

THE WALL STREET JOURNAL.

What's News

Business & Finance

- ◆ **Consumer prices rose** in August at the fastest pace in more than a year due to a jump in energy costs, illustrating the potential obstacles to wringing inflation out of the economy without a sharper slowdown. **A1**
- ◆ **Stock traders appeared** relieved the inflation data didn't come in hotter than expected and lifted the S&P 500 and Nasdaq by 0.1% and 0.3%, respectively. The Dow industrials fell 0.2%. **B11**
- ◆ **Energy and labor costs** are cutting further into some corporate profits, in the latest sign that inflationary forces continue to course through industries, pressure executives and worry Wall Street. **A1, B11**
- ◆ **Arm set a price** of \$51 a share as the British chip designer lays the groundwork for the biggest U.S. public offering of the year. **B1**
- ◆ **Citigroup's Fraser** is shaking up the bank's upper management levels, shedding layers and overlapping roles in her latest bid to simplify the sprawling organization. **B1**
- ◆ **SpaceX's Starlink** satellite-internet division has outpaced rivals and generated surging revenue, but the business still has a long way to go before living up to Chief Executive Elon Musk's ambitions. **B1**
- ◆ **The EU is launching** an antitrust investigation into China's electric-vehicle makers, opening a new front in the battle for leadership of the global clean-technology industry. **B4**
- ◆ **A looming UAW strike** deadline commanded Motor City's attention as a slimmed-down Detroit auto show got under way. **B1**

World-Wide

- ◆ **A potential multibillion-dollar** arms deal between RTX and a Saudi weapons firm was abruptly called off early this year over what people familiar with the talks said were the U.S. company's concerns that its partner's operations were pursuing business with Chinese and Russian entities under sanctions. **A1**
- ◆ **Putin and Kim flaunted** their burgeoning friendship at a summit, displaying a partnership that unnerves the West over concerns that North Korea will provide munitions to support Moscow's war in Ukraine. **A8**
- ◆ **Ukraine hit Russian navy** dry docks in the Crimean port city of Sevastopol with missiles, damaging a submarine and a large landing ship. **A9**
- ◆ **The U.S. ambassador** to the U.N. and the family of Wall Street Journal reporter Evan Gershkovich called for his immediate release from Russia. **A8**
- ◆ **Escaped prisoner Danelo** Cavalcante, who eluded Pennsylvania authorities for two weeks, was captured following a massive search. **A3**
- ◆ **A federal judge** again ruled that the Obama-era program protecting young immigrants known as Dreamers is illegal, rejecting Biden administration efforts to shore up program. **A6**
- ◆ **A philanthropic group** whose funders include the Bill & Melinda Gates Foundation and MacKenzie Scott is giving \$124 million to historically Black colleges and universities. **A2**
- ◆ **McCarthy laid out** a road map for passing legislation to keep the government funded past Oct. 1, but the House speaker ran into new roadblocks from spending hawks. **A4**

CONTENTS

Markets Digest.....	B7
Arts in Review.....	A13
Opinion.....	A15-17
Banking & Finance B10	Personal Journal A11-12
Business News.....	B3
Sports.....	A14
Crossword.....	A14
Technology.....	B4-5
Heard on Street.....	B12
U.S. News.....	A2-4,6
Markets.....	B11
World News.....	A8-9,18

Ukrainians Hold Their Ground in Liberated City



ON THE LINE: Kupyansk, a city that's been at the center of Kyiv and Moscow's battle for control of eastern Ukraine, in recent weeks has resisted a Russian offensive to retake it. Russian leader Vladimir Putin and North Korea's Kim Jong Un met Wednesday, raising concerns that Pyongyang will provide munitions to support Moscow's war in Ukraine. **A8, A9**

Higher Fuel and Labor Costs Put Dent in Corporate Profits

By ALISON SIDER AND MARK MAURER

Energy and labor costs are cutting further into some corporate profits, in the latest sign that inflationary forces continue to course through industries, pressure executives and worry Wall Street. American Airlines cut on Wednesday its quarterly profit forecast, citing surging jet fuel costs and a new pilot contract

ratified in August. Package delivery giant United Parcel Service said this week it expects to book about \$500 million more in contract-related costs than it expected by year-end, hitting its profit margins. In Detroit, workers are threatening a strike this week against the big three U.S. automakers. Industries from travel to manufacturing have been contending with worker shortages as the U.S. economy emerged

from the Covid-19 pandemic, providing leverage that labor unions are using to negotiate higher pay and expanded benefits. In California, health-care facilities and restaurant operators reached separate deals this week with workers that are set to raise minimum pay for employees in the state, while West Coast dockworkers this summer secured a 32% raise through 2028. The United Auto Workers

is seeking a mid-30% raise over four years in its negotiations with automakers, alongside cost-of-living adjustments and a shorter workweek. Fuel prices, meanwhile, have been ticking up, with gasoline prices hitting their highest levels so far this year in recent weeks. The Labor Department said on Wednesday that the con-

Please turn to page A6

Sanctions Fears Led U.S. Firm To Scrap Saudi Deal

By STEPHEN KALIN

RIYADH, Saudi Arabia—U.S. defense giant RTX and a Saudi weapons company were heading toward a multibillion-dollar deal when it was abruptly called off this year.

The reason, people familiar with the talks said, was RTX's concerns that its Saudi partner's companies were pursuing business with Chinese and Russian entities under sanctions.

That unease was a deciding factor for an advisory board of retired U.S. military officers to resign from the Saudi company, Scopa Defense, the people said. Scopa fired its U.S. chief executive who had raised the sanctions concerns with his company's owner and U.S. officials. Now, other major Western defense companies are reconsidering early stage deals primarily because of the concerns around engagement with Russian and Chinese entities, the people said.

The failed talks with RTX, formerly known as Raytheon Technologies, demonstrate a challenge Saudi Arabia faces in pursuing diplomatic and business relationships with China and Russia that Washington says jeopardize U.S. national security. Doing business with companies under sanctions could undermine U.S. efforts to squeeze Russia and China financially and heighten the risks that Western companies would face sanctions themselves. It also raises the specter of Moscow and Beijing obtaining secret U.S. military technology.

The breakdown of RTX-Scopa talks also shows the challenges for countries that want to maintain relationships with the U.S. and its top global rivals when Washington prefers its

Please turn to page A9

Tax Cuts Are Here to Stay—And So Are Budget Deficits

Both parties agree burden shouldn't rise for nearly all payers

By RICHARD RUBIN

WASHINGTON—President Biden and Republicans are gearing up for a hyperbolic election-year battle over extending the 2017 law that lowered taxes for individuals and businesses. Ignore the noise. Most of the fight is already over, and tax cuts are winning again.

