions, for instance. In presentations to potential investors and investment targets, an M.B.A. can enhance a less-experienced financier's credibility, said David White, a founding partner of Menlo Coaching. The company provides admissions consulting and test preparation services to help applicants get accepted to the business school they prefer.

Industry views and practices are evolving, however, as firms reconsider talent source-



Laruen Wedell, left, skipped an M.B.A., while Jenny Chen, right, is pursuing the degree at Wharton.



ing for more flexibility in hiring and recent college graduates rethink career paths.

Technology investment specialist Vista, which manages about \$96 billion, is among those firms that don't require M.B.As for professionals.

## Hands-on work

Hands-on experience provides the best lessons, according to David Breach, Vista's president and chief operating officer. An apprenticeship model gives the firm's young financiers exposure to deal and portfolio activities early on. He said substantially all of Vista's senior leaders have ascended through the ranks.

"Vista considers a diverse variety of experience and education across all of our hiring efforts," said Breach, who doesn't have an M.B.A. himself. "Much of our junior talent strategy is focused on undergraduate candidates or those with several years of professional services or investment-banking experience."

Despite the industry's traditional emphasis on M.B.A. credentials, many of its most successful executives reached senior leadership roles with-

out going to business school.

At Blackstone, Jonathan Gray rode a successful career to become president and chief operating officer. He joined the New York buyout firm in 1992 and went on to serve as global head of real estate, which he helped build into one of the largest real-estate investment operations, according to the firm's website.

At peer firm KKR & Co. in New York, the co-chief executives rose to the top without holding M.B.As. Joseph Bae started his career at investment bank Goldman Sachs Group after graduating from Harvard College and Scott Nuttall took a similar route after obtaining a bachelor's degree from the University of Pennsylvania.

Rather than a degree from a leading business school, the biggest determination of someone's success is what firms often call a spark or an X-factor, typically defined as the ability to differentiate oneself and his or her employer, said John Rubinetti, a partner at Heidrick & Struggles, an executive search and management consulting company.

For those who choose to pursue an M.B.A., challenges can include bearing the eco-

nomical burden of tuition and fee costs, as well as forgone income. At top business schools where private-equity firms often find recruits, the cost of attending for two years can reach \$200,000, including related expenses. A small number of firms help associates bear the costs of M.B.As, but most don't, according to industry experts.

## Weighing benefits

Last year, applications fell for the class of 2024 at Harvard Business School, Yale School of Management and the University of Pennsylvania's Wharton School, with declines ranging from 10% to 15%. The hefty price tag deterred more than half of over 1,500 prospective students who considered applying to business school last year from ultimately doing so, The Wall Street Journal reported, citing consulting firm Clear Admit.

In addition to paying for school, prospective students also weigh the loss of income that would come with going back to classes. Senior associates at top firms can make \$350,000 annually, including bonus, meaning the choice to

pursue an M.B.A. can put someone already in the business in a nearly \$1 million hole over two years.

Among M.B.A. graduates of Harvard Business School last year, 15% joined a private-equity firm, according to the school's website. They started with a median base salary of \$175,000, up almost 17% from 2018. Nearly 84% also stood to receive a median annual performance bonus of \$175,000, according to the school.

For Jenny Chen, 28, the benefits of furthering her education outweighed the costs, she said. She is pursuing an M.B.A. at Wharton following nearly three years of work as an associate at a private-equity firm.

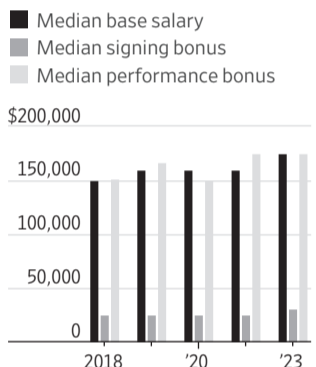
Her firm encouraged—but didn't require—her to go back to school for an M.B.A., she said. Chen made the decision to continue her education in large part because of the networking opportunities that business schools typically provide. She said her classes also help her fill knowledge gaps on matters such as tax structuring and restructuring law.

People feel safer taking risks in a school environment compared with on the job, where performance generally affects decisions on compensation and promotion, said White of Menlo Coaching.

When at work, young professionals are "probably going to play it very safe and [be] deferential and focus more on not making mistakes than on developing themselves," White said.

On-the-job experience can be very narrow, said Nicholas Kalogeropoulos, a senior associate director of employment relations at Columbia Business School. "With a school curriculum, which also includes practical experience, you get exposure to all sorts of subjects that have to do with business," he said. "You get experience in finance, marketing, data analytics, leadership. You can't have a job, particularly for two years, that exposes you to all that."

## Salary and bonus breakdown for Harvard Business School graduates who went into private equity



Note: Data for students who graduated between 2018 and 2022. Source: Harvard Business School

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**Nvidia is the Roundhill fund's largest holding. An Nvidia graphics processing unit in Taiwan.**

## ETFs Tap Into AI Stocks

*Continued from page B1*

under management and has taken in about \$450 million of new money this year.

Launched in 2016 to track a market-cap-weighted thematic index of companies that are developing robotics and AI, the fund invests in a range of companies in the sector, said Tejas Dessai, a research analyst at Global X ETFs. Nvidia is also its largest holding, with a roughly 12% weight. The fund is up 37% year to date.

"A new generation of investors is out there—millennials and Gen Z are putting their money into markets—and they tend to resonate very well with some of these ideas compared to the broader segment of investors," said Dessai.

The interest in AI investing has also increased demand for single-stock ETFs, a product that hit the U.S. market for the first time last year and has largely struggled to gain momentum. Single-stock ETFs allow investors to bet against a

stock by shorting it or to amplify their returns using leverage. Before such funds tied to Nvidia gained popularity in recent weeks, those associated with Tesla were the only ones to see much trading activity.

AXS Investments' **1.25x NVDA Bear Daily ETF**, which seeks to provide 1.25 times the inverse performance of Nvidia shares, smashed its single-day record for inflows on May 26, taking in a net \$52 million. It is the first non-Tesla single-stock ETF with more than \$100 million under management. AXS has also filed to

launch a bull version of the Nvidia ETF.

In the ETF industry, where many providers often offer similar funds, competition is fierce and the urgency to be first to capitalize on a new trend is prevalent, said Johan Grahm, head of exchange-traded funds at Allianz Investment Management.

"The first mover advantage

is important for many of these funds, especially if they're very niche," Grahm said. "You are always going to see a segment of the market that will act on these things—the latest and greatest and most exciting theme out there."

The interest in AI funds contrasts with the broader equity ETF segment, which has faced a challenging stretch amid the high interest-rate environment.

Technology sector ETFs logged a net \$8 billion in inflows in May, while all other segments had a collective \$5 billion outflow, according to State Street Global Advisors.

Todd Rosenbluth, head of research at VettaFi, said he thinks AI has more traction than some other trends in the ETF industry, thanks to the involvement of some of the world's biggest tech companies. In a survey conducted by his firm last month, 69% of respondents said they are considering investing in AI, a larger share than any other category.

"AI is top of mind for many investors, and this is a theme that likely has legs," said Rosenbluth. "I think we're going to see more of these products, and this space is going to be more crowded—in a good way, if you're an investor."

## 'AI is top of mind for many investors, and this is a theme that likely has legs.'

launch a bull version of the Nvidia ETF.

In the ETF industry, where many providers often offer similar funds, competition is fierce and the urgency to be first to capitalize on a new trend is prevalent, said Johan Grahm, head of exchange-traded funds at Allianz Investment Management.

"The first mover advantage

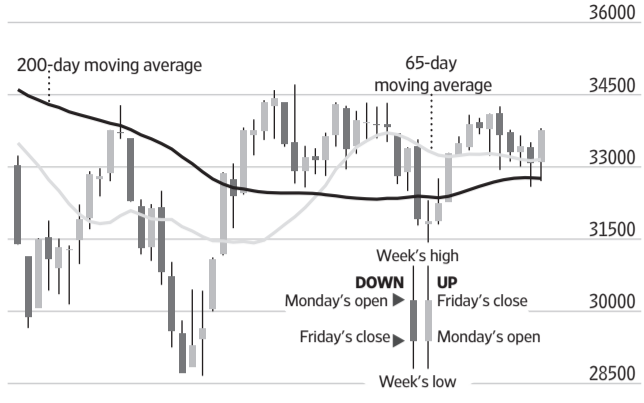


# MARKETS DIGEST

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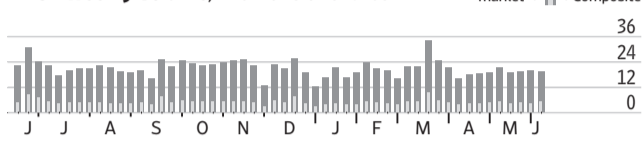
**33762.76** ▲669.42, or 2.02% last week  
 Trailing P/E ratio 22.48 18.74  
 P/E estimate \* 17.47 17.36  
 High, low, open and close for each of the past 52 weeks  
 Dividend yield 2.10 2.15  
 All-time high 36799.65, 01/04/22

Current divisor 0.15172752595384



Bars measure the point change from Monday's open

## NYSE weekly volume, in billions of shares



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

## Major U.S. Stock-Market Indexes

	High	Low	Close	Net chg	% chg	Low	52-Week Close (●)	High	% chg	YTD	3-yr. ann.
<b>Dow Jones</b>											
Industrial Average	33805.00	32704.51	<b>33762.76</b>	669.42	▲2.02	28725.51	●	34589.77	2.6	1.9	9.5
Transportation Avg	14236.50	13647.82	<b>14150.48</b>	247.06	▲1.78	11999.40	●	15640.70	-2.0	5.7	15.7
Utility Average	904.14	883.53	<b>900.04</b>	6.24	▲0.70	838.99	●	1061.77	-11.8	-7.0	3.1
Total Stock Market	42803.19	41452.91	<b>42733.30</b>	856.71	▲2.05	36056.21	●	43441.8	3.3	10.9	10.9
Barron's 400	936.87	895.36	<b>936.00</b>	21.48	▲2.35	825.73	●	1023.2	-4.1	1.7	11.9

	High	Low	Close	Net chg	% chg	Low	52-Week Close (●)	High	% chg	YTD	3-yr. ann.
<b>Nasdaq Stock Market</b>											
Nasdaq Composite	13256.21	12889.37	<b>13240.77</b>	265.08	▲2.04	10213.29	●	13240.77	10.2	26.5	11.3
Nasdaq-100	14595.81	14216.16	<b>14546.64</b>	248.23	▲1.74	10679.34	●	14546.64	15.9	33.0	14.6

	High	Low	Close	Net chg	% chg	Low	52-Week Close (●)	High	% chg	YTD	3-yr. ann.
<b>S&amp;P</b>											
500 Index	4290.67	4166.15	<b>4282.37</b>	76.92	▲1.83	3577.03	●	4305.2	4.2	11.5	11.6
MidCap 400	2506.79	2392.77	<b>2505.55</b>	62.70	▲2.57	2200.75	●	2726.61	-0.6	3.1	11.6
SmallCap 600	1182.85	1119.06	<b>1181.71</b>	35.23	▲3.07	1064.45	●	1315.82	-5.0	2.1	12.9

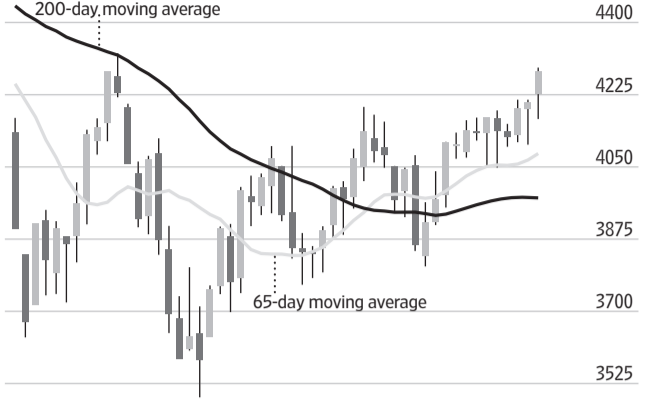
	High	Low	Close	Net chg	% chg	Low	52-Week Close (●)	High	% chg	YTD	3-yr. ann.
<b>Other Indexes</b>											
Russell 2000	1831.71	1736.82	<b>1830.91</b>	57.88	▲3.26	1649.84	●	2021.35	-2.8	4.0	8.9
NYSE Composite	15365.70	14810.57	<b>15345.19</b>	266.50	▲1.77	13472.18	●	16122.58	-2.9	1.1	8.4
Value Line	550.26	526.63	<b>549.95</b>	12.60	▲2.34	491.56	●	606.49	-5.8	2.5	7.3
NYSE Arca Biotech	5372.24	5203.50	<b>5372.03</b>	80.26	▲1.52	4208.43	●	5644.5	16.6	1.7	-1.9
NYSE Arca Pharma	857.67	836.95	<b>856.56</b>	8.16	▲0.96	737.84	●	892.45	2.5	-1.3	9.5
KBW Bank	80.68	75.39	<b>80.28</b>	2.42	▲3.11	71.96	●	115.73	-29.8	-20.4	1.7
PHLX <sup>®</sup> Gold/Silver	127.79	119.95	<b>125.34</b>	3.64	▲2.99	91.40	●	144.37	-6.2	3.7	1.8
PHLX <sup>®</sup> Oil Service	76.60	69.16	<b>76.03</b>	3.048	▲4.18	56.08	●	93.94	-10.3	-9.3	30.6
PHLX <sup>®</sup> Semiconductor	3643.94	3437.89	<b>3501.40</b>	-44.26	-1.25	2162.32	●	3549.39	14.3	38.3	23.0
Cboe Volatility	19.56	14.42	<b>14.60</b>	-3.35	-18.66	14.60	●	34.02	-41.1	-32.6	-18.4

†Nasdaq PHLX Sources: FactSet; Dow Jones Market Data

## S&P 500 Index

**4282.37** ▲76.92, or 1.83% last week  
 Trailing P/E ratio \* 18.68 21.72  
 P/E estimate \* 18.92 18.05  
 High, low, open and close for each of the past 52 weeks  
 Dividend yield \* 1.66 1.55  
 All-time high 4796.56, 01/03/22