The core individual tax provisions of the 2017 law, which Republicans pushed through Congress and then-president Donald Trump

signed, are scheduled to expire after 2025. That means lawmakers will have to revisit the tax cuts shortly after the election, no matter who wins control of Congress and the White House. Biden calls the law an expensive failure and an unjustified giveaway to the wealthy, while Republicans promise to extend all of the tax cuts, which they see as an unqualified economic success.

The reality: Even if Biden is re-elected, most of the 2017 law isn't going away. In his

Please turn to page A10

INSIDE



U.S. NEWS
Sen. Mitt Romney, citing age, decides against running for re-election. **A4**



BUSINESS & FINANCE
Caesars this summer paid a ransom to hackers after a cyberattack. **B1**

For Frustrated Fans, Streaming Sports Is a Sport Unto Itself

Want to watch baseball? Good luck: 'Cord-cutting was supposed to be simple'

By DAVID MARCELIS AND ISABELLA SIMONETTI

Whenever Jimmy Kraft is about to watch the New York Yankees, he first checks a calendar to make sure he is subscribed to the right streaming app. "It's difficult to keep up,"

said Kraft, who juggles a multitude of services to watch his favorite team, including the YES streaming app; ESPN+; the Fox Sports app; Apple TV+; and Amazon's Prime Video.

Kraft, a 39-year-old website developer from the Rochester, *Please turn to page A12*

Increase In Pump Prices Boosts Inflation

Milder pricing pressures excluding energy keep Fed pause on track

By AMARA OMEOKWE AND NICK TIMIRAOIS

Consumer prices rose in August at the fastest pace in more than a year due to a jump in energy costs, illustrating the potential obstacles to wringing inflation out of the economy without a sharper slowdown.

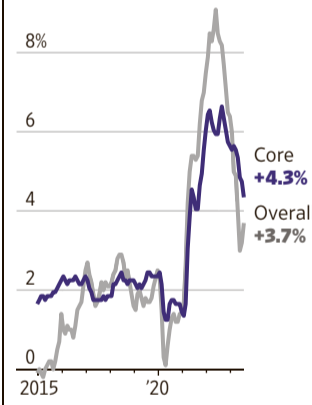
The consumer-price index, a closely watched inflation gauge, rose 0.6% in August from the prior month, the Labor Department reported Wednesday. More than half of the increase was due to higher gasoline prices.

So-called core prices, which exclude volatile food and energy items, rose by a relatively mild 0.3% last month after even lower readings in June and July. The August rise reflected higher costs for items such as airfares and vehicle insurance.

The monthly core reading likely keeps Federal Reserve officials on course to hold interest rates steady at their meeting next week without resolving a debate over whether they will need to raise them again this year to slow the economy and maintain recent progress on inflation.

Stocks were mixed after the inflation data. The Dow Jones Industrial Average fell 70 *Please turn to page A6*

Consumer-price index, change from a year earlier



Note: Core excludes food and energy prices. Source: Labor Department

- ◆ **S&P, Nasdaq gain, Dow falls on data.....** B11
- ◆ **Saudi oil cuts set to keep gas prices higher.....** B11

A 3% Mortgage Rate In a Grim 7% World? A Startup Sees Gold

By BEN EISEN

There are millions of outstanding mortgages with a 3% interest rate. A new startup says it can help today's home buyers get their hands on them.

Mortgage rates are now above 7%, leaps and bounds above the 3% they grazed two years ago. Buyers and sellers alike are giving up, sucking demand and supply out of the housing market. And things are expected to stay that way, with the Federal Reserve signaling plans to keep rates high for the foreseeable future.

Roam, a real-estate company that launched Wednesday, is betting that it can popularize an obscure workaround. "Assumable loans" allow sellers to transfer their own mortgage loans to the buyer alongside the house.

In theory, the idea sounds great, at least for discouraged house hunters who can inherit a lower-rate loan. Sellers, in turn, might fetch higher prices for their houses.

But Roam's vision faces an uphill battle. Loan assump-

tions haven't gained much traction recently, even though rates are up. Many lenders are cool to the idea because for them it would mean more work for less money.

Some 22% of active mortgages are part of the government programs that have assumption features, according to the mortgage-data and technology company Black Knight. That includes loans extended through the Department of Veterans Affairs and the Federal Housing Administration programs.

Few consumers know about the option, and fewer still follow through with it. The FHA has processed 3,349 assumptions in the fiscal year that ends Sept. 30, up from 2,566 in the year prior.

Raunaq Singh, Roam's founder and chief executive officer, said his new company will find and advertise home listings attached to attractive assumable mortgages. It is initially launching in Georgia, Arizona, Colorado, Texas and Florida.

The company aims to help *Please turn to page A10*



U.S. NEWS



CAPITAL ACCOUNT | By Greg Ip

Green Energy Shuffles Global Influence

From OPEC's oil embargo on the U.S. in the 1970s to Russia's cutoff of natural gas to Western Europe last year, unsavory regimes have weaponized their control of oil and gas to pursue strategic goals.

The transition to green energy has the potential to neuter the oil and gas weapon for good. Yet we might simply be swapping one form of commodity dependence and its geopolitical baggage for another.

Wind, sun and hydrogen are free. But the equipment that transforms them into energy, stores it in batteries and transmits it needs vast quantities of minerals whose supply is concentrated.

Congo has 43% of the world's cobalt deposits, Argentina 34% of lithium, Chile 30% of copper and Indonesia 19% of nickel, according to data from S&P Global. All exceeded Saudi Arabia's 12% share of global oil production and Russia's 16% share of natural-gas output.

For all four minerals, the five largest countries have more than half of global deposits. With oil and gas, the top five control less than half, the S&P figures show.

Downstream production is even more concentrated: China refines 70% of the world's cobalt, 65% of lithium and 42% of copper, far exceeding the share of oil output by the Organization of the Petroleum Exporting Countries.

Western governments

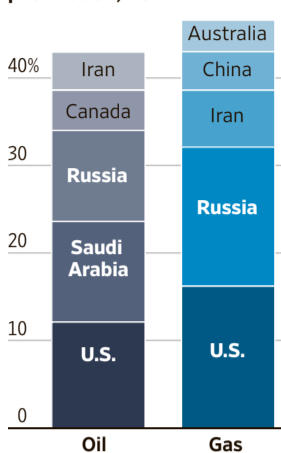
once welcomed China's willingness to do this dirty work. Not anymore. A new Cold War is emerging between China and Russia on one side and the U.S. and allies on the other, and both blocs are weaponizing that interdependence. When Russia invaded Ukraine, the West kicked it out of the global banking system and cut off supplies of vital inputs and services. Russia in turn slashed gas supplies to Western Europe. Meanwhile, the U.S. restricted China's access to key semiconductor technologies.

No one weaponizes interdependence more than China. It regularly bars imports and exports with countries that cross it politically, and discriminates against foreign companies. In July it said it would restrict exports of two minerals vital for semiconductors, missile systems and solar cells.

The U.S. is scrambling to limit its vulnerability. The Inflation Reduction Act shows subsidies on electric vehicles, batteries and renewable energy, provided the minerals involved come from the U.S. or countries with which it has a free-trade agreement and don't come from China.

But, as S&P Global points out, there are problems with this strategy. First, demand for these minerals is already skyrocketing, and the law will increase that demand by 12% to 15% by 2035. U.S. consumption of nickel, cobalt and lithium

Share of global oil and gas production, 2022



Source: S&P Global

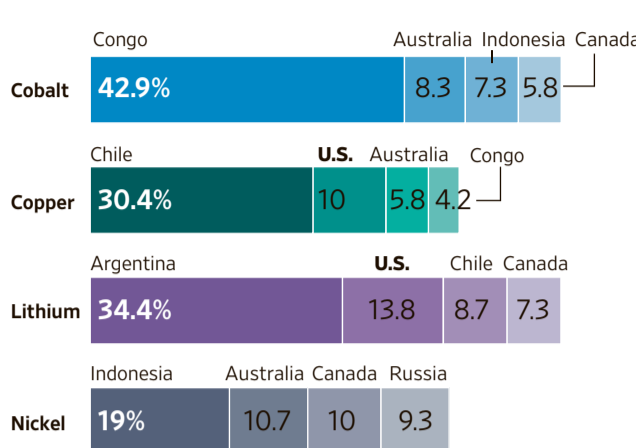
ium will grow 23-fold by 2035, it projects. Consumption of copper will double.

This, S&P concludes, will make the U.S. ever more reliant on imports that will be hard to source from free-trade partners, and without China. For example, in 2035, non-free-trade partners will account for 90% of global cobalt production, most of it in Congo, which exports 70% of its production to China.

These minerals aren't in short supply. The U.S. boasts copper deposits equivalent to 20 years' worth of its own demand, S&P notes. The problem is accessing it; the firm estimates it takes 15 years on average for a mine to go from discovery to production.

The U.S. is particularly slow: Permitting alone takes seven to 10 years, versus two to three in Australia and

Share of global mineral deposits



Canada. Refining economics are even more challenging, said Aurian de La Noue, consulting director at S&P Commodity Insights. A copper refinery or smelter hasn't been built in the U.S. since the 1970s, he said.

From the 1950s to the 1980s, Western oil companies saw their operations nationalized by host countries. Today, resource nationalism is again spreading. Indonesia is restricting exports of nickel ore, and Chile is partially nationalizing its lithium mines.

Nonetheless, the geopolitics of energy in the next era will be very different from the last: Energy minerals will never be weaponized as effectively as oil and gas were.

Oil was in some ways unique. Easier to transport and store than wood or coal and far more efficient, oil lent

itself to international trade—and efforts to control that trade. Its critical role in transportation, including for army trucks, tanks, aircraft and warships, made its availability a matter of national survival.

By contrast, energy minerals aren't fuel. Deprived of some critical mineral, "the cost of EVs would go up, it would be harder to do an offshore wind project, but nobody is going to be standing in line to fill up their car with copper," Daniel Yergin, an energy historian and vice chairman of S&P, said.

Export restrictions or attempts to form an OPEC-like cartel would in time elevate prices and spur the hunt for alternatives. A recently discovered lithium deposit in a volcanic crater along the Or-

egon-Nevada border could be the world's largest, according to the magazine Chemistry World. Permitting delays would shrink in an emergency. After Russia cut gas shipments, Germany built a liquefied national gas terminal in less than a year.

Besides geographic diversification, renewable energy benefits from technological diversification. De La Noue notes that copper competes with aluminum in electrical wiring, while lithium, nickel and cobalt all compete with one another in battery chemistry. Innovators are working on sodium-ion and iron-air batteries that use no lithium.

Perhaps the greatest obstacle to the future weaponization of energy is that we are entering an era of unprecedented variety. The data site Our World in Data notes that until the 1900s, almost all energy came from coal and biomass, such as wood. Over the past century, those were joined by oil and gas. With the growth of nuclear, hydro, wind, solar and, in time, hydrogen and biofuels, the world's energy supply will be more diversified than at any time in history.

"Diversification is the central precept of energy security," Yergin said. In his book "The Prize: The Epic Quest for Oil, Money & Power," he quotes Winston Churchill on his pursuit of secure fuel supply for the Royal Navy in World War I: "Safety and certainty in oil lie in variety, and variety alone."

Historically Black Colleges Get Big Gift

By MELISSA KORN

A philanthropic group whose funders include the Bill & Melinda Gates Foundation and MacKenzie Scott is giving \$124 million to historically Black colleges and universities, aiming to shore up—and ultimately expand—the financially strapped schools.

The money, from Blue Meridian Partners, will go to the HBCU Transformation Project, which launched last year and provides grants to 40 public and private schools for projects focused on improving enrollment, retention and graduation rates. Much of the funding targets essentials such as technology upgrades, data collection and academic support programs, which Blue Meridian says can help set the institutions up for long-term sustainability.

The project is a collaboration run by the United Negro

College Fund, Thurgood Marshall College Fund and Partnership for Education Advancement. In addition to making grants directly to schools, it lets institutions team up to pay lower rates for tools such as student-support chatbots and fundraising software, and to exchange tips on what is working well.

Blue Meridian pools funds from donors, who also include the Charles and Lynn Schusterman Family Philanthropies and the Ballmer Group, and backs projects related to social and economic mobility.

Historically Black colleges have seen a renaissance of sorts in recent years, with prospective student interest surging in the wake of the 2020 racial justice protests and again after the Supreme Court ruling this summer that made some Black students question how welcome they would be at predominantly white institutions.