Current divisor 0.15172752595384



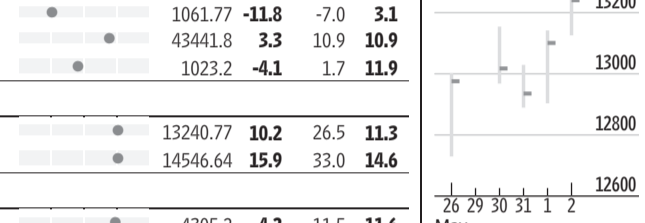
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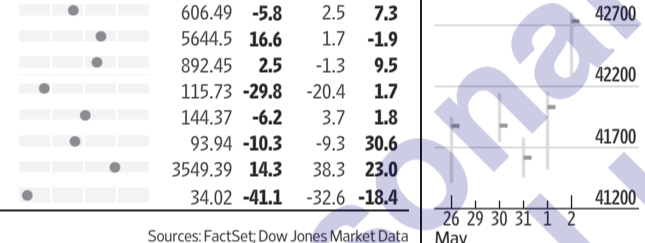
## Nasdaq Composite

▲ **265.08**, or 2.04% last week



## DJ US TSM

▲ **856.71**, or 2.05% last week



Sources: FactSet; Dow Jones Market Data

## International Stock Indexes

Region/Country	Index	Close	Latest Week % chg	Low	52-Week Range	High	YTD % chg
<b>World</b>	<b>MSCI ACWI</b>	663.25	▲1.56	550.37	●	663.25	9.6
	<b>MSCI ACWI ex-USA</b>	298.74	▲0.99	244.35	●	308.27	6.2
	<b>MSCI World</b>	2873.37	▲1.61	2367.69	●	2873.37	10.4
	<b>MSCI Emerging Markets</b>	984.36	▲1.18	842.76	●	1073.74	2.9
<b>Americas</b>	<b>MSCI AC Americas</b>	1622.85	▲1.91	1363.36	●	1639.98	11.4
Canada	<b>S&amp;P/TSX Comp</b>	20024.63	▲0.52	18206.28	●	20928.21	3.3
Latin Amer.	<b>MSCIEM Latin America</b>	2323.53	▲1.42	1912.59	●	2439.24	9.2
Brazil	<b>BOVESPA</b>	112558.15	▲1.49	96120.85	●	119928.79	2.6
Chile	<b>S&amp;P IPSA</b>	3195.21	▲0.77	3021.53	●	3546.47	0.7
Mexico	<b>S&amp;P/BMV IPC</b>	53232.71	-1.47	44626.80	●	55534.68	9.8
<b>EMEA</b>	<b>STOXX Europe 600</b>	462.15	▲0.16	382.89	●	469.00	8.8
	<b>STOXX Europe 50</b>	3998.51	-0.72	3310.09	●	4079.60	9.5
Eurozone	<b>Euro STOXX</b>	456.37	▲0.04	359.45	●	465.19	11.3
	<b>Euro STOXX 50</b>	4323.52	-0.32	3279.04	●	4408.59	14.0
Austria	<b>ATX</b>	3138.23	▲1.58	2647.43	●	3557.01	0.4
Belgium	<b>Bel-20</b>	3632.83	-0.53	3313.82	●	3954.16	-1.8
France	<b>CAC 40</b>	7270.69	-0.66	5576.87	●	7577.00	12.3
Germany	<b>DAX</b>	16051.23	▲0.42	11975.55	●	16275.38	15.3
Greece	<b>Athex Composite</b>	1217.86	-0.25	779.20	●	1236.20	3.0
Israel	<b>Tel Aviv</b>	1729.35	-2.20	1707.57	●	2067.23	-3.8
Italy	<b>FTSE MIB</b>	27068.33	▲1.33	20353	●	27949	14.2
Netherlands	<b>AEX</b>	764.92	-0.38	630.58	●	771.69	11.0
Norway	<b>Oslo Bors All-Share</b>	1387.73	▲0.80	1247.07	●	1476.42	1.8
Portugal	<b>PSI 20</b>	5901.62	▲0.61	5190.28	●	6349.21	3.1
South Africa	<b>FTSE/JSE All-Share</b>	77126.06	▲0.70	63263.94	●	80791.36	5.6
Spain	<b>IBEX 35</b>	9317.30	▲1.37	7261.1	●	9511.0	13.2
Sweden	<b>OMX Stockholm</b>	853.60	▲1.26	690.07	●	886.59	9.2
Switzerland	<b>Swiss Market</b>	11443.35	▲0.08	10072.62	●	11595.25	6.7
U.K.	<b>FTSE 100</b>	7607.28	-0.26	6826.15	●	8014.31	2.1
<b>Asia-Pacific</b>	<b>MSCI AC Asia Pacific</b>	162.43	▲1.67	134.3	●	170.5	4.3
Australia	<b>S&amp;P/ASX 200</b>	7145.10	-0.13	6433.4	●	7558.1	1.5
China	<b>Shanghai Composite</b>	3230.07	▲0.55	2893.48	●	3409.21	4.6
Hong Kong	<b>Hang Seng</b>	18949.94	▲1.08	14687.02	●	22688.90	-4.2
India	<b>S&amp;P BSE Sensex</b>	62547.11	▲0.07	51360.42	●	63284.19	2.8
Japan	<b>NIKKEI 225</b>	31524.22	▲1.97	25176.86	●	31524.22	20.8
Malaysia	<b>FTSE Bursa Malaysia KLCI</b>	1381.26	-1.55	1373.36	●	1537.83	-7.6
Singapore	<b>Straits Times</b>	3166.30	-1.28	2969.95	●	3394.21	-2.6
South Korea	<b>KOSPI</b>	2601.36	▲1.66	2155.49	●	2670.65	16.3
Taiwan	<b>TAIEX</b>	16706.91	▲1.22	12666.12	●	16706.91	18.2

Source: FactSet; Dow Jones Market Data

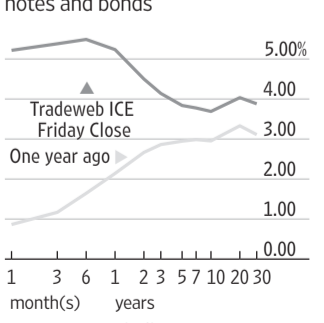
## Commodities and Currencies

	Close	Latest Week % chg	YTD % chg
<b>DJ Commodity</b>	952.00	-4.27	-0.45
Refinitiv/CC CRB Index	259.69	-1.02	-0.39
Crude oil, \$ per barrel	71.74	-0.93	-1.28
Natural gas, \$/MMBtu	2.172	-0.245	-10.14
Gold, \$ per troy oz.	1952.40	8.10	0.42
<b>U.S. Dollar Index</b>	104.04	-0.17	-0.16
<b>WSJ Dollar Index</b>	97.76	-0.30	-0.31
Euro, per dollar	0.9338	0.0017	0.18
Yen, per dollar	139.97	-0.67	-0.48
U.K. pound, in dollars	1.25	0.0100	0.81

Go to [WSJMarkets.com](http://WSJMarkets.com) for free access to real-time market data.

## Benchmark Yields and Rates

### Treasury yield curve



### Forex Race



Sources: Tradeweb ICE U.S. Treasury Close; Tullett Prebon; Dow Jones Market Data

## Corporate Borrowing Rates and Yields

Bond total return index	Yield (%) Last	Spread +/- Treasuries, in basis pts, 52-wk Range	Total Return 52-wk	3-yr
<b>U.S. Treasury</b> , Bloomberg	4.130	4.250	-2.32	-4.54
<b>U.S. Treasury Long</b> , Bloomberg	3.990	4.100	-8.58	-11.87
<b>Aggregate</b> , Bloomberg	4.630	4.790	-2.19	-3.73
<b>Fixed-Rate MBS</b> , Bloomberg	4.950	4.850	n.a.	26
<b>High-Yield 100</b> , ICE BofA	8.019	8.249	321	552
<b>Muni Master</b> , ICE BofA	3.366	3.522	n.a.	-17
<b>EMBI Global</b> , J.P. Morgan	7.792	8.013	388	353

Sources: J.P. Morgan; S&P Dow Jones Indices; Bloomberg Fixed Income Indices; ICE BofA

## New to the Market

### Public Offerings of Stock

**IPOs in the U.S. Market**  
 Initial public offerings of stock expected this week; might include some offerings, U.S. and foreign, open to institutional investors only via the Rule 144a market; deal amounts are for the U.S. market only

Expected pricing date	Filed	Issuer/business	Symbol/primary exchange	Shares (mil.)	Pricing Range(\$)	Bookrunner(s)
n.a.	2/21	Azitra Clinical stage biopharmaceutical company.	<b>AZTR</b> Nq	<b>2.4</b>	4.50/5.50	Fordham Financial Management

### Lockup Expirations

Below, companies whose officers and other insiders will become eligible to sell shares in their newly public companies for the first time. Such sales can move the stock's price.

Lockup expiration	Issue date	Symbol	Offer price(\$)	Offer amt	Through Friday (%)	Lockup provision	
June 4	Dec. 6, '22	Adamas One	<b>JEWL</b>	4.50	34.0	-81.1	180 days

### IPO Scorecard

Performance of IPOs, most-recent listed first

Company	SYMBOL	Friday's close (\$)	Offer price	% Chg From	Company	SYMBOL	Friday's close (\$)	Offer price	% Chg From
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CLOSED-END FUNDS

Listed are the 300 largest closed-end funds as measured by assets. Closed-end funds sell a limited number of shares and invest the proceeds in securities. Unlike open-end funds, closed-ends generally do not buy their shares back from investors who wish to cash in their holdings. Instead, fund shares trade on a stock exchange. NA signifies that the information is not available or not applicable. NS signifies funds not in existence for the entire period. 12 month yield is computed by dividing income dividends paid (during the previous 12 months for periods ending at month-end or during the previous 52 weeks for periods ending at any time other than month-end) by the latest month-end market price adjusted for capital gains distributions. Depending on the fund category, either 12-month yield or total return is listed.

Friday, June 2, 2023

Table of closed-end funds with columns: Fund (SYM), NAV, Close/Discount, Return, 52 wk Prem Ttl Ret, and Prem 12 Mo NAV Close/Discount Yield. Includes sections for General Equity Funds, Income & Preferred Stock Funds, Convertible Sec's Funds, World Equity Funds, and U.S. Mortgage Bond Funds.

Table of closed-end funds with columns: Fund (SYM), NAV, Close/Discount, Return, 52 wk Prem Ttl Ret, and Prem 12 Mo NAV Close/Discount Yield. Includes sections for Investment Grade Bond Funds, Loan Participation Funds, National Muni Bond Funds, and U.S. Mortgage Bond Funds.

Table of closed-end funds with columns: Fund (SYM), NAV, Close/Discount, Return, 52 wk Prem Ttl Ret, and Prem 12 Mo NAV Close/Discount Yield. Includes sections for General Equity Funds, Income & Preferred Stock Funds, Convertible Sec's Funds, World Equity Funds, and U.S. Mortgage Bond Funds.

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Insider-Trading Spotlight

Trading by 'insiders' of a corporation, such as a company's CEO, vice president or director, potentially conveys new information about the prospects of a company. Insiders are required to report large trades to the SEC within two business days. Here's a look at the biggest individual trades by insiders, based on data received by Refinitiv on June 2, and year-to-date stock performance of the company.

KEY: B: beneficial owner of more than 10% of a security class; CB: chairman; CEO: chief executive officer; CFO: chief financial officer; CO: chief operating officer; D: director; DO: director and beneficial owner; GC: general counsel; H: officer, director and beneficial owner; I: indirect transaction filed through a trust, insider spouse, minor child or other; O: officer; OD: officer and director; P: president; UT: unknown; VP: vice president; Excludes pure options transactions

Biggest weekly individual trades

Table showing biggest weekly individual trades with columns: Date(s), Company, Symbol, Insider, Title, No. of shares in trans (000s), Price range (\$), \$ Value, Close (\$), and Ytd (%).

Sellers

Table showing sellers with columns: Date, Company, Symbol, Insider, Title, No. of shares in trans (000s), Price range (\$), \$ Value, Close (\$), and Ytd (%).

Buying and selling by sector

Table showing buying and selling by sector with columns: Sector, Buying, Selling, Sector, Buying, Selling.

Borrowing Benchmarks | wsj.com/market-data/bonds/benchmarks

Table showing borrowing benchmarks with columns: Week, -52-Week-, Latest, High, Low.

Money Rates

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

Table showing money rates with columns: Inflation, U.S. government rates, Other short-term rates, U.S. consumer price index, International rates, Prime rates, Policy Rates, Overnight repurchase, Treasury bill auction, Secondary market, Fannie Mae, and DTCC GCF Repo Index.

Notes on data: U.S. prime rate is the base rate on corporate loans posted by at least 70% of the 10 largest U.S. banks, and is effective May 4, 2023. Other prime rates aren't directly comparable; lending practices vary widely by location. Discount rate is effective May 4, 2023. Secured Overnight Financing Rate is as of June 1, 2023. DTCC GCF Repo Index is Depository Trust & Clearing Corp.'s weighted average for overnight trades in applicable CUSIPs. Value traded is in billions of U.S. dollars. Federal-funds rates are Tullett Prebon rates as of 5:30 p.m. ET.

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

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

Table showing cash prices for Energy, Metals, Fibers and Textiles, Grains and Feeds, and Fats and Oils.

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=B=weekly; M=monthly; N=nominal; n.a.=not quoted or not available; P=Standard Publishing; R=SNL Energy; S=Platts-TSI; T=Cottlook Limited; U=USDA; V=Benchmark Mineral Intelligence; W=weekly; Y=International Coffee Organization; Z=not quoted. \*Data as of 6/1

Sources: Refinitiv; Dow Jones Market Data

Sources: Dow Jones Market Data



MARKETS

# Renewables Avoid a Nightmare in Texas

State legislators drop the more extreme attempts to curb wind and solar projects

By PHRED DVORAK AND JENNIFER HILLER

Clean-energy advocates say they have avoided disaster in Texas.

A barrage of measures in the Texas legislature had threatened wind and solar projects, but according to renewables-project developers, the worst of those weren't enacted.