But the country's roughly 100 historically Black colleges and universities generally have tiny endowments and tight budgets, and cater to students with significant financial need, making growth a challenge.

"I have an asset that's performing well, but is underinvested," said Jim Shelton, president and chief investment and impact officer at Blue Meridian, noting that HBCUs already educate a significant share of Black doctors, teachers and lawyers. "If I put in more resources, what could happen?"

The HBCU Transformation Project aims to bring on more school partners with the new round of funding. It has set ambitious goals: reduce historical funding inequities, boost enrollment at HBCUs by 90,000 in the next three years—roughly a 40% jump from 2020 figures—and increase the number of HBCU graduates by 22,000, or 54%. Blue Meridian first teamed

up with the Transformation Project backers during the pandemic, sending \$15 million in 2020. The philanthropy then invested in the HBCU Transformation Project—a collaboration among those three groups—last year, with a gift of \$60 million. Shelton says the latest gift is a response to early signs of success, including significant enrollment and retention increases at some of the first partner schools.

In 2020, Netflix co-founder Reed Hastings and his wife donated \$120 million to Morehouse College, Spelman College and the UNCF. The donation was earmarked for student-financial aid.

Schools say that type of support is crucial but that they also need help covering less glamorous costs, such as software that lets them keep track of student progress or infrastructure upgrades on dilapidated buildings.

CORRECTIONS & AMPLIFICATIONS

The medicine NyQuil Severe News article on Wednesday Cold & Flu contains phenylephrine, but NyQuil Cold & Flu doesn't. A sidebar with a U.S. about phenylephrine incorrectly listed NyQuil Cold & Flu as containing the ingredient.

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

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U.S. NEWS

Escaped Killer Caught in Pennsylvania

Prisoner was on the run for nearly two weeks, frightening Philadelphia suburbs

Escaped prisoner Danelo Cavalcante, who eluded Pennsylvania authorities for two weeks, was captured Wednesday following an intense search by hundreds of officers through the Philadelphia suburbs, the Pennsylvania State Police said.

By Alyssa Lukpat,
Luciana Magalhaes
and Ginger Adams Otis

A police dog from an elite U.S. Border Patrol unit subdued Cavalcante in a wooded area around 8 a.m., Pennsylvania State Police Lt. Col. George Bivens said at a news briefing Wednesday morning. Cavalcante resisted officers as he was taken into custody.

The 34-year-old convicted murderer had been on the run since Aug. 31, when he broke out of the Chester County Prison in a brazen daylight escape. The search drew national attention as it dragged on. Terrified locals stayed home to avoid a run-in with a murderer on the lam. Some schools closed and police asked nervous residents to lock their properties and vehicles.

An aircraft equipped with infrared technology had de-

tected a heat source overnight that led authorities to close in on Cavalcante, Bivens said. The aircraft had to leave during a storm but returned in the morning to an area where a burglar alarm had been tripped at a home.

Officers surprised Cavalcante in the morning by quietly surrounding him as he lay prone, Bivens said. Cavalcante tried to crawl away with a rifle, which he had stolen this week, until the dog reached him and bit his scalp, causing a minor injury. No shots were fired and no one else was injured.

"We recognize this has been a concerning and trying time for each and every one of you in the region," said Pennsylvania Gov. Josh Shapiro.

Cavalcante on Aug. 31 stretched his body between two walls to climb to the prison roof, and then ran across it to scale a fence and escape. The tower guard who was on duty at the time was fired last week.

Cavalcante had evaded authorities as the search focused on a roughly 10-square-mile area near a botanical garden in Kennett Square, Pa., about 40 miles west of Philadelphia. He slipped through the police's initial dragnet, forcing authorities to expand the search radius. He was eventually found on the edge of the expanded search area.

Cavalcante was captured wearing a Philadelphia Eagles



Danelo Cavalcante was the subject of an intense manhunt before his capture Wednesday.

top, his face covered in blood, footage from the scene shows. He was to be taken to a police station and interviewed before he goes back to a state correctional institution, Bivens said.

"The capture of Cavalcante ends the nightmare of the past two weeks," Chester County commissioners said in a statement Wednesday.

Around 500 local, state and federal law-enforcement officers swept through wooded areas, residential neighborhoods and businesses in recent days. Authorities said Cavalcante was spotted several times before his capture.

While Cavalcante was on the run, he preferred to move in the dark through creek beds or wood lines, Bivens said. Some of Cavalcante's associates intended to help him but weren't able to do so, Bivens said.

Police said Cavalcante on Monday broke into a garage and stole the rifle that was found with him on Wednesday morning. He had fled with the weapon and wasn't injured after the homeowner fired shots at him with a pistol.

Cavalcante was convicted in August of murdering his former girlfriend, Deborah Brandão, in 2021 and sen-

tenced to life in prison. He was awaiting transfer to a state prison when he escaped. He also faces homicide charges in his home country of Brazil, police said.

"This is a relief for our family, he will pay for the monstrous killing of our sister, in front of her children," said Brandão's sister, 35-year-old Sílvia Brandão.

Brandão, who lives in the northeastern Brazilian state of Maranhão, told The Wall Street Journal in a telephone interview Wednesday that her sister was a strong woman who suffered during her ro-

mantic relationship with Cavalcante. She said he was a "very controlling and aggressive" person.

In November 2017, Cavalcante killed a friend in Brazil following a dispute involving the cost of repairing a car, according to local law-enforcement officials.

Valter Júnior Moreira dos Reis was in a car accident while driving a vehicle supposedly owned by Cavalcante and didn't have enough money to fix it, according to an official close to the investigation. Cavalcante shot dos Reis six times, Brazilian authorities said.

Local authorities issued a warrant for his arrest, but he was never found by Brazilian police. Cavalcante left the country some months later, law-enforcement officials said.

The Pennsylvania manhunt had rattled dos Reis's family.

"Thank god he was caught by the police. Now, he will pay for what he did to my brother and his former girlfriend," said Dayanne Moreira dos Reis, the sister of Valter Júnior Moreira dos Reis. "We were very afraid he could come back to Brazil, now we are safe."

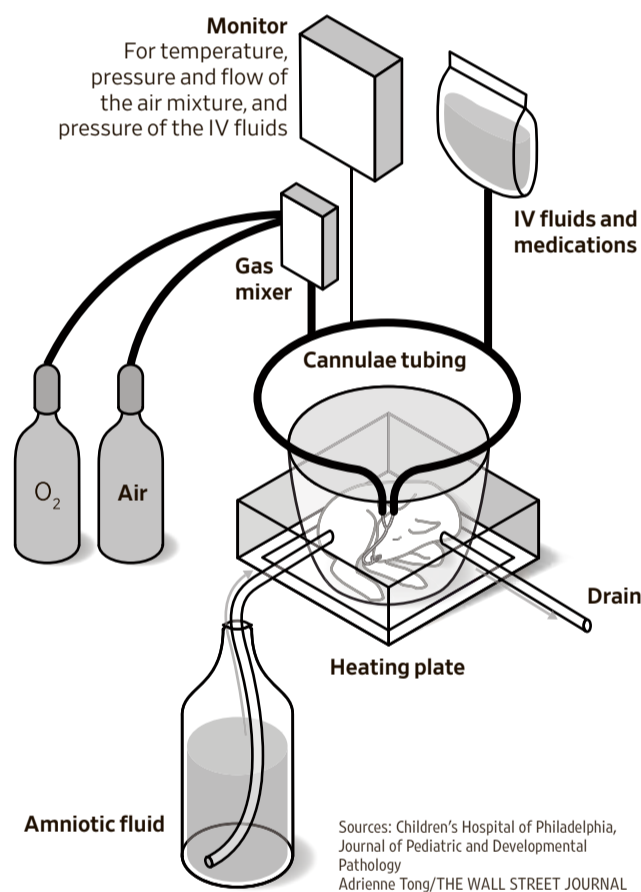
Watch a Video



Scan this code for a video on the capture of escapee Danelo Cavalcante.

Elements of an Artificial Womb

Philadelphia researchers have created a sterile, fluid environment for fetal lambs that could one day nurture premature human babies.



FDA to Weigh Artificial Wombs for Premies

By LIZ ESSLER WHYTE

The first artificial womb to gestate a human baby is fast approaching reality.

Food and Drug Administration regulators will consider next week how scientists should conduct the first human tests of bag-like wombs, meant to nurture babies born so premature that modern medicine struggles to keep them healthy.

The agency plans to meet with outside advisers and discuss behind closed doors what the agency called "confidential commercial information," citing a federal law that allows nonpublic meetings to discuss trade secrets. The agency hasn't disclosed which company's work will be discussed.

Philadelphia-based **Vitara Biomedical** has said that it is working on an artificial womb and is close to human clinical trials. A company executive said at a biotech symposium last year that the firm is commercializing the research of one of two U.S. groups known to be testing the technology on lambs. The other U.S. group says it is still a few

years off from human trials.

Vitara didn't respond to inquiries from The Wall Street Journal, and a scientist involved with the company declined to comment.

Vitara's artificial womb looks like a plastic bag with connected tubes—some to deliver fresh amniotic fluid and others to provide oxygen and medications to the fetus through its umbilical blood vessels, according to published research. Scientists have said they aim for it to nurture premature babies born at 23 to 25 weeks of gestational age, allowing their lungs to develop several more weeks in the fluid environment so helpful to their growth.

Underdeveloped lungs are the largest problem very premature babies face, neonatologists say, and the best current treatment—putting the tiny patients on ventilators—can cause severe damage.

Any tests on human babies would need signoff from the FDA, and the agency often meets with outside advisers before high-profile decisions. Tests would require approval from a committee charged

with protecting humans in scientific tests, known as an institutional review board.

About one in 10 babies in the U.S. is born prematurely—before 37 weeks' gestation—but less than 1% of babies are born extremely prematurely, before 28 weeks, according to data from the Centers for Disease Control and Prevention.

The wombs would require removing babies from their mothers by caesarean section and immediately placing them into the bags before their umbilical blood vessels constrict, as would happen normally in birth, scientists have said.

Parents would have to weigh the risks of the device—which could include life-threatening infection, brain damage and heart failure, scientists have said—against the risks of conventional treatment. Currently about half of babies born at 23 weeks die, and about a third of those who survive have severe neurodevelopmental delays by around age 2, a 2022 JAMA study found.

Vitara leaders have said the FDA designated their technology a "breakthrough therapy,"

which means the agency will aim to decide more quickly whether to approve the company's product and speak with company scientists more often about what tests will be required.

The product is based on the research of a Children's Hospital of Philadelphia group led by Dr. Alan Flake, who declined to comment. The research went viral in 2017 when the group published pictures of the lambs, which showed the fetuses lying on their sides in the artificial wombs while various tubes connected to them helped keep them alive.

Flake has said he doesn't expect his device will change the limit of viability, which currently hovers between 21 and 22 weeks and in the past has guided many abortion debates. It would be too difficult to get the artificial womb to work correctly for even smaller babies, he has said.

The FDA said in its meeting notice that the discussion would be limited to the use of the technology as an alternative to the current standard treatments for extremely premature babies.

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U.S. NEWS

McCarthy Releases Spending Outline, Draws Fresh Fire

Speaker's plan to avoid shutdown rekindles opposition from his right flank

By Stobhan Hughes

WASHINGTON—House Speaker Kevin McCarthy laid out a map for passing legislation to keep the government funded past Oct. 1, but he immediately ran into new roadblocks from spending hawks and fresh grumbling that he should be ousted from his post.

In a closed-door meeting with House Republicans, the California Republican proposed bringing a package of national-security-oriented spending bills to the House floor, while aiming to pass a short-term bill called a continuing resolution to buy time to hammer out an agreement on funding the rest of the government for fiscal 2024.

But a group of conservatives derailed a planned procedural vote on the centerpiece of that package—an \$826.45 billion annual defense-spending bill that includes a 5.2% pay raise for service members and provides a big boost to starting pay for new recruits. The cancellation of Wednesday's procedural vote pointed to more trouble ahead.

"We're just working through," McCarthy told reporters. He said that House GOP leaders were highlighting the increased starting pay, saying that "just walking through the members about what's in the bill is very important."

"There's general support for wanting to move the [Department of Defense] bill but, you know, there's some questions about moving DoD without knowing where it's all headed," said Rep. Chip Roy (R., Texas), a leader of the House Freedom Caucus.

McCarthy is trying to steer the GOP conference toward a deal that is palatable for most Republicans amid sharp criticism of his leadership by hard-right members. Some conservatives have insisted they are willing to shut the government down if needed to secure deeper reductions in spending, more border security and cutting aid for Ukraine.