Collectively, those bills could have upended the renewables industry in Texas, which is the nation's biggest generator of electric power and has more wind, solar and battery projects on the grid and under development than any other state, according to the American Clean Power Association.

Proposals that fizzled included one that would have made renewables foot part of the bill for new natural-gas plants. Another would have mandated that wind farms be set back the distance of 10 football fields from property lines.

Advanced Power Alliance, a clean-energy trade group focused on Southern states, was at one point tracking more than 70 renewables-related bills, "most of them bad," said Judd Messer, the group's Texas vice president.

Instead, during the legislative session that ended last Monday, state lawmakers softened or eliminated measures viewed as the most damaging to renewables growth, opting for more moderate policies focused on shoring up the stability of Texas' grid.

That outcome partly reassured renewables developers,

many of which have big plans for projects in the state.

For French energy company Engie, the Texas results reinforced the company's renewables growth plans in the state, said Rob Minter, senior vice president in charge of government affairs at Engie's North American unit. Texas hosts more than half the five gigawatts of solar and wind projects that Engie is operating or building in the U.S.

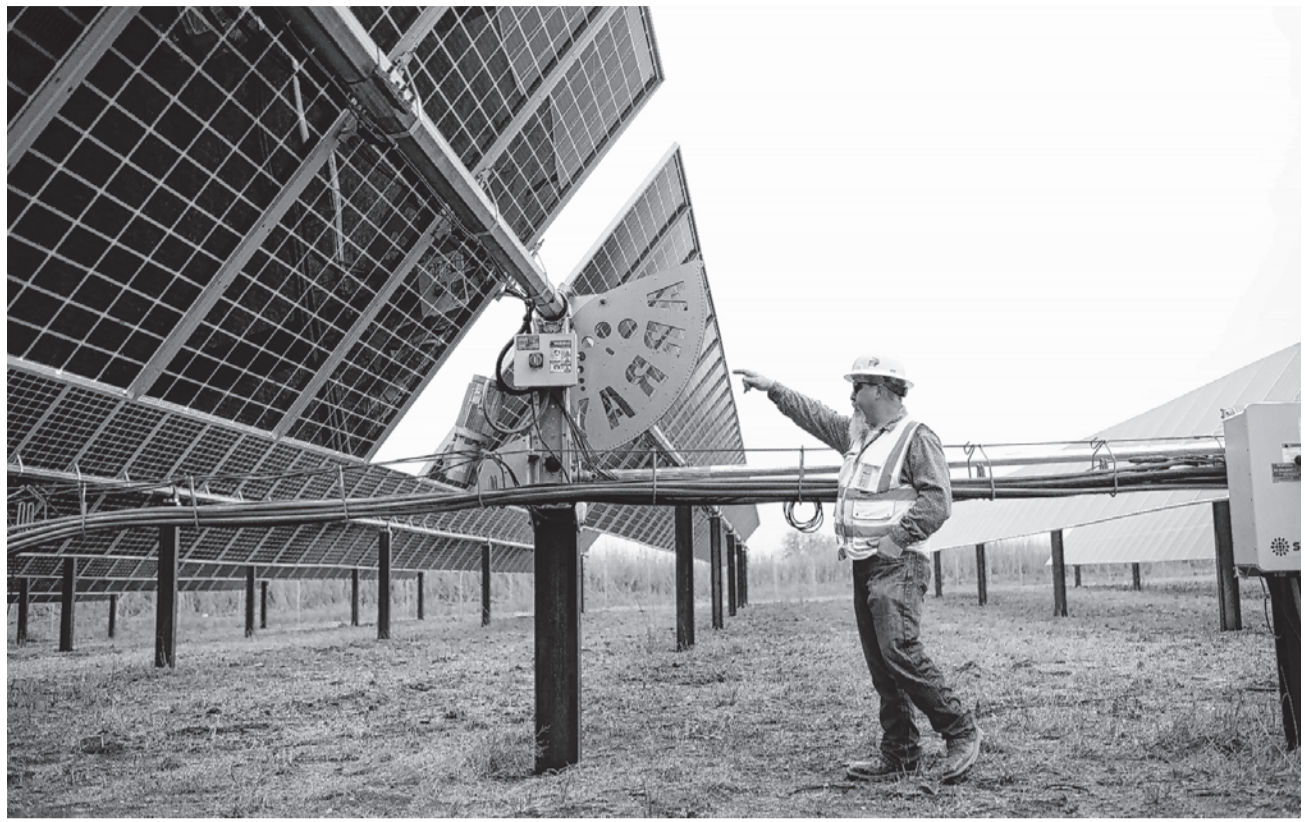
Still, clean-energy executives say that overall, the slate of bills just passed raises costs for the industry and make Texas' famously renewables-friendly market less attractive for wind and solar. The legislation encourages the construction of more natural-gas plants, a feat trumpeted by Lt. Gov. Dan Patrick, who presides over the Texas Senate and has described renewable energy as a "luxury."

State regulators also still need to settle details for several measures that could have a significant impact on the economics of wind or solar projects.

"I'm not gritting my teeth any more," said Mona Tierney-Lloyd, head of U.S. public policy for Italian energy company Enel, which has invested \$4.5 billion in renewables in Texas. "But I'm not relaxed. It's not the cork-popping time yet."

Other areas of the country have also pushed back on renewables recently, fueled by everything from a political divide over the benefits of green energy to unease at the proliferation of solar and wind projects in their backyards.

In Texas, the skepticism over renewables and push for more conventional power plants were also spurred by a freak winter storm in February 2021 that left millions of people in the state without power for days, and led to more than 200 deaths. Although all types



Texas hosts more than half the five gigawatts of solar and wind projects that France's Engie is operating or building in the U.S.

of generation froze and failed, with gas and power generation both dropping about a third, Texas Gov. Greg Abbott blamed the blackouts on wind and solar. Lt. Gov. Patrick vowed to pass legislation that increased the amount of "dispatchable" power—largely natural-gas plants that can be quickly called on to provide electricity when needed.

Early this year, the Texas Senate started pumping out scores of energy proposals, many of which renewables developers say threatened the economics and viability of their projects.

Some of those provisions were eliminated or pruned back in the more moderate House of Representatives.

A measure that would have

used "the police power of this state" to require state permits for most renewable-energy projects failed to pass the House, only to be added as an amendment to another must-pass bill. It was quashed a day before the end of the legislative session, when lawmakers deleted the amendment.

Some measures unpopular with renewables developers did pass, however.

A popular property-tax break for major business investments that expired at the end of 2022 was rewritten to exclude solar, wind and battery facilities. Although the tax break was used by everything from liquefied natural gas plants to dairy processing facilities, around two-thirds of the nearly 900 projects receiving

those abatements as of February were renewable-energy projects, according to data from the Texas comptroller.

Patrick said such projects "already receive giant federal subsidies" and that the new program would encourage building power sources that could be ready on demand.

Bills that won approval will make available billions of dollars in low-interest loans for developers of new natural-gas-fired power plants, subject to voter approval in November. Lawmakers also approved payments, capped at \$1 billion, for power sources that can fire up on demand.

In four years, all renewables projects will have to guarantee their power output meets levels set by regula-

tors—something that is tough for solar or wind farms whose electricity generation varies with the weather. That requirement means the projects will have to add backup power sources such as batteries or buy electricity from the market if they fall short.

Texas regulators still have to iron out details on how many of the new provisions will be implemented, meaning the new economics of solar and wind projects in the state could be unclear for years.

Wind and solar developers are watching those details as they recalculate project costs, said Advanced Power Alliance's Messer: "I think everybody goes back to the drawing board and says: Is this still a viable option for me?"



Capital One's deposits are up even with fewer branches than others.

## Online Banks Win Deposits

Continued from page B1 opened branches in 25 new states and the District of Columbia since 2018, but has reduced its overall network size by hundreds of branches since then.

"Our approach to expansion is deeply analytical," Jennifer Piepszak, co-CEO of consumer and community banking at JP-Morgan, said at the bank's investor day last month. "So it is a love affair with branches, just to be totally clear. But that doesn't mean that we can't optimize the footprint over time."

Banks are expected to continue cutting branch costs. Many banks lowered their bottom-line forecasts in the first quarter, saying they expected the interest they pay on deposits to continue to catch up to what they earn from loans.

"If you're a traditional branch-based bank and you need to start paying more for your deposits, it's going to hurt," said Donald Fandetti, an analyst at Wells Fargo.

Banks better known for their credit-card businesses have seen customers pour cash into certificates of deposit and other accounts over the past year. Deposits also were up on a quarterly basis at American Express and Synchrony Financial.

Card issuers don't rely on traditional branch networks. They also tend to make more money on loans or transaction fees than other banks.

At Discover Financial, deposits rose by roughly 4% over the first quarter. The majority of deposits that Discover picked up were from the megabanks, according to Chief Executive Roger Hochschild.

"Without the cost of branches, we can offer a high rate," said Hochschild. "I think a lot of the traditional banks have to adjust their models because people are focused on getting a good return for their money."

## China Results Disappoint

Continued from page B1 companies.

Companies with big Chinese footprints, such as Apple, have been exploring ways to scale back their reliance on China. Apple sales were down more than 5% in China, Hong Kong and Taiwan during the first half of the company's current fiscal year. They rose 8.5% in its 2022 year.

Still, not all companies are downbeat. Consumer-facing companies in particular are reporting a rebound in China from last year's depressed pandemic-era levels following an early burst of spending from long-confined shoppers.

Luxury conglomerate LVMH, for example, reported a rebound in China sales, while Walmart said its sales there jumped 28% in its most recent quarter, citing strong results during Lunar New Year. Costco Wholesale is opening another three stores in China this year, an expansion that doubles its store count since December, finance chief Richard Galanti said last month. Existing stores there are "doing great. End of story," he said.

But the consumer binge lags behind what was experienced by other economies after their post-Covid reopenings. At Starbucks, which is opening nearly 3,000 new stores in China over the next two years, same-store sales in the country rose 3% in the most recent



Visitors learn about excavator products of Caterpillar on display at a Shanghai expo last year.

quarter, after tumbling 20% in the same period a year earlier from 2021. The coffee chain said this year's result still exceeded expectations.

"While we don't expect a straight-line recovery, we are confident in our long-term opportunity," Starbucks CEO Laxman Narasimhan said.

Results of other companies tied to segments of China's broader economy, such as the property and automotive markets, are signaling trouble.

In February, DuPont finance chief Lori Koch told investors that "we're still very bullish overall on China." But in its first-quarter earnings report last month, the company said sales in China fell by nearly 20%, driven by a weak electronics market.

At Caterpillar, revenue from China typically accounts for between 5% and 10% of its to-

tal, CEO James Umpleby told investors in April. This year, the company expects China sales to come in below that range, he said.

One reason: Weak construction activity in China is leading to a drop in demand this year for the company's excavators. He said the slowdown has freed up its excavators for other markets. It coincides with the downturn in China's property market, following years of being a growth driver.

Companies tied to China's giant vehicle market are experiencing disappointment as the booming electric-car sector shows signs of slowing and subsidies come to an end. Electric-vehicle sales rose 23% in China in the first quarter, after more than doubling a year earlier.

Nvidia finance chief Colette

Kress recently told investors that revenue growth at the chip company's automotive business slowed in the first quarter compared with the fourth, because of slower-than-expected demand from Chinese EV companies.

"We expect this dynamic to linger for the rest of the calendar year," she said.

Auto-parts supplier Borg-Warner last month cut its revenue expectations from China for the year because of weaker-than-anticipated auto production out of the country during the first quarter. Chief Financial Officer Kevin Nowlan told investors that China revenue could fall by up to 3% during the year.

"China, we knew was going to have a softer Q1," Mr. Nowlan said. "I think it came in maybe even a little softer than we expected."



Campbell Soup is expected on Wednesday to report a profit of 65 cents a share for its most recent quarter.

### THE TICKER | MARKET EVENTS COMING THIS WEEK

Monday	Wednesday	Int'l trade deficit	Initial jobless claims
<b>Factory orders</b> March, prev. up 0.9% April, expected up 0.6%	<b>Consumer credit</b> March, previous up \$26.5 billion April, expected up \$21.6 billion	March, prev. \$64.23 bil. April, exp. \$75.20 bil.	Previous 232,000 Expected 236,000
<b>Earnings expected</b> Estimate/Year Ago	<b>EIA status report</b> Previous change in stocks in millions of barrels	<b>Earnings expected</b> Estimate/Year Ago	<b>Wholesale inventories</b> March, prev. up 0.0% April, exp. down 0.2%
HealthEquity <b>0.41/0.27</b>	Crude oil up 4.5 Gasoline down 0.2 Distillates up 1.0	Brown-Forman <b>0.43/0.31</b>	Campbell Soup <b>0.65/0.70</b>
Science Applications <b>1.84/1.88</b>	<b>Tuesday</b>	GameStop <b>(0.15)/(0.52)</b>	Ollie's Bargain Outlet <b>0.47/0.20</b>
<b>Earnings expected</b> Estimate/Year Ago	<b>Earnings expected</b> Estimate/Year Ago	<b>Thursdays</b>	<b>EIA report: natural gas</b> Previous change in stocks in billions of cubic feet
Casey's General Stores <b>1.65/1.60</b>	Ciena <b>0.61/0.50</b>	<b>Mort. bankers indexes</b> Purch., previous down 3.0% Refinan., previous down 7.0%	up 110
J.M. Smucker <b>2.41/2.23</b>	<b>Friday</b>	<b>Short-selling reports</b> Ratio, days of trading volume of current position, at May 15	<b>Short-selling reports</b> Ratio, days of trading volume of current position, at May 15
		NYSE 4.1	Nasdaq 2.7

\* FactSet Estimates earnings-per-share estimates don't include extraordinary items (Losses in parentheses) ♦ Adjusted for stock split Note: Forecasts are from Dow Jones weekly survey of economists



# HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

## California's Home-Insurance Shakeout

Higher interest rates are driving shifts in how the market handles climate risk

Climate change is one culprit in California's insurance issues, but these days it should share the spotlight with interest rates.