Any deal would then need to be worked out with the Democratic-controlled Senate, which is on track to pass

spending bills at higher levels. Rep. Matt Gaetz (R., Fla.) on Tuesday said he would force a vote on ousting McCarthy as speaker if he put an unsatisfactory continuing resolution on the floor for a vote.

He wrote in a social-media post Wednesday: "If by next week I am not seeing action from Kevin McCarthy to come into compliance with the deal he made in January, then I wouldn't bet against seeing motions to vacate the chair regularly until he is removed." Under an agreement on House rules worked out in January, any single member can force a vote to vacate the chair, leaving McCarthy perpetually vulnerable.

McCarthy proposed combining bills funding three of the 12 annual appropriations bills—on the military; military construction and veterans affairs; and the Department of Homeland Security—into one "minibus" bill and attaching disaster-relief money to the package. It would exclude any additional money for Ukraine. He argued for advancing a short-term bill to fund the rest of the government into the fall to give lawmakers time to coalesce around funding those nine other appropriations bills.

Democratic and Republican leaders in the Senate also back a short-term spending bill.

"A lot of members are very intrigued by the speaker's suggestion. I think it's the right way to move forward," said Rep. Dusty Johnson (R., S.D.), the chair of the Republican Main Street Caucus, which represents moderate House Republicans.

The Biden administration has asked for an extra \$44 billion in emergency spending, with \$16 billion for a disaster-relief fund and \$24 billion in defense, energy and humanitarian funding for Kyiv, and almost \$4 billion to deal with migration at the border, with much of that going for shelter and medical care for migrants.

McCarthy's approach would fund only \$16 billion of that total, wrapping it into the Homeland Security bill. That would set up a conflict with the Senate, which is debating legislation to fund a package of three of the 12 appropriations bills, dealing with agriculture; veterans affairs and military construction; and transportation and housing. Ukraine also enjoys broad support in the Senate.



CLOCKWISE FROM TOP LEFT: SHAWN THOMPSON/SHUTTERSTOCK; AL DRAGO/REUTERS; ANDREW CABALLERO/REYNOLDS/GETTY IMAGES



Silicon Valley titans at the AI forum included Bill Gates, left; Elon Musk and Alex Karp, top; and Sundar Pichai and Mark Zuckerberg, above.

Tech Leaders Debate AI Risks Amid Push to Enact Regulations

By Ryan Tracy and Deepa Seetharaman

WASHINGTON—Elon Musk, Bill Gates, Mark Zuckerberg and other technology heavyweights debated the possibilities and risks of artificial intelligence in a closed-door meeting with more than 60 U.S. senators who are contemplating legislation to regulate the technology.

Musk, the CEO of Tesla and owner of X (formerly Twitter), warned about what he views as AI's potential to threaten humanity, according to a participant. Microsoft co-founder Bill Gates said the technology could help address world hunger, said Sen. Chuck Schumer (D., N.Y.), who convened Wednesday's session.

Other speakers included Facebook founder Zuckerberg and the CEOs of Google, Microsoft, Nvidia and IBM, along with union leaders, civil rights advocates, and others.

Schumer at one point asked the guests if they agreed that the government needed to play a role in regulating artificial intelligence. Everyone present raised their hands, Schumer said.

"No one backed off in saying we need government involvement," Schumer said in an interview after the session ended. "They understood that there needed to be government responsibility, because let's say

even these companies would be willing to install guardrails on themselves—they'll have competitors who won't."

Despite that consensus—and Schumer's vow to move toward passing legislation within months—the meeting also laid bare some of the tension points ahead.

One debate centered on so-called "open-source" AI systems that are available for the public to download and modify. These systems allow companies and researchers to tap in to AI technology similar to the models that power ChatGPT without spending millions of dollars to train them.

Tristan Harris, head of the nonprofit Center for Humane Technology, argued that bad actors can abuse open-source AI systems, including the Llama 2 model recently released by Meta Platforms, the company led by Zuckerberg, according to people in the room.

Harris said his nonprofit was able to get the Llama 2 model to provide instructions on how to create dangerous biological compounds, these people said.

Zuckerberg parried back, saying similar instructions

can already be found on the internet, the people said. He added that open-source models could pose dangers, but that Meta was trying to build this technology as safely as possible, the people in the room said.

Zuckerberg told senators in his opening statement that open source "democratizes access to these tools, and that helps level the playing field and foster innovation for people and businesses," according to excerpts released by Meta.

Another point of tension related to workers who see AI as a potential threat to their jobs. Sen. Maria Cantwell (D., Wash.) recounted a moment where the head of the Writers Guild of America West, Meredith Stiehm, described the views of members who are on strike seeking a new contract with Hollywood studios in part to address those fears.

Also in the room: The head of the Hollywood trade group Motion Picture Association.

"That was, like, two sides right there," Cantwell said. "Lots of different viewpoints."

Some executives in the room argued that adding too many safety guardrails on AI

systems risked American leadership in the technology. Another contested topic: the possibility that future AI systems could wipe out humanity.

Deb Raji, an AI researcher who attended Wednesday's meeting, said she urged the room to focus on current-day harms, including biased decisions in housing, hiring or criminal sentencing, that can come from hastily deployed AI systems.

She also advocated for building auditing methods for AI systems now before companies develop even more powerful AI systems.

The closed-door nature of the session drew criticism from some quarters. Sen. Josh Hawley (R., Mo.) questioned whether the meeting was designed "to prevent senators from asking tough questions the CEOs don't want to answer," and he called on Schumer to bring AI legislation up for a vote.

Schumer, who organized the meeting with a bipartisan group of three other senators, said the format was designed to allow a frank debate.

"There were people who have created AI systems and there were people who had problems with parts of the AI systems," Schumer said. "They talked directly to each other, they answered one another."

—Katy Stech Ferek contributed to this article.

'No one backed off in saying we need government involvement.'

Romney, Citing Age, Decides Against Senate Re-Election Bid

By Eliza Collins

Utah Sen. Mitt Romney said Wednesday that he wouldn't run for a second term in the Senate, with the outspoken critic of Donald Trump citing his age and the need for fresh leadership in Washington as key reasons for his decision.

Romney's announcement signals the end of a storied political career for the one-time Republican presidential nominee.

"I'm a little long in the tooth already. We don't need more like me," Romney said at a press conference Wednesday. "The issues of the day re-

late to China, climate change, AI. And a lot of the guys in their 80s don't know how to deal with those issues."

Currently 76 years old, Romney would have been 83 at the end of a second term.