There is a lot going on in the background of **State Farm's** recent move to stop the sale of new home-insurance policies in California, ranging from climate-related perils such as wildfires to inflation in the costs of construction. Another factor cited is the rising cost of obtaining reinsurance, or insurance for insurers. This isn't surprising given what has happened in that market, which is a contraction of reinsurance supply against rising demand for more coverage.

Supply of capital to reinsurance is limited partly because of underwriting losses from big storms and other events in recent years. But more recently, the big driver has been higher interest rates. Invest-

tors who have previously funded reinsurance risk in the form of such securities as catastrophe bonds now have yield alternatives in more plain-vanilla investments. Insurers themselves can also be constrained by the impact of rising rates on their capital levels, which—as with banks—can drive unrealized losses on investment portfolios. This helped reduce capital in the reinsurance business by about \$100 billion in 2022, according to an estimate by Aon.

The upside for reinsurers is that those with capacity are now in the driver's seat on pricing after years of being unable to get rates and terms to sufficiently compensate for changing climate risk. **Guy Carpenter's** Global Property Catastrophe Rate on Line Index, a measure of reinsurance pricing, rose by nearly 30% at the start of

this year. More recent policy renewals are continuing the trend, said Autonomous Research analyst Ryan Tunis. Shares of reinsurers have jumped over the past year, including 20%-plus increases for **Everest Re** and **RenaissanceRe**.

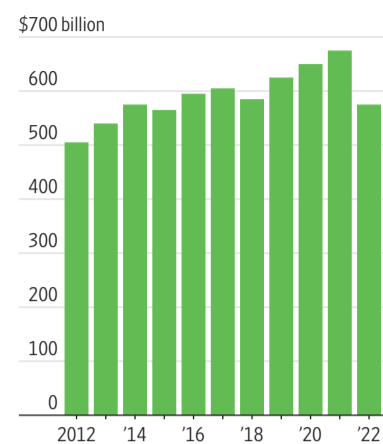
On the flip side, all this isn't such good news for so-called primary insurers that buy reinsurance and are also facing inflation in claims-coverage costs. It can take time for primary insurers to adjust their own pricing, since rates on things such as consumer homeowner or auto policies are typically regulated closely by states.

But the issue is bigger than any one state's rate-setting policies. Louisiana recently funded a \$45 million incentive program to help lure insurers. Lawmakers in Colorado have considered creating a

last-resort insurance fund in light of rising risks of wildfires and concerns about homeowners having trouble getting policies. Florida is trying a number of measures to bolster its property insurance market.

As the reinsurance market "hardens," in insurance parlance, reinsurers might ultimately be willing to take on bigger books of business. The recent changes in pricing, terms and conditions have moved the property catastrophe reinsurance business "into a more attractive phase of the underwriting cycle," according to a recent Fitch report. **Berkshire Hathaway** said in May that it has raised its property catastrophe exposure by around 50% in recent months after seeing attractive pricing in April reinsurance renewals. Everest recently raised \$1.5 billion in new

Global reinsurer capital



Source: Aon

equity. RenaissanceRe sold shares to help fund an acquisition of a reinsurance unit from AIG.

The upshot for investors in insurance companies is that the end of the zero-rate era is helping the industry reckon with the costs of climate change. After all, just about anything is insurable—at the right price. —Telis Demos

## A Lifeline for Commercial Property Is All Gummed Up

Banks are getting stingy with commercial property mortgages. Ideally, alternative lenders could step in and help landlords refinance their debts, but this part of the lending market isn't in great shape either.

Loans for the property industry are drying up rapidly. The CBRE Lending Momentum Index, a proxy for U.S. commercial real estate lending, fell 54% in the first quarter of 2023 compared with a year ago. Banks, which usually issue around half of all commercial real-estate loans in the U.S., are stepping back until it is clear where real-estate values will settle. Their deposits are shrinking and they need to hold on to cash in case the property loans already on their books get into difficulty.

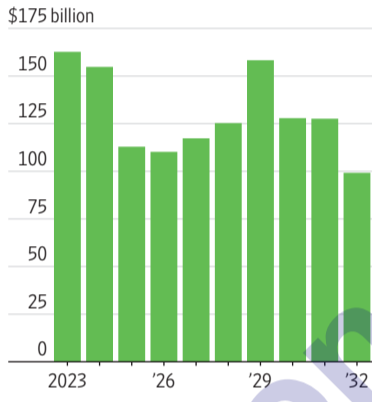
Alternative lenders would love to fill in some of the gaps. "When the

market is dislocated, it is often the best time to invest," says **Harbor Group International** President Richard Litton, whose firm recently raised \$1.6 billion for a debt fund focused on financing apartments.

Private lenders charge a lot more than banks. Debt fund spreads for floating-rate loans can range from 3 to 7.5 percentage points above the secured overnight financing rate (SOFR) depending on the asset, according to Rachel Vinson, CBRE's U.S. president of debt and structured finance. Bank spreads are lower—usually 2 to 2.5 percentage points above SOFR.

But the high rates that alternative lenders now charge make their loans unappealing to most borrowers. A floating-rate bridge loan for a multifamily apartment block from a debt fund will cost 8% to 10% today. Property buyers would need to find

U.S. securitized commercial real-estate loan maturities\*



\*Excludes loans on banks' books

Source: CREQ IQ

buildings at a very low price to justify taking on such an expensive loan.

Alternative lenders are dealing with a slowdown in equity fundraising as well. So far in the second quarter, real-estate debt funds focused on North America have raised \$930 million, according to Preqin data. In the second quarter of last year, they raised over \$10 billion.

Some institutional investors such as pension funds that would normally write big checks for debt funds are reducing their property bets. A drop in bond and equity prices means their allocations to real estate need to be rebalanced. That or they think better returns can be made elsewhere with less risk.

These issues might explain why alternative lenders are currently sitting on the sidelines. In the first three months of 2023, they issued fewer loans than a year ago, based on CBRE data. One area of business

likely to pick up soon is mezzanine financing, as landlords are asked to add more cash to their properties to refinance loans.

The crunch in both bank and nonbank lending is happening at a bad time for landlords, as 2023 is a busy year for loan maturities. A wall of securitized debt valued at \$163 billion—the biggest annual amount over the next decade—comes due this year, according to Marc McDevitt, senior managing director at CRED IQ. This figure doesn't include the loans sitting on banks' books.

Alternative lenders can offer only a drop in the ocean compared with how much cash the property industry actually needs. The real solution to the property industry's problems is to get banks lending again. It could take quite some time.

—Carol Ryan

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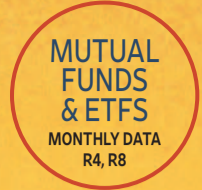


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JOURNAL REPORT

# INVESTING MONTHLY



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THE WALL STREET JOURNAL.

Monday, June 5, 2023 | R1



## Why It Pays to Have an IRA and A 401(k)

Doubling up retirement plans adds some complexity, but it could be worth it

BY MICHAEL A. POLLOCK

**E**MPLOYER-SPONSORED retirement plans such as 401(k)s are often an effective way for working people to save, particularly those who prefer not to manage a long-term investment strategy.

But for many employees, it's worth "doubling up" on their retirement strategy—creating an individual retirement plan, or IRA, in tandem with participation in an employer plan.

It is true that having an IRA alongside a com-

pany plan would add complexity to someone's financial life, but there are a number of potential future benefits. For one thing, IRAs open a wider range of investment choices than those typically found in company plans. And, depending on the account, they could enable a saver to defer taxes on significantly more income—or stash away money that might be tax-free when withdrawn in retirement.

Moreover, for higher-income people, a key ad-  
*Please turn to page R7*

## How to Be Smart About Artificial-Intelligence ETFs

With all the attention on ChatGPT, investors are looking for ways to cash in; but not all the funds are alike

BY LORI IOANNOU

**T**O A starry-eyed investor, it seems like one of the market's best bets: ETFs that buy stocks of AI companies. Yet when shopping for one

of the exchange-traded funds that focus on the sizzling tech-stock subsector of artificial-intelligence shares, investors should be aware that funds have different definitions of AI. And they have different criteria for how they choose their stockholdings.

Some AI ETFs—such as the \$304 million **iShares Robotics**

& Artificial Intelligence Multi-sector ETF (IRBO)—are passively managed and track an index that is equally weighted (meaning every stock in the index gets the same percentage of investment, whether it's a large-cap or a small-cap company).

Others, like **TrueShares Technology, AI & Deep Learning** ETF (LRNZ), a \$219 million actively managed fund, use an actively managed approach and choose their holdings based on proprietary market research. (The fund is the top performer among artificial-intelligence ETFs so far this year through May 31, with a 35% total return, and a 12-month total re-  
*Please turn to the next page*

## Inside Valued?

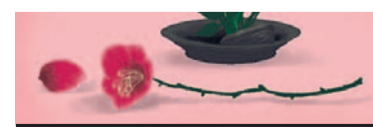
Growth stocks have beaten their rival, value stocks, so far this year. But some pros think that's going to change. Here's the case for value stocks. **R3**



Scan this code to see how pandemic whiplash is causing young Americans to ignore their bills.

### RETIREMENT ROOKIES

People who recently retired can feel gratitude and regret when it comes to their aging parents. **R8**



### SCOREBOARD

May 2023 fund performance, total return by fund type. More on R2.

U.S. stocks*	Intl. stocks*	Bonds (intmd.)
-0.9%	-3.6%	-1.1%

\*Diversified funds only, excluding sector and regional/country funds. Source: Refinitiv Lipper

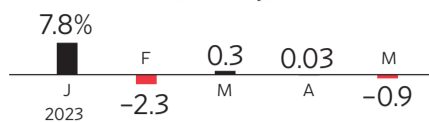


# JOURNAL REPORT | INVESTING MONTHLY

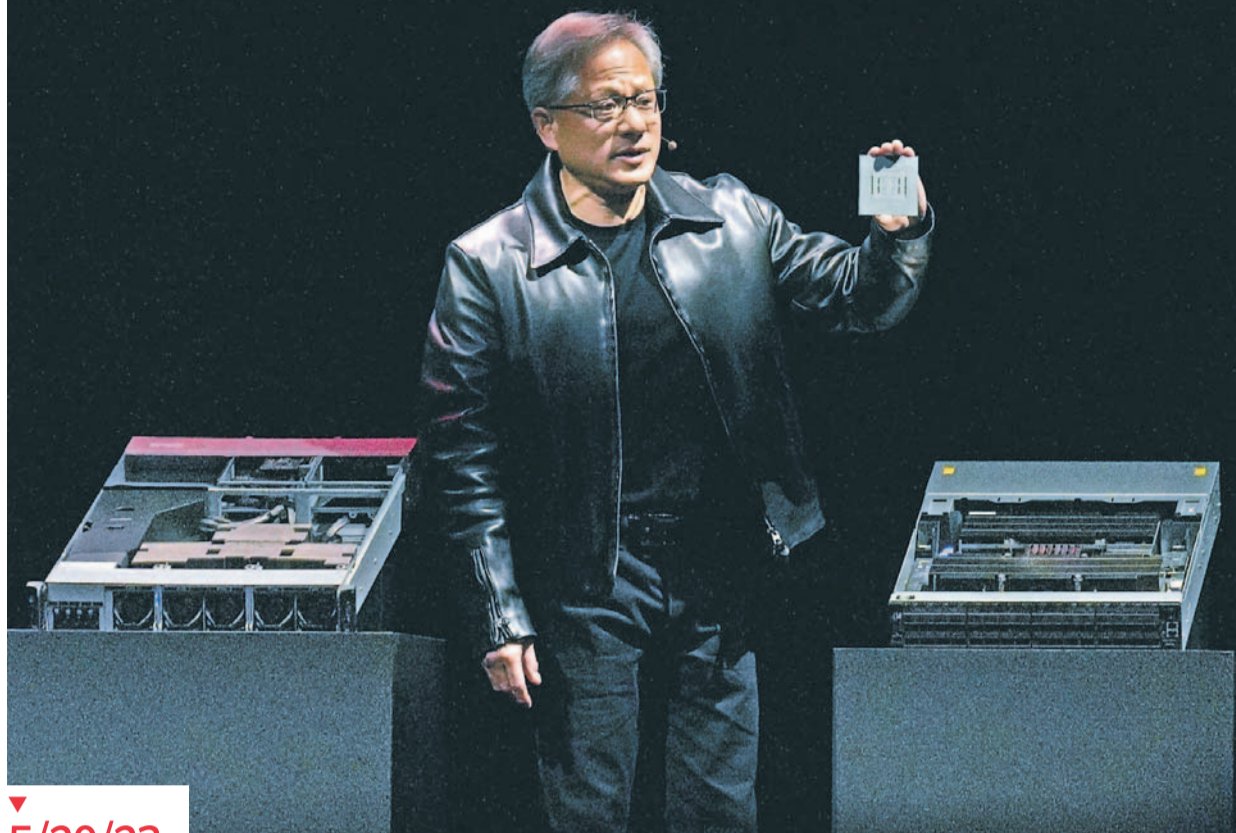
A Journal Report special look at the numbers and news about this month's investing

# JR

U.S.-stock funds (monthly)



Insight



5/29/23 Nvidia CEO Jensen Huang with the Grace Hopper superchip (named after the computing pioneer).

**27%** The Nasdaq Composite Index's year-to-date rise, reflecting the surge in tech stocks. The Dow is up 2% and the S&P 500 is up 12%.

**169%** The year-to-date rise in Nvidia, through Friday. The Nasdaq-traded stock closed at \$393.27, not too far behind its record intraday high of \$419.38 on May 30.

## The Craze For AI

As investors pile into artificial-intelligence stocks, the graphics-chip maker Nvidia is enjoying a rally that may or may not turn out to be, well, intelligent. The stock has nearly tripled in 2023, briefly hitting \$1 trillion in market value last week. Even some fans are wary about its recent valuation—49 times forward earnings.

## Do AI ETFs Dream of Electric Gains?

Continued from the prior page turn of 12%.

"Look for thematic purity," says Morningstar analyst Kenneth Lamont. "Make sure the fund invests in bellwether stocks well-positioned to benefit from AI industry trends in the months and years ahead." Also look at the fund's fees, he says. Expense ratios for AI ETFs range from 0.45% to 0.69%, according to Morningstar Direct.

Investors should keep in mind that these funds invest in tech growth stocks that can be highly volatile. The soaring stock of Nvidia, the graphics-chip maker, is a top holding of the AI funds, and they are benefiting from that company's 169% skyrocket on Nasdaq this year.

"While there is more volatility, there is greater upside potential in this tech growth sector," says Michael Loukas, chief executive of TrueMark Investments. "Investors have to be willing to stay the course, realizing this is a long-term thematic play."

### Keep it limited

For this reason, some investment strategists and financial advisers suggest investors allocate no more than 10% of

ing field in which computer algorithms are used to generate outputs that resemble human-created content such as text, graphics or music.

In addition to generative-AI software companies, the Roundhill fund invests in companies that provide the infrastructure for generative AI—including semiconductor, server and networking providers—and in companies building platforms that others will be able to use to build generative-AI applications.

### Hype and enthusiasm

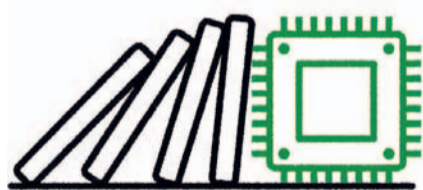
"The hype around OpenAI's ChatGPT, a conversational AI bot that can generate text, images and other media in response to prompts, has really driven investor enthusiasm," says Jeff Spiegel, U.S. head of iShares megatrend, international and sector ETFs at BlackRock. "We are witnessing a rapid adoption of a technology that has applications across a wide range of industries, from automotive and robotics to financial services and 3-D printing," he says.

Global spending on artificial-intelligence systems—including software, hardware and services—will reach \$537 billion in 2023, up 19.5% from last year, and is expected to grow to about \$900 billion by 2026, according to market-research firm IDC.

The TrueShares fund invests in a portfolio of 20 to 30 companies that are users of AI and deep learning in a range of industries, from cybersecurity to life sciences to systems management.

## Monthly Monitor • William Power

### Large-Cap Growth Funds Dominate



### Save us, tech stocks.

That seems to be the plea of mutual-fund investors, and stock investors in general. At an uncertain time for markets—with recession and inflation concerns, even after the debt-ceiling resolution—investors have flocked to large technology stocks as a refuge.

In particular, enthusiasm has grown for stocks of companies building artificial-intelligence technologies, such as Nvidia—whose stock is up 169% so far this year.

The result is that the technology-stock-focused Nasdaq Composite Index has soared 27% so far this year. Accordingly, funds focusing on large-cap growth stocks, many of them the big techs like Nvidia as well as Facebook parent Meta Platforms, are up an average of nearly 20% for the year, including a 4.4% rally in May alone, according to Refinitiv Lipper data.

In addition, Lipper's science and technology category is up 25.6% so far, in-

cluding 9.4% in May alone.

But that tech frenzy hasn't benefited stock funds overall.

The average U.S.-stock fund fell 0.9% in May, to trim the year-to-date gain to 4.8%. Some of those declines were because of the rout in regional bank stocks.

So while the overall stock market has delivered solid returns so far this year, specific areas continue to struggle.

"For example, small-caps have underperformed large-caps, and cyclicals are weaker than their defensive neighbors," says John Lynch, chief investment officer for Comerica Wealth Management in Charlotte, N.C. "Value has lagged growth these past several months, though risks remain including the possibility of recession in the coming months," Lynch says.

International-stock funds fell 3.6% in May, to trim the year-to-date advance to 6.6%.

Bond funds fell. Funds focused on investment-grade debt (the most common type of fixed-income fund) declined an average of 1.1%, to trim the year-to-date gain to 2.5%.

William Power is a Wall Street Journal features editor in South Brunswick, N.J. Email him at [william.power@wsj.com](mailto:william.power@wsj.com).

**'Stocks and bonds have rebounded nicely this year as inflation has cooled, even amid a tight labor market and healthy consumer spending. The Fed's ability to navigate this narrow path and stick the soft landing could allow for more market strength.'**

Carol Schleif  
Chief investment officer, BMO Family Office



their thematic investment allocation to AI ETFs.

"Consider it rocket fuel for a small portion of your portfolio," says Loukas.

Artificial-intelligence funds invest at least 25% of their portfolio in companies involved in products, technology or research related to AI. Some even use artificial intelligence to help select stocks for their portfolios.

There are at least eight AI ETFs, with total assets of more than \$3 billion, according to Morningstar Direct. The most recent entrant is Roundhill Generative AI & Technology ETF (CHAT), launched on the NYSE Arca exchange on May 18. The actively managed \$35 million fund focuses on generative AI, a rapidly evol-

The No. 2 performer behind TrueShares this year is Global X Robotics & Artificial Intelligence ETF (BOTZ), a \$2.1 billion fund that invests in companies that stand to benefit from the adoption of robotics and AI, including those involved with industrial robotics and automation, nonindustrial robots and autonomous vehicles. The fund is up 32.4% for the year to date through May 31, with a 12-month return of 14.7%.

Global X Artificial Intelligence & Technology ETF (AIQ), a \$219.7 million fund that tracks the INDX Artificial Intelligence and Big Data Index of 85 stocks, is up 29.3% year to date through May 31 and 15.2% in the past 12 months.

### Performance of the Indxx Global Robotics & Artificial Intelligence Thematic Index



Source: Indxx

### Anything can happen

But the bottom line is that stock investors need to be aware of the risks of this developing industry, says Morningstar's Lamont.

"There could be significant regulatory or legal restraints that slow the adoption of generative AI in the months ahead," Lamont says. "World-changing technologies don't always play out the way we imagine."

Lori Ioannou is a writer in New York. She can be reached at [reports@wsj.com](mailto:reports@wsj.com).

## Financial Flashback

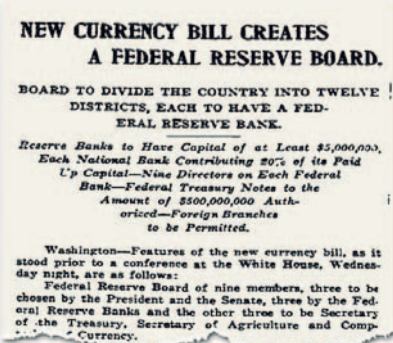
### A look back at Wall Street Journal headlines from this month

#### 110 YEARS AGO ▶

The founding of the Federal Reserve Board in 1913 didn't happen by chance.

The now-famous institution was the cumulative result of several financial crises from the 19th century into the early 20th. Financial-institution failures because of illiquidity, lack of diversification, and bank runs were common.

In addition, the pre-Fed system wasn't flexible enough to expand and contract the money supply in concert with seasonal shifts in the agriculture sector and the business cycle, says Bob Bruner, dean emeritus of the Darden Graduate School of Business at the University of Virginia. And the habit of the nation's cash ending up



Wall Street Journal, June 20, 1913

at Wall Street houses exacerbated the business cycle. "There were higher economic peaks and deeper valleys," Bruner says.

However, an economic crisis, the Panic of 1907, erupted and was solved by the banker J. Pierpont Morgan. "At that point, people realized that the economic system couldn't rely on a sole individual," Bruner says. The result: The Fed was created to ensure America's financial stability.

"Even though there are things in place that have been very useful, we have unfortunately not been successful in eliminating bank failures," says Eric Rosengren, a former Fed official. The same things happen today for the same reasons as in the past, he says.

—Simon Constable

#### 70 YEARS AGO ▼

Florida Turnpike Waits Governor's Approval and Low Interest Rate

#### 5 YEARS AGO ▼

GE Drops Out of the Dow After More Than a Century



## JOURNAL REPORT | INVESTING MONTHLY



# The Case for Investing In Value Stocks

Growth stocks have been outperforming value stocks so far this year. But some pros think that's going to change.

BY DAN WEIL

**IS THERE STILL** value in value stocks?

They underperformed growth stocks for almost 15 years through 2021 amid low interest rates and explosive expansion in the tech sector.

Value stocks outperformed growth in 2022, as the Federal Reserve raised interest rates. But growth has outperformed value so far in 2023, as many investors expect the Fed to cut rates later this year.

Still, some investment pros see value stocks coming back, as

inflation and interest rates remain elevated.

"The market rally since November, with nonearning growth stocks leading the charge, is delusional," says Amanda Agati, chief investment officer for PNC Financial Services Asset Management Group. "The market is too fixated on the Fed stopping its rate hikes."

### What's in a name

Value stocks are shares that are widely thought to be trading at a lower price than the companies' fundamentals would suggest. Investors frequently look at met-

rics such as price/earnings ratios to determine whether stocks are undervalued.

By contrast, growth stocks are shares of companies that investors expect to increase revenue and profit faster than average. In 2022, the Russell 1000

Value index fell 10%, easily besting the Russell 1000 Growth index, which dropped 30%. But this year, through May 30, the value index lost 2%, compared with a 21% surge for the growth index.

All this has left value stocks 19% below fair value and growth stocks only 2% beneath fair value as May 26, according to Morningstar's composite estimates of the 700-plus stocks its analysts cover. "Now might be a good time to move out of growth and into value," says Dave Sekera, the investment-research firm's chief U.S. market strategist.

### Focus on finance, energy

Value stocks currently include many in the financial and energy sectors. "If you're bullish on value, you're almost betting that energy and finance will outperform the market," says Michael Sheldon, chief investment officer at Hightower RDM Financial Group.

Karim Ahamed, an investment adviser at Cerity Partners, is bullish on both of those industries. When it comes to finance, the recent bank failures stem from "idiosyncratic" factors, he says. The banks suffered from incompetent management, mismatches between assets and liabilities, and poor risk controls, as well as inadequate regulation, Ahamed says.

But "overall, the banking sector is in good shape," he says. "Post-the Great Financial Crisis [of 2007-09], banks have higher capital reserves, loans are made on a more rational basis, and there are restrictions on their ability to take huge risks."

Also, the Fed has been clear that it will support troubled regional banks, and regulation will strengthen after the recent troubles, Ahamed says. He likes **Financial Select Sector SPDR (XLF)**, an exchange-traded fund, to invest in financial stocks.

Turning to energy, oil prices will likely stay high, supported by the war in Ukraine, which has lessened the global supply of oil, Ahamed says. Major oil companies are posting strong earnings. Ahamed favors **Energy Select Sector SPDR (XLE)**, another ETF.

One way to increase exposure to value stocks would be to buy a European index fund. Financial stocks account for 18% of the MSCI EAFE index, which is mostly made up of European stocks, compared with 13% for the S&P 500, Sheldon says. And tech stocks, which are predominantly growth stocks, represent only 9% of the MSCI EAFE, compared with 26% for the S&P 500.

Among individual value stocks, Sekera likes **Macerich**, an owner of high-end malls, and **Carnival**, the cruise line. Both companies are benefiting from the "normalization of consumer behavior" after the pandemic, he says.

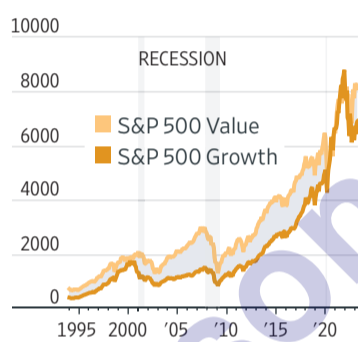
In the end, history argues for the inclusion of both growth and value stocks in a portfolio. The performance of the two is about even since 1984, as measured by average annualized five-year returns, according to YCharts. But there have been large return disparities for extended periods.

"People tend to think it's either/or" for growth versus value, Sheldon says. "You want both. If you tilt too much toward one side of the boat, it creates risk."

*Dan Weil is a writer in West Palm Beach, Fla. He can be reached at [reports@wsj.com](mailto:reports@wsj.com).*

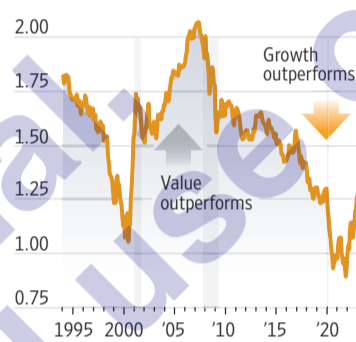
### Market Rivals

Value vs. Growth stock indexes since 1994



Sources: Touchstone Investments, Frank Russell Co., Bloomberg

S&P 500 Value versus Growth, Relative Total Return



# Can Square wear many hats?

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JOURNAL REPORT | INVESTING MONTHLY

Category Kings in 16 Realms

Top-performing funds in each category, ranked by year-to-date total returns (changes in net asset values with reinvested distributions) as of May 31; assets are as of April 28. All data are preliminary.

Large-Cap Core

Table with 6 columns: Fund Name, Assets (\$ millions), Total return (%) May, YTD, 1-yr, 5-yr. Funds include HCM Defender 100 Idx ETF, Roundhill MEME, IndexIQ IQ US LC R&D Ldr, etc.

Midcap Core

Table with 6 columns: Fund Name, Assets (\$ millions), Total return (%) May, YTD, 1-yr, 5-yr. Funds include Needham:Growth;Retail, Tarkio, Paradigm:Select Fund, etc.

Small-Cap Core

Table with 6 columns: Fund Name, Assets (\$ millions), Total return (%) May, YTD, 1-yr, 5-yr. Funds include Perkins Discovery, Cove St Cap SCV;Inst, WCM SMID Qual Value;Inst, etc.

Multicap Core

Table with 6 columns: Fund Name, Assets (\$ millions), Total return (%) May, YTD, 1-yr, 5-yr. Funds include Simplify:US Eqty + GBTC, Goldman:Hdg Indus VIP, VanEck:Morningstar WM;Z, etc.

Large-Cap Value

Table with 6 columns: Fund Name, Assets (\$ millions), Total return (%) May, YTD, 1-yr, 5-yr. Funds include Davis:Research;A, Selected American Shs;D, Davis:Sel US Equity ETF, etc.

Midcap Value

Table with 6 columns: Fund Name, Assets (\$ millions), Total return (%) May, YTD, 1-yr, 5-yr. Funds include Longleaf Partners, Vident US Equity Strat, Vanguard Sel Value;Inv, etc.