Romney's planned exit underscores the shift in the Republican Party in recent decades from its pro-business establishment core to a more populist direction personified by Trump, who lost his reelection bid in 2020 but is leading polls for his party's nomination next year.

In remarks to reporters, Romney acknowledged that his brand of conservatism has

waned in recent years but predicted a comeback. "There's no question but the Republican Party today is in the shadow of Donald Trump," Romney said, which he termed the populist, demagogue wing.

"I represent a small wing of the party...I think ultimately, we'll see a resurgence." In a post on social media, Trump said of Romney's announcement: "Fantastic news for America, the great state of Utah, & for the Republican Party."

Romney said he is confident he would have won re-election. However, political observers say he would have faced a

challenging primary fight in the solidly Republican state.

While Romney has a conservative voting record, he has worked across the aisle with Democrats on infrastructure and other bipartisan issues. He was also one of only a handful of Republicans to vote to confirm Justice Ketanji Brown Jackson, President Biden's Supreme Court pick.

Romney is an ally of Minority Leader Mitch McConnell (R., Ky.), who had urged him to run again. Romney said he would serve out the remainder of his term.

He was critical of Biden, who is 80, and Trump, who is

77. "I think it would be a great thing if President Biden and former President Trump were to stand aside and let the respective party pick someone in the next generation," he told reporters.

Romney voted twice to convict Trump in the Senate on House impeachment charges—the only Republican to do so—a point of contention with many conservative voters in Utah. Still, he continued to have supporters in the Republican Party as well as independents and Democrats who admired his principles.

Utah voters had been cooler on Trump than other re-

states, which some analysts attribute to the influence of the Church of Jesus Christ of Latter-day Saints, to which roughly half of the state's adults belong, according to the Pew Research Center. Romney is a member of the church.

Romney declined to weigh in on whether other lawmakers should step aside due to age. In recent months, McConnell, 81, was sidelined after a concussion, and Sen. Dianne Feinstein (D., Calif.), 90, was out with shingles.

"You leave when they're wishing you would stay," Romney said.

U.S. WATCH



MADE IT: Lewis Pugh, in a feat highlighting the importance of clean rivers, completed the last leg of his 315-mile swim of the entire Hudson River on Wednesday off lower Manhattan.

NEW MEXICO Governor's Order On Guns Blocked

A judge on Wednesday blocked an emergency order by New Mexico's Democratic governor that temporarily banned legal gun owners from carrying firearms in most public places around Albuquerque.

Gov. Michelle Lujan Grisham set off a firestorm Friday when she invoked her emergency public health powers with an edict barring people from carrying firearms, either openly or concealed, in public areas across the state's most populous county for at least 30 days.

At a hearing Wednesday, U.S. District Judge David Urias said he had doubts about the constitutionality of the governor's order and suspended its enforcement for at least two weeks.

—Jacob Gershman

NORTH CAROLINA UNC Locks Down, Suspect in Custody

The University of North Carolina at Chapel Hill was locked down Wednesday and a person was taken into custody.

The alert system was activated because of reports that someone brandished a weapon at the student union, said UNC Chancellor Kevin Guskiewicz in an email to students. University police reported no shots fired as the suspect was detained, he said. The lockdown was in place for more than an hour.

Last month, a UNC faculty member was shot to death at a chemistry building on campus. "The news of another armed person and a second lockdown on our campus is concerning and can be traumatic," Guskiewicz said Wednesday.

—Associated Press

NEW YORK Escaped Prisoner Caught After Month

A prisoner who used a rope made of bedsheets to escape from the fifth floor of a New York City hospital has been re-arrested after a month on the lam, police said Wednesday.

The 44-year-old man was apprehended Tuesday in Queens after escaping from Mount Sinai Beth Israel hospital in Manhattan on Aug. 9, a police spokesperson said. The man had been in custody on a drug charge since July 31 when he was brought to the hospital Aug. 4 after he complained of chest pains, authorities said.

He escaped from a window five days later after asking to take a shower, police said. He rappelled to a rooftop below and from there made it to the street, where he got into a taxi.

—Associated Press



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U.S. NEWS

Judge Again Declares DACA Program Illegal

By MICHELLE HACKMAN

A federal judge in Texas has once more ruled that the Obama-era program protecting young immigrants known as Dreamers is illegal, the latest in a long-running legal battle that could return to the Supreme Court.

The program, known as Deferred Action for Childhood Arrivals, or DACA, will remain in effect while the decision is appealed, and existing beneficiaries can continue to renew their participation in the program, which provides work permits and protections against deportation. As was the case before Wednesday's decision, new applicants can't be admitted to the program.

U.S. District Judge Andrew Hanen, a George W. Bush appointee, previously invalidated the program in 2021, saying Congress never gave the executive branch the power to grant mass reprieves to an entire class of immigrants who are in the U.S. illegally.

The Biden administration last year sought to fortify DACA by reissuing it as a regulation, but Hanen's new ruling said the revamped DACA was "in all pertinent parts" the same as the old version, with the same core legal problems.

"While sympathetic to the predicament of DACA recipi-

ents and their families, this court has expressed its concerns about the legality of the program for some time," the judge wrote. "The solution for these deficiencies lies with the legislature, not the executive or judicial branches."

The case has bounced around for years but now will likely go back to the Fifth U.S. Circuit Court of Appeals, which also has previously ruled against DACA. If it does so again, the administration could seek review by the Supreme Court.

The high court in 2020 rejected the Trump administration's attempt to cancel the program, saying it hadn't offered adequate reasons for the move. The justices, however, didn't rule on the legality of DACA itself, which has remained an open question in the years since Barack Obama as president introduced it in 2012.

DACA offered protections to immigrants in the country without legal authorization who were 30 years old or younger when the program was announced. DACA recipients must have arrived in the U.S. before they turned 16 and satisfied a range of conditions, including being a student or graduate and having no significant criminal record.

Nearly 600,000 immigrants remain in the program.

Republicans Target Officials Overseeing State Elections

By BEN KESLING AND ALYSSA LUKPAT

Wisconsin Republicans are pushing to remove the state's top elections official, the latest in a series of partisan skirmishes around the country over who will set the rules ahead of the 2024 contests.

A state Senate vote is scheduled for Thursday on Meagan Wolfe, the head of the Wisconsin Elections Commission. The bipartisan body comprises three Democrats and three Republicans, with the head, or administrator, a non-partisan overseer with no vote. Republicans who oppose Wolfe said they lack confidence in the way elections are run, a continuation of disputes that arose in the wake of the 2020 presidential election.