Small-Cap Value

Table with 6 columns: Fund Name, Assets (\$ millions), Total return (%) May, YTD, 1-yr, 5-yr. Funds include Brandes Inv:SC Val;I, Ancora MicroCapI, RBB:WPG Sel SmCp V;Inst, etc.

Multicap Value

Table with 6 columns: Fund Name, Assets (\$ millions), Total return (%) May, YTD, 1-yr, 5-yr. Funds include Oakmark Select;Adv, GoodHaven Fund, Artisan:Sel Equity;Inst, etc.

Large-Cap Growth

Table with 6 columns: Fund Name, Assets (\$ millions), Total return (%) May, YTD, 1-yr, 5-yr. Funds include Dunham:Focused LC Gro;N, WisdomTree:US Qual Gro, Fidelity Blue Chip G ETF, etc.

Midcap Growth

Table with 6 columns: Fund Name, Assets (\$ millions), Total return (%) May, YTD, 1-yr, 5-yr. Funds include Harbor:Disrupt Innov;Inst, Morg Stan I:Disc;A, Morg Stan I:Disc;A, etc.

Small-Cap Growth

Table with 6 columns: Fund Name, Assets (\$ millions), Total return (%) May, YTD, 1-yr, 5-yr. Funds include Morg Stan I:Inc;I, Needham:Aggr Growth;Inst, Jns Hndsns Sm Cap Gr Alp, etc.

Multicap Growth

Table with 6 columns: Fund Name, Assets (\$ millions), Total return (%) May, YTD, 1-yr, 5-yr. Funds include Zevenbergen Genea;Inv, Virtus:Zeven Inn GrSt;I, Zevenbergen Growth;Inst, etc.

Balanced Funds

Table with 6 columns: Fund Name, Assets (\$ millions), Total return (%) May, YTD, 1-yr, 5-yr. Funds include Fidelity Adv Bal;A, MF&Var:Rtnl St All;A, Schwab Cap;Bal, etc.

Latin American Funds

Table with 6 columns: Fund Name, Assets (\$ millions), Total return (%) May, YTD, 1-yr, 5-yr. Funds include iShares:MSCI Mexico, Franklin ETF:FTSE Mex, Gbl X MSCI Argnt ETF, etc.

Natural Resources

Table with 6 columns: Fund Name, Assets (\$ millions), Total return (%) May, YTD, 1-yr, 5-yr. Funds include JPMorgan:Sustn Consumptn, VanEck:Green Infra, ICON Nat Res;Inst, etc.

Short-Term Bond

Table with 6 columns: Fund Name, Assets (\$ millions), Total return (%) May, YTD, 1-yr, 5-yr. Funds include Semper Sht Duration;Inst, Channel Short Dur Income, Leader Cp Hg Qlt IncIns, etc.

Leaders and Laggards

Performance numbers are total returns (changes in net asset values with reinvested distributions) as of May 31; assets are as of April 28. All data are preliminary.

Best-Performing Stock Funds

Table with 6 columns: Fund Name, Ticker, Assets (\$ millions), Total Return (%) May, YTD, 1-year, Annualized 3-year, 5-year. Funds include GrnShs:1.5x Lg NVDA Dly, MS FANG+ Index 3x Lev, ProShs II:UIS Blm Nat Gs, etc.

Worst-Performing Stock Funds

Table with 6 columns: Fund Name, Ticker, Assets (\$ millions), Total Return (%) May, YTD, 1-year, Annualized 3-year, 5-year. Funds include VelShs 3x Long Nat Gas, ProShs II:Ult Blm Nat Gs, MS FANG+ Idx 3X Inv Lev, etc.

Best-Performing Bond Funds

Table with 6 columns: Fund Name, Ticker, Assets (\$ millions), Total Return (%) May, YTD, 1-year, Annualized 3-year, 5-year. Funds include Gbl X Blckchn & Btc Str, Hashdex Bitcoin Futures, Simplify:BTC Str + I, etc.

Worst-Performing Bond Funds

Table with 6 columns: Fund Name, Ticker, Assets (\$ millions), Total Return (%) May, YTD, 1-year, Annualized 3-year, 5-year. Funds include ProFunds:Sh Btcn Str;Inv, ProShares:Sh Bitcoin Str, ProShs II:Ult Yen, etc.

Note: For funds with multiple share classes, only the largest is shown. N.A.: Not applicable; fund is too new or data not available

Source: Refinitiv Lipper



# JOURNAL REPORT | INVESTING MONTHLY



## Here's What Investors Should Know As Actively Managed ETFs Take Off

Index funds have dominated the ETF market. That's starting to change.

BY SIMON CONSTABLE

**T**HE exchange-traded-fund market is getting a lot more active. After decades of being dominated by index-tracking investments, the ETF market is being flooded by actively managed funds. In 2013, a mere 16%

of newly launched ETFs were actively managed, according to Morningstar. That jumped to 66% in the first quarter of this year, following three straight calendar years of more than 50% of new ETFs being active. Active ETFs are a way for investors to get the tax efficiency of ETFs and the ease of trading them, but still rely on fund managers' discretion in portfolio allocations, instead of buying an ETF

that tracks a preset selection of assets. That is, if they want to rely on fund managers' discretion. There's plenty of evidence that managed investments, including mutual funds, don't beat benchmarks consistently. "If you believe in active management—that stock picking and bond selection can add value—then active ETFs are a great alternative to mutual funds," says Todd Rosenbluth, head of research at research company VettaFi. For those who are in that camp, however, there are some key things to consider, both in

comparing ETFs with mutual funds, as well as comparing active ETFs with passive ETFs.

### Returns, taxes and fees

Part of the ETF advantage over mutual funds is that ETF managers can remain fully invested at all times if they choose, and so aren't forced to make investment decisions that can dent their funds' returns. That's because when an investor sells shares in an ETF, the shares go to another investor—they're not redeemed by the fund the way mutual-fund shares are. Mutual-fund managers keep some cash uninvested to provide for redemptions, and sometimes they need to sell some holdings to cover redemptions. In both cases, the fund's performance can take a hit.

Also, ETFs offer a tax advantage over mutual funds. For mutual-fund holders, gains are taxable whenever the fund manager sells a security at a profit. For ETF holders, gains are taxed only when the ETF is sold. So an ETF investor can put off any capital-gains taxation.

And while fees for actively managed funds of all kinds generally are higher than those for

passive funds, there's a cost difference between actively managed mutual funds and active ETFs. Active ETFs have weighted average annual expenses of 0.44% of assets compared with 0.57% for active mutual funds, according to Morningstar.

### The downside

Experts say there is more potential in certain kinds of actively managed ETFs than others. For instance, they are especially wary of ETFs that focus on large-cap stocks such as **Exxon Mobil**, **Apple**, Google parent **Alphabet**, **Netflix** and similar-size companies in the S&P 500.

There's little advantage to active management in those cases, says Robert Stammers, former director of investor engagement at the CFA Institute, because so many investors follow such stocks so closely that it's hard to get ahead of the market.

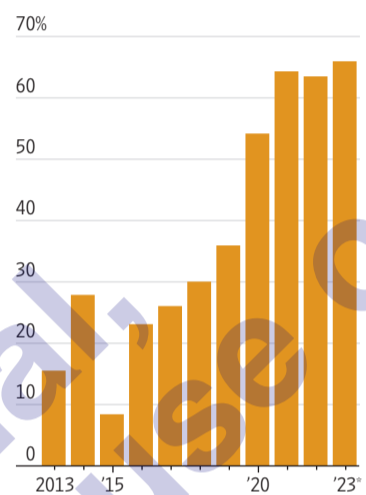
However, less-watched sectors provide greater potential for active managers. Stammers points to real-estate investment trusts, commodities, private credit and private equity as sectors where active management can be better than indexing. "It needs to be off the beaten track, where the manager can add value," he says.

One approach is to build a portfolio that mostly holds index ETFs but also includes some actively managed ETFs in sectors that the investor thinks are ripe for gains that a fund manager might be able to maximize, says Vincent Catalano, chief markets strategist at Stuyvesant Capital Management in New York.

Such a hybrid approach can be attractive to investors who want to actively trade but still avoid underperforming the market, Catalano says. These investors get the thrill of trying to beat the market but retain a cushion in case the bets don't pay off.

*Simon Constable is a writer in the Occitanie region of France. He can be reached at reports@wsj.com.*

Percentage of new ETFs that are actively managed



\*Through the end of the first quarter  
Source: Morningstar Direct

## Active vs. Passive ETFs: How They Stack Up

Actively managed mutual funds lag behind passive mutual funds. We put ETFs through a similar test.

BY DEREK HORSTMAYER

**A** LOT OF RESEARCH has highlighted how actively managed mutual funds have underperformed passive mutual funds across all publicly traded asset classes over the past 20-plus years. What about actively managed exchange-traded funds? They are a relatively new invention, but can the same be said about them?

Examining six asset classes, we see slightly better results for active ETFs than for active mutual funds. But only slightly. In just two of the six groupings (fixed income and value equity) did active ETFs outperform passive ETFs on a total-return basis, on average. And on a post-tax-return basis, only the actively managed value equity ETF category bested its passive counterpart.

My research assistants, Sean Prendergast and Zhuo Chen, and I pulled data on all dollar-denominated ETFs over the past five years. We focused on this timeline

since most active ETFs have been created in the past five to 10 years. Next, we separated them into active and passive and by their asset groupings: fixed income, large cap, international equity, small cap, growth equity and value equity. Within these groupings, we recorded the average return over the past five years, the post-tax return and the average expense ratio. Across four of the asset classes (large-cap equity, international equity, small-cap equity and growth equity), passive ETFs outperformed active on a raw return basis. For instance, the average passive large cap ETF delivered an annualized return of 8.81% over the past five years, while the active counterpart delivered an average annualized 7.07% over the same period. This yields an annualized difference of 1.74 percentage points for the passive ETF.

On a posttax basis, the results favor the passive ETFs even more—five out of the six categories go to the passive ETF grouping. And for fixed income, the results actually flip. Active fixed income had an average raw return of 1.20% a year compared with 1.06% for the passive grouping. Yet, after taxes, active fixed-income ETFs had an average return of 0.63% compared with 0.78% for the passive ETF grouping. This flip occurs due to the more active trading (and hence greater taxes) that active ETFs incur.

Expense ratios play a part in these results, too. The average active ETF had an annual expense ratio of 0.57%, compared with 0.26% for the passive ETF. This creates a situation in which the active ETFs start off lagging behind the passive funds by 0.31 percentage point a year just due to those higher costs, hampering their returns to investors.

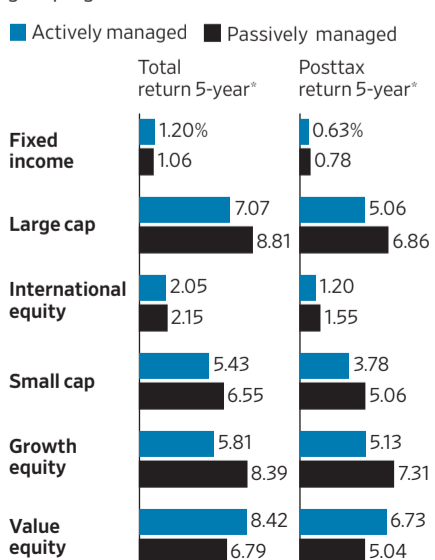
As a control against factors that possibly have clouded the results, we repeated our analysis zeroing in on a comparison of passive and active ETFs that use the same benchmarks—and we got the same results. Five out of the six categories again saw the passive ETFs beating the active ETFs on a posttax basis.

So, while active ETFs fare a little bit better than active mutual funds when it comes to comparing returns against their passive counterparts, it still isn't too pretty a story. In all but one category, passive ETFs deliver a higher posttax return than active, and that can add half a percentage point a year in returns to an investor's portfolio.

*Derek Horstmeyer is a professor of finance at George Mason University's business school in Fairfax, Va. He can be reached at reports@wsj.com.*

### Passive and Aggressive ETFs

A look at how passively managed and actively managed exchange-traded funds perform in fixed income and value equity groupings.



\*Annualized  
Source: Derek Horstmeyer, George Mason University

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# JOURNAL REPORT | SAVING FOR RETIREMENT

## Should You Self-Insure Your Long-Term Care?

### Seven questions to ask yourself when considering whether to buy a policy or pay for the care out of your own pocket

BY CHERYL WINOKUR MUNK

**F**OR MANY PEOPLE, the question of needing some type of long-term care isn't if, but when. How to pay for that care is another question altogether.

Someone turning age 65 today has almost a 70% chance of needing some type of long-term-care services and support in his or her lifetime, according to LongTermCare.gov, a website managed by the U.S. Department of Health and Human Services. What's more, 20% will need it for longer than five years, according to LongTermCare.gov.

There are two basic options for funding that aid: self-insuring, where people pay for the care they need out of their own pocket, and long-term care policies, insurance that can help pay for necessary at-home services or nursing-home care.

Setting money aside to pay out of pocket avoids insurance premiums, which may be a plus if people don't need a lot of care, or any at all. And even if people need significant long-term care, policies may not provide full coverage due to policy limits and other restrictions. A benefit period may range from two years to the insured's lifetime, according to the Insurance Information Institute, an industry trade group.

But self-insuring also leaves people open to the possibility that they will need more care than they think—which means dipping into essential funds or those earmarked for inheritance.

"It's not a perfect science to know whether or not to self-insure," says Jordan Niefeld, a certified financial planner with Raymond James & Associates in Aventura, Fla. Which route you choose can depend on factors such as your finances, asset mix, policy costs, life expectancy, health history and risk tolerance.

Here are seven questions to consider about self-funding long-

term-care needs:

#### 1. Who could be a good candidate for self-insuring?

There is no particular line in the sand in terms of net worth or assets. However, wealthier (or "high net worth") individuals tend to be better suited, says Jeff Donham, a senior wealth adviser with Colony Group in Richmond, Va. That is because

able between ages 55 and 65, according to data from the American Association for Long-Term Care Insurance. After age 70, finding and being approved for a policy can be difficult.

#### 3. How much should you set aside for self-funding?

"People like magic numbers, but there isn't one, unfortunately," says David Pierce, assistant professor of insurance at the American College of Financial Services, a professional training organization for financial advisers. The amount needed to cover poten-

all of that expense comes out of the patient's pocket. How does that compare with the costs for long-term-care policies? According to the most recent annual analysis by the American Association for Long-Term Care Insurance, a 55-year-old male purchasing \$165,000 of long-term-care benefits that are available to use immediately could expect to pay \$900 a year. Adding an inflation growth option that increases available benefit levels by 3% yearly would cost \$2,100 annually. The cost for a 55-year-old female seeking the same level of benefits would be \$1,500 and \$3,600, respectively.

#### 4. What's your asset mix?

Even high-net-worth people may not be in a position to self-insure, Pierce says. There are factors such as how many children they have and the parent's desire to leave an inheritance. Another consideration is whether parents

live or the type of care they may need. For instance, people shouldn't necessarily assume they will die young just because a parent did. On the other hand, assuming you won't develop a long-term disease such as Alzheimer's, especially if it runs in your family, "could be potentially catastrophic to your long-term savings," Donham says.

Pierce offers the example of a couple who owned several small corporations. The couple decided to self-insure because they felt they weren't going to live long, probably wouldn't need much care and didn't want to pay the insurance premiums. But they lived into their 80s and 90s, and both needed long-term care. This left their seven children with significantly less money than the couple had intended, and they had to sell three of the companies to pay for the long-term care—causing family friction.

#### 6. Is there a middle-of-the-road option?

By shopping around, people could find a stand-alone long-term-care policy at a reasonable rate or a hybrid policy, which combines life insurance with long-term care. While the latter could be more costly, beneficiaries can receive a larger death benefit if long-term-care services aren't used.

People might also consider a smaller long-term-care policy and self-insure a portion of their expected costs, Donham says. "You don't have to get the Cadillac policy that's going to cover five years at full cost, because you may not use the coverage at all."

#### 7. How important is peace of mind?

Jody R. King, director of wealth planning at Fiduciary Trust in Boston, says clients sometimes choose not to self-insure because they can't stomach the risk. Even though King runs the numbers to show some clients they are likely to have enough assets to cover the cost of care, emotionally they need to know it is taken care of, King says.

It is a trade-off that often comes down to personal comfort. "Would you be bothered if, at age 72, you were in a nursing home for 20 years and had to shell out upwards of \$100,000 a year?" Pierce says. "Even if you could handle it financially, would you prefer that money be reserved for something else?"

*Cheryl Winokur Munk is a writer in West Orange, N.J. She can be reached at reports@wsj.com.*



wealthier people are more likely to have sufficient assets to cover their future care needs, which could amount to tens or hundreds of thousands of dollars. Wealthier people without dependents such as a spouse or partner or children may have even more cause to think about self-insuring, Donham says.

#### 2. How long can you wait to make a choice?

Generally, rates for long-term-care insurance are most favor-

tial long-term-care costs will be based in part on the cost of care today, inflation, life expectancy based on family history and projected returns.

But in deciding, consider that the national monthly median cost in 2021 for a home health aide was \$5,100 a month, according to Genworth's Cost of Care Survey. The national monthly median cost for an assisted-living facility was \$4,500, and a semiprivate room in a nursing home was \$8,000 a month.

With self-funding, obviously

are philanthropically inclined and want to know they can leave significant money to a favorite charity. And are assets liquid or illiquid? "Your net worth could be \$1 million, but your house could be \$900,000 of it," Donham says. Before deciding to self-insure, people need to consider: "Is [selling the house] what you'd want to do in that situation?"

#### 5. Are the assumptions good?

People have to be careful of their guesses about how long they will

## Retirement-Savings Changes You Should Know About for 2023-24

### The Secure 2.0 Act has all sorts of provisions that take effect between now and 2027. Here's when they kick in.

BY LEONARD SLOANE

**T**HE SECURE 2.0 Act, passed in December, contains more than 90 provisions affecting retirement-savings plans, such as individual retirement accounts and 401(k) workplace plans.

Only some changes are effective this year. Others will take effect in years 2024 through 2027. In 2025, for example, limits on catch-up contributions to 401(k)s and Simple IRAs will be increased. In 2026, ABLE plans, a tax-advantaged plan for disabled people, will raise the age of disability onset to 46 from 26. In 2027, a new program for low-income individuals called Saver's Match, will offer a match by the Federal government of 50% of contributions to an IRA or 401(k) up to \$2,000 a year.

Still other changes won't apply for as long as a decade.

"There are so many parts to the law, and the effective dates are all over the board," says Sarah Brenner, director of retirement education at Ed Slott & Co., a tax consulting firm in Rockville Centre, N.Y. "So it's important to know what you can do right now."

#### This year

Some of the key changes for 2023:

- **The age for taking the mandated annual withdrawals** known as required minimum distributions, or RMDs, is raised to 73 from 72 (or 70½ before the original Secure Act in 2020). Those who were subject to RMDs under the previous rules must continue to follow their existing schedules. In 2033, the age for taking RMDs will rise to 75 from 73.

- **The penalty for missed RMDs is reduced** from 50% to 25% and even 10% if corrected in a "timely" manner. The window for correction is two years from the end of the year in which the RMD should have been taken. In addition, you can request a waiver of any penalty at all from the Internal Revenue Service by taking the RMD now and filing Form 5329 with a reasonable-cause explanation.

- **A statute of limitations is now created**, limiting the period in which the IRS can impose a penalty: three years for missed RMDs and six years from the tax-filing deadline of the year in which an excess contribution was made. Previously there was no statute of limitations.



- **Roth (after tax) contributions can be made** to SEP and Simple IRAs, which are retirement plans for small businesses. Only employers make contributions with SEPs, while with Simples, both employees and employers make contributions. Until now, contributions to SEP and Simple IRAs had to be pretax.

- **Employer matching contributions to a Roth account** can, at an employee's option, be made as a Roth. Previously they had to be made on a pretax basis. The employee, however, pays the income tax on this amount.

- **Additional exceptions now exist to the 10% early distribution penalty** for withdrawals from a retirement plan before age 59½.

These include terminal illness, net income attributable to excess contributions and distributions in the event of a qualified disaster, up to \$22,000.

- **A one-time-only \$50,000 qualified charitable distribution** to a charitable gift annuity, a charitable remainder unitrust or a charitable remainder annuity trust is allowed. Previously no benefits were permitted when making a qualified charitable distribution.

#### Next year

Changes in store for next year:

- **The \$1,000 catch-up contribution** to IRAs and 401(k)s for those age 50 and older will be indexed for inflation.

- **Qualified charitable distributions** will also be indexed for inflation.

- **Beneficiaries of "529" education-savings accounts** can roll over up to \$35,000 of leftover funds to a Roth IRA in the name of the 529 beneficiary. These roll-overs are subject to Roth IRA annual contribution limits, and the 529 must have been in place for at least 15 years.

- **Roth 401(k) contributions** will no longer be subject to RMDs during the owner's lifetime, since the money has already been taxed when contributed. This will bring Roth workplace plans in line with laws governing Roth IRAs, whereby plan dollars are excluded from the RMD calculations.

- **Employer matching contributions** may be made on student-loan payments, just like they are made on 401(k)s. Each payment you make on a student loan can therefore be matched according to the terms of the plan.

- **Further exceptions to the 10% early distribution penalty:** expenses stemming from a financial emergency, up to \$1,000 a year, and payments for victims of domestic abuse, up to \$10,000 indexed for inflation.

*Leonard Sloane is a writer in New York. He can be reached at reports@wsj.com.*



## JOURNAL REPORT | SAVING FOR RETIREMENT

# In Tandem: A 401(k) And an IRA

*Continued from page R1*  
vantage might be the ability to just save more, says Christine Benz, director of personal finance at research firm Morningstar. “Just maxing out annual 401(k) contributions might not create a stream of income in retirement that is a decent percentage of their working income,” she says.

For people considering the double-up approach, here are some considerations:

### 1. Saving more while working

Employer-sponsored plans enable participants to have money automatically deducted from each paycheck and invested in the plan, which is intended to simplify the process and increase the odds that someone will accumulate a reasonable amount of savings. Employers may match part or all of the participant contribution.

However, the Internal Revenue Service limits annual employee contributions. This year the limit is \$22,500 for someone under 50. If that under-50 participant could afford to lock up additional dollars in an IRA, that would increase the total saved by as much as another \$6,500 a year. (For those 50 or over, the annual IRA contribution limit is \$7,500. For a 401(k), plan participants 50 and older can contribute up to \$30,000 a year.)

Contributing the maximum allowed to both an employer plan and an IRA would accelerate someone's pace of saving and might make a real difference in retirement, says Benz.



### 2. Lowering the tax bill later

IRAs come in various forms, and it is important to understand the numerous IRS rules governing them, says Rob Williams, managing director of financial planning at Charles Schwab. Among those are how much someone can contribute each year, whether withdrawals are taxable and whether people at certain income levels qualify to create and contribute to some types of accounts.

One commonly used account is a traditional IRA, similar to a 401(k) in that an investor is contributing before-tax income and may be able to take a deduction for the contribution. Another popular choice, a Roth IRA, allows a person to contribute after-tax income while getting no deduction.

A key difference between types of accounts is that under IRS rules, people with 401(k)s

and traditional IRAs must begin taking the annual withdrawals known as required minimum distributions at a certain age, currently after turning 73. Money taken out is taxable at someone's ordinary income rate, and the tax liability can be sizable for anyone with a large sum in an account. Roth IRAs, by contrast, don't have required minimum distributions for the person who creates the account.

In recent years, more employers also have begun offering Roth 401(k)s. These are similar in many ways to Roth IRAs, with contributions made in after-tax dollars. And beginning next year, Roth 401(k) accounts won't have any required minimum distributions. Some employers who offer 401(k) and Roth 401(k) accounts allow plan participants to contribute to both simultaneously—but total contributions

can't exceed \$22,500 for people under 50 or \$30,000 for someone 50 or older.

For someone who creates a Roth IRA, meanwhile, not only is there no required distribution, but as long as that person follows IRS rules, withdrawals may be tax-free. That makes a Roth IRA a potentially valuable tool for limiting the overall tax bite.

“That's the account you want to load up on,” says Ed Slott, an adviser in Rockville Centre, N.Y.

### 3. Wider choices

To limit costs, employer plans typically provide around 20 or fewer investment choices. They infrequently offer low-cost, exchange-traded funds or ESG funds—the “do good” investments that focus on environmental, social and corporate-governance factors.

An IRA would allow someone to invest in many more types of tradable securities.

But if you create one, it is important to consider your overall allocations when making changes to either your 401(k) or your IRA, says Jeremy Strickler, portfolio manager at Williams Wealth Management in Greenville, S.C. For example: If someone wanted to have no more than 60% of total retirement savings in equities, that person would need to take care not to make changes in either account that would lift the overall equity allocation significantly above 60%.

### 4. Lowering overall investment costs

A recent Morningstar report found that fees charged to participants in employer plans vary markedly, because large plans realize better economies of scale. At such plans, annual fees as a percentage of assets typically total around 0.40 percentage point, less than half those of smaller plans. As a result, workers at smaller companies may save as much as 9% less by retirement.

Some plans provide low-cost choices such as passive stock-index funds, says Morningstar's Benz. But identifying such choices requires a participant to scrutinize plan literature and compare fees of the various options.

If a plan poses high expenses, someone might be better off contributing just enough to get the maximum company match and investing additional money in low-cost ETFs in a tandem IRA.

“Especially for investors who don't have the wherewithal to invest a lot and want to get the most bang for their buck, that is one of the best reasons to consider an IRA alongside a 401(k),” says Benz.

*Michael A. Pollock is a writer in Pennsylvania. He can be reached at [reports@wsj.com](mailto:reports@wsj.com).*

You can't replace  
wildlife once it's gone.

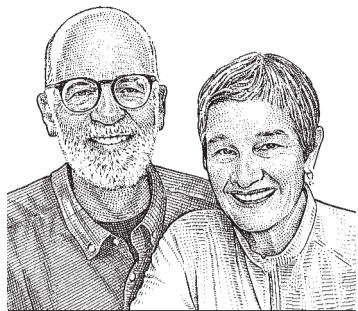


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# JOURNAL REPORT | INVESTING MONTHLY

## Retirement Rookies • Stephen Kreider Yoder and Karen Kreider Yoder



# In Retirement, Time to Help, and Be Thankful for, Aging Parents

As Mom lay dying, I felt grateful for all she had given us, but it was tinged with regret

**The first year** in retirement is often the most difficult. But it also can set the stage for how you'll fill the years ahead—both financially and psychologically. Stephen Kreider Yoder, 65, a longtime Wall Street Journal editor, joined his wife, Karen Kreider Yoder, 66, in retirement in September. In this monthly column, they chronicle some of the issues they are dealing with in their first year.

• **STEVE:** We touched down in Cedar Rapids one Tuesday this spring with a sense of foreboding, a tinge of regret—and overwhelming gratitude.

My mother lay in her nursing-home bed 40 miles away in what we suspected were her last weeks. “She lived a good life,” Karen said as I steered our rental into the Iowa countryside. “I learned so much from her.”

We all did—Mom’s family and the many other people whose lives she enriched over her 90 years.

We sat with my father that afternoon and sang her favorite hymns as she lay unresponsive, trusting she could hear. Dad said, as he often does: “This is where we are.”

Retiring has forced Karen and me, as we prepare for our latter years, to confront realities we can no longer avoid: Our time is finite, we are growing frailer, old age costs money, we aren’t sure how we fit into the world.

At the same time, like many recent retirees, we have the privilege of entering this phase while we can still be there for parents living at the other end of retirement.

We recently met with a group of friends, retired or soon to be, ostensibly to swap tales and tips. How best to invest savings? Should we move somewhere cheaper? Is Medicare baffling to you, too?

But we spent much of the time talking not about ourselves but about our moms and dads. Each of us had parents or parents-in-law needing care, many with dementia.

A common lament among retirees we know who have chosen lives far from parents is a feeling of helplessness, even guilt. We fly in regularly to visit, to help them downsize or move to care facilities, for emergencies. We get on the phone to talk through financial decisions and warn them to



avoid telemarketers.

(I’ve found myself assuring Dad he needn’t worry about running out of money—partly thanks to the long-term-care policy he and Mom took out to avoid burdening us kids—at the same time our financial planner is telling me to stop worrying about running out.)

But we often depend on close-by family to provide a constant presence. “It’s something that gnaws at me,” says a semiretired friend about not being near his parents, “always.”

Dad sometimes wistfully talks about how his and Mom’s work kept them a world away from their aging parents. I, too, find myself regretting I didn’t try harder to be closer to mine.

Our regrets are related. Raised in cash-strapped farm families in Texas and Iowa, my parents took a giant leap of faith and geography, sailing to Japan as missionaries in 1961.

That leap was one of their greatest gifts to me. I grew up fluent in Japanese, which became my foot in the journalism door.

But having spent my youth in large Japanese cities, I have settled in an American metropolis rather than where they retired; I don’t fit anywhere else.

Mom’s dementia deepened last year after I retired. By a January visit, she could barely move or talk. But I could still tease her and get a hint of a chuckle—a spark of the funny mother who brought cheer to so many, and a reminder that I owe to her my sense of humor, such as it is.

Dad, who had spent many hours at her side every day through her decline, gave us his sober analysis, based on his extensive reading on dementia: “This is where we are.”

That was my dad, from whom I inherited an analytical bent and pensiveness. To both parents, I owe my frugality, my work ethic and so much more. They remained generous and self-giving even as they aged, a model to me as I navigate retirement.

Four days after Karen and I arrived this spring, Mom drew her last breath. Her memory is a

blessing, and we are now blessed with just one surviving parent between us, my 92-year-old father.

Among Dad’s touchstones is “Ite Kurete Arigato” by Kazuo Sekinea, a Japanese book on living with dementia whose title can mean “thank you for being” or “thank you for being there for me.” We’re so fortunate he’s here, and we hope to do better at being there.

• **KAREN:** A wonderful thing about retirement is that it gives us time to reflect on the many aspects of our lives for which we owe gratitude to our parents.

Not a week goes by that I don’t pull out one of Steve’s mom’s recipes. When I arrived in Tokyo as a young bride, she taught me to make miso soup—a daily staple in a Japanese home—and perfect white rice cooked in a pot, not to mention her famous sour-cherry pie.

When I pick a flower in our garden these days and arrange it in a simple vase, I remember our shared interest in *ikebana*, traditional flower arranging.

During our visits to Iowa in the

past year, I would read to her some of the children’s poems she once recited to our three young boys—poems that they still remember with delight, including slightly off-color rhymes like “Beans, beans the musical fruit...”

The words still brought a faint smile to her face until recently, as did our recounting of her escapades with our children long ago.

The contemplativeness of retirement has us also wistfully thinking of what we owe my parents, who died in Kansas at ages 94 and 96, a few years before we retired.

My sense of adventure stems directly from them. “Go, live in interesting places, and do interesting things,” they told us children. “We’ll come visit you.”

I learned the value of education from my mother, who earned a master’s degree in 1946, well before women did such things. I learned the value of volunteering from them—Mother and Dad spent their first years of married life doing relief work in Europe just after World War II.

Not too many generations ago, many Americans retiring at age 65 didn’t have much life expectancy left and had long since lost their parents to old age. As Steve says, it has been a blessing that we could retire while his parents were still with us. With retirement comes time, and we’ve been able to travel from California to Iowa for longer stretches.

Since September, we’ve been able to do more things with Steve’s dad that remind us how he has enriched us. I’ve shared with him books that I’ve read—which he then reads and we discuss on our next visit. We’re considering picking up where we left off playing recorder duets together.

Free from work schedules, we can also hope to make trips to Iowa an adventure more often. We could ride Amtrak there several times a year, say, or take a detour from another cross-country bike trip. We will finally have time to consider joining Ragbrai, the party-like annual bike ride across Iowa, and combine it with a Dad visit.

When we visit him this summer, we hope to drive with him out in the countryside, drop in on relatives, see his childhood places and hear his stories. I’ll make him a pot of chili and other hearty soups to freeze for later.

But for now, he doesn’t demand much more than our just being there. Mostly we’ll sit with him in his independent-living apartment and enjoy one another’s presence. It’s the least we can do in gratitude for all he and our departed parents have done for us.

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PAUL BLOW

## Mutual-Fund Yardsticks: How Fund Categories Stack Up

Includes mutual funds and ETF’s for periods ended May 31. All data are preliminary.

Investment objective	Performance (%)				Investment objective	Performance (%)			
	May	YTD	1-yr	5-yr		May	YTD	1-yr	5-yr
<b>Diversified stock &amp; stock/bond funds</b>					<b>World stock funds</b>				
Large-Cap Core	0.2	8.3	2.4	10.0	Global	-1.3	7.3	1.0	6.1
Large-Cap Growth	4.4	19.9	7.9	10.8	International (ex-U.S.)	-3.6	6.6	1.2	2.7
Large-Cap Value	-3.1	-0.3	-2.8	7.5	European Region	-4.6	8.6	3.6	3.4
Midcap Core	-3.3	-1.0	-0.7	5.7	Emerging Markets	-1.2	3.1	-5.5	-1.0
Midcap Growth	-0.2	6.0	0.8	6.9	Latin American	1.4	7.2	-2.4	2.1
Midcap Value	-4.4	-3.3	-8.7	5.0	Pacific Region	-5.4	-4.1	-9.4	-1.5
Small-Cap Core	-2.2	-1.5	-5.8	3.6	Gold Oriented	-7.5	4.2	-4.7	6.4
Small-Cap Growth	-1.3	3.3	-1.5	4.9	Global Equity Income	-3.8	2.0	-2.8	5.1
Small-Cap Value	-2.8	-4.3	-8.7	3.4	International Equity Income	-4.2	4.6	-1.2	2.5
Multicap Core	-0.6	5.8	0.01	8.0	<b>Taxable-bond funds</b>				
Multicap Growth	3.4	14.4	4.3	8.7	Short-Term	-0.1	2.0	1.1	1.3
Multicap Value	-3.8	-1.5	-4.7	6.6	Long-Term	-1.4	2.9	-2.4	1.2
Equity Income	-3.4	-1.1	-4.1	6.9	Intermediate Bond	-1.1	2.5	-2.4	0.8
S&P 500 Funds	0.4	9.5	2.5	10.6	Intermediate U.S.	-1.1	1.9	-3.6	1.9
Specialty Divers. Equity	-0.1	5.4	-1.7	4.3	Short-Term U.S.	-0.3	1.5	-0.4	0.6
Balanced	-1.2	3.5	-1.4	4.2	Long-Term U.S.	-1.5	2.5	-4.5	-0.1
Stock/Bond Blend	-1.3	4.1	-1.5	4.4	General U.S. Taxable	-1.0	2.5	-1.9	0.8
Avg. U.S. Stock Fund <sup>1</sup>	-0.9	4.8	-1.3	6.8	High-Yield Taxable	-1.0	3.2	-0.5	2.5
<b>Sector stock funds</b>					Mortgage	-0.7	2.2	-2.8	-0.04
Science & Technology	9.4	25.6	7.8	11.3	World Bond	-1.0	2.4	-1.4	-0.1
Telecommunication	-1.1	9.4	-7.0	3.5	Avg. Taxable-Bond Fund <sup>2</sup>	-0.8	2.5	-0.9	1.3
Health/Biotechnology	-2.3	-0.7	-6.4	6.0	<b>Municipal-bond funds</b>				
Utility	-5.3	-5.4	-8.9	7.0	Short-Term Muni	-0.6	1.2	-0.7	0.5
Natural Resources	-8.6	-12.8	-14.9	-1.1	Intermediate Muni	-0.8	1.2	0.4	1.2
Sector	-3.8	-2.7	-15.1	2.6	General & Insured Muni	-0.7	2.0	-0.8	1.1
Real Estate	-3.7	-0.2	-14.0	3.8	High-Yield Muni	-0.6	2.2	-2.8	1.2

## Stock & Bond Benchmark Indexes All total return unless noted

Investment objective	Performance (%)				Investment objective	Performance (%)			
	May	YTD	1-yr	5-yr		May	YTD	1-yr	5-yr
<b>Large-cap stocks</b>					<b>Stock indexes</b>				
DJIA	-3.2	0.2	2.0	8.5	DJ U.S. TSM Growth	5.8	24.7	11.3	13.0
S&P 500	0.4	9.6	2.9	11.0	DJ U.S. TSM Value	-4.5	-3.6	-5.9	6.1
<b>Midcap stocks</b>					<b>Taxable bonds</b>				
S&P Midcap 400	-3.2	-0.3	-2.6	6.0	Barclays Agg. Bond	-1.1	2.5	-2.1	0.8
<b>Small-cap stocks</b>					<b>Municipal bonds</b>				
Russell 2000	-0.9	-0.04	-4.7	2.7	Barclays Muni. Bond	-0.9	1.7	0.5	1.7
<b>Broad stock market</b>					<b>International stocks</b>				
DJ U.S. Total Stock Market	0.4	8.8	1.9	9.9	MSCI EAFE <sup>1</sup> (price return)	-4.8	5.0	0.2	0.6
Russell 3000	0.4	8.7	2.0	10.1	Dow Jones World (ex. U.S.)	-3.4	4.6	-1.6	2.1

<sup>1</sup>Annualized <sup>2</sup>Diversified funds only <sup>3</sup>Excludes money-market funds <sup>4</sup>Europe, Australia, Far East

Source: Refinitiv Lipper

## How the Largest Funds Fared

Performance numbers are total returns (changes in net asset values with reinvested distributions) as of May 31; assets are as of April 28. All data are preliminary.

### Stock Mutual Funds and ETFs

Fund	Ticker	Assets (\$ billions)	Total Return (%)				
			May	1-year	3-year	Annualized 5-year	10-year
Vanguard TSM Idx;Inst+	VSMPIX	1264.39	0.4	2.0	12.1	10.0	N.A.
Vanguard 500 Idx;Adm	VFIAX	820.72	0.4	2.9	12.9	11.0	12.0
Fidelity 500 Index Fund	FXAIX	388.63	0.4	2.9	12.9	11.0	12.0
SPDR S&P 500 ETF	SPY	380.25	0.4	2.9	12.8	10.9	11.9
Vanguard Tot I S;Inv	VTGSX	373.89	-3.4	-1.4	7.4	2.3	4.1
iShares:Core S&P 500	IVV	311.71	0.4	2.9	12.9	11.0	12.0
Vanguard Instl Idx;InstP	VIIIX	239.61	0.4	2.9	12.9	11.0	12.0
American Funds Gro;A	AGTHX	213.88	2.7	3.5	8.3	8.7	11.7
American Funds Bal;A	ABALX	198.42	-0.7	-1.4	6.0	6.2	7.5
Invesco QQQ Trust 1	QQQ	173.94	7.7	13.6	14.9	16.2	17.9
Vanguard Dev Mkt;ETF	VEA	166.40	-3.7	0.9	8.7	3.2	4.9
Vanguard Gro Idx;ETF	VUG	158.73	5.1	9.5	11.8	13.2	13.9
American Funds Wash;A	AWSHX	153.63	-0.7	-0.3	12.4	9.4	10.6
Vanguard Val Idx;ETF	VTV	151.23	-4.1	-3.9	12.8	8.1	9.7
Vanguard Mid-Cp I;Adm	VIMAX	140.05	-2.6	-5.0	9.7	7.1	9.4
American Funds EuP;R6	RERGX	138.00	-3.2	1.1	5.9	2.9	5.5
American Funds Inc;A	AMECX	119.75	-3.3	-4.3	7.8	5.5	6.5
Vanguard S-C Idx;Adm	VSMAX	115.78	-2.0	-4.3	10.4	5.0	8.4
American Funds NP;A	ANWPX	115.21	-0.6	2.7	10.1	8.7	10.0
American Funds Flw;A	ANCFX	111.55	-0.3	2.3	11.0	8.2	10.5
American Funds ICA;A	AIVSX	110.26	0.6	4.6	11.8	8.8	10.5
American Funds CWG;A	CWGIX	108.27	-1.3	0.8	8.5	5.3	7.2
Vanguard Wellington;Adm	VWENX	104.64	-1.1	0.7	7.2	7.1	7.9
American Funds CIB;A	CAIBX	103.25	-3.6	-3.4	6.7	4.5	5.1
Fidelity Contrafund	FCNTX	100.64	2.6	7.6	9.9	10.4	12.9

### Bond Mutual Funds and ETFs

Fund	Ticker	Assets (\$ billions)	Total Return (%)				
			May	1-year	3-year	Annualized 5-year	10-year
Vanguard Tot Bd;Adm	VBTIX	297.93	-1.1	-2.0	-3.7	0.9	1.4
Vanguard Tot Bd II;Inst	VTBNX	247.37	-1.1	-2.0	-3.7	0.8	1.3
PIMCO:Income;Inst	PIMIX	120.84	-0.3	0.9	2.1	2.4	3.8
Vanguard Tot Itl B2;Inst	VTILX	98.25	0.03	-1.4	N.A.	N.A.	N.A.
iShares:Core US Agg Bd	AGG	89.17	-1.1	-2.1	-3.7	0.8	1.4
Vanguard Tot Itl BI;ETF	BNDX	85.27	...	-1.4	-3.2	0.4	1.9
American Funds Bond;A	ABNDX	77.02	-1.3	-2.7	-3.0	1.4	1.6
Vanguard Int-Tm TxEx;Adm	VWIUX	70.02	-0.8	1.1	-0.23	1.8	2.2
Vanguard Sh-Tm B;ETF	BSV	64.89	-0.5	-0.1	-1.3	1.3	1.1
MetWest:Total Rtn;I	MWTIX	64.27	-1.3	-3.0	-3.6	0.9	1.5
Dodge & Cox Income;I	DODIX	63.20	-0.8	-0.7	-1.5	1.9	2.3
Fidelity SA Core Inc	FIWGX	62.59	-1.0	-2.0	-2.2	N.A.	N.A.
Fidelity US Bond Index	FXNAX	59.81	-1.1	-2.2	-3.7	0.8	1.4

Note: For funds with multiple share classes, only the largest is shown. N.A.: Not applicable; fund is too new or data not available

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