Wolfe declined through a spokesman to comment.

The battle over her tenure has been marked by legal and legislative maneuvering. And it highlights the high-stakes battle for control of elections in Wisconsin, where a Republican-majority legislature duked it out with a Democratic governor. There are fights over control of elections in other states, including Texas and North Carolina, as parties prepare for the 2024 presidential election.



Oversight of elections in states such as Wisconsin is being decided in partisan skirmishes. A polling site in 2020.

After former President Donald Trump lost Wisconsin in 2020, Republican lawmakers and GOP officials alleged impropriety and unsuccessfully sought to throw out thousands of ballots, an effort supported by Republican election commissioners. Recounts and a nonpartisan audit concluded that there was no widespread fraud in the election and that Joe Biden won the state.

Since then the commission has held a number of contentious meetings, and Republican lawmakers have attacked Wolfe, who has been blamed for implementing election decisions made by the commis-

sion that were subsequently found to be unlawful or have been questioned.

"We have the authority in the Senate, we have to absolutely keep that authority," said Republican state Sen. Dan Knodl, chair of the Committee on Shared Revenue, Elections and Consumer Protection, which voted 3-1 to not recommend confirmation of Wolfe.

"People have questions of faith in Administrator Wolfe's actions," said Knodl.

Gov. Tony Evers said that "Republicans are hellbent on doing everything they can to interfere with our elections, including trying to abuse their

power by improperly firing the state's elections commissioner, who they last approved with unanimous, bipartisan support." Wolfe was confirmed in 2019.

State Sen. Melissa Agard, the Democratic minority leader, said Wolfe has served Wisconsin "dutifully under extreme conditions."

Republican legislators in North Carolina are trying to change the power balance on elections boards. Instead of three of the five members being from the governor's party, now the Democrats, a new policy would designate an equal number of seats for GOP and Democratic members on the county boards as well as the state board. The lead sponsors of the bill with this overhaul didn't return requests for comment.

North Carolina Gov. Roy Cooper, a Democrat, has denounced the bill as "a backdoor maneuver" to hand more power to the Republicans. He has said he would veto the bill, but the legislature has the votes to override his veto.

In Texas, the Republican-majority legislature passed a law that eliminated the nonpartisan position of elections administrator in Harris County, which includes Houston, where the majority of elected officials are Democrats.



Americans paid more at the pump during August, with prices up 10.6% from the prior month, according to Labor Department data.

Labor, Fuel Costs Cut Into Profits

Continued from Page One
sumer-price index rose in August at the fastest pace in more than a year, with gasoline prices driving more than half the increase.

Costlier fuel has led some companies to delay upgrades and run with leaner staffing, while charging higher prices. The International Energy Agency has said that Saudi Arabia's extension of crude-oil output cuts until the end of the year will likely lead to a significant supply shortfall and keep gasoline prices elevated.

Fuel and labor are airlines' biggest expenses. Both costs have climbed as the price of crude oil has run up, and as carriers have struck expensive new labor contracts.

At the same time, airfare prices are easing, raising questions about whether airlines will be able to pass along higher costs to consumers as the postpandemic travel boom shows signs of leveling off, at least in the U.S.

American Airlines said that

justed earnings by 23 cents per share in the third quarter, the company said Wednesday.

Southwest Airlines is still negotiating with its pilots and flight attendants but has struck deals with some other unions. It said in July that higher labor rates would drive nonfuel unit cost increases of 3.5% to 6.5% in the third quarter from the same period a year earlier. United's pilots are in the process of voting on a new contract.

American shares fell 5.7% Wednesday with the market largely flat, while Frontier shares decreased 9.2% and other airline stocks posted smaller declines. American's stock had been up nearly 11% from the beginning of the year through Tuesday's close, versus a 16% increase in the S&P 500 over that time.

Atlanta-based UPS this week detailed expected costs arising from its new five-year labor contract ratified last month by the International Brotherhood of Teamsters, granting the average full-time driver \$170,000 in annual pay and benefits. UPS's full-time drivers with at least four years at the company had been earning an average wage of about \$95,000 annually, or about \$145,000 including benefits.

UPS said the contract will boost wage and benefit costs

at a 3.3% compound annual growth rate for the next five years, and the company expects to book about \$500 million more in contract-related costs by year-end than it previously anticipated.

"The reality is the new contract is actually front-loaded so that will put some pressure on margin," UPS finance chief Brian Newman said in an interview.

Uncertainty around the contract talks and the risk of a strike prompted some customers to move away from UPS in recent months. The company said in August its second-quarter revenue fell nearly 11% to \$22.1 billion, compared with the prior-year period, and income declined 27% to \$2.08 billion.

UPS is working to lure customers back with reasonable pricing and reliable service, Newman said. The company is still raising the rates for its services, albeit at a slower pace, in part to offset the new influx of costs.

UPS shares have fallen about 16% since the company and the International Brotherhood of Teamsters reached an agreement in July, compared with a 2% decline in the S&P 500.

"Every labor contract that's been negotiated has been very expensive and this one is no exception," said Helene Becker, a senior analyst at investment bank TD Cowen.

Gasoline Boosts Inflation

Continued from Page One
points, or 0.2%, on Wednesday. The broader S&P 500 rose 0.1% and the tech-heavy Nasdaq Composite rose 0.3%.

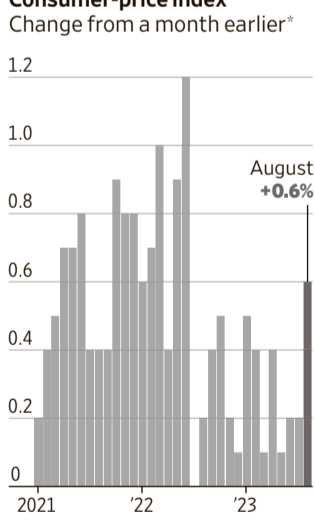
On an annual basis, prices overall were up 3.7% in August versus 3.2% in July. Annual core inflation edged lower to 4.3% in August from 4.7% the prior month.

While slowing inflation earlier in the summer signaled the Fed was making progress, it is like a football team trying to punch in a score after a long drive, said Stephen Juneau, senior U.S. economist at Bank of America. "You still have to cross into the end zone, and that can sometimes be the hardest thing to do," he said.

Several factors could put pressure on prices in the coming months. Saudi Arabia's decision to extend cuts to its crude-oil output until the end of the year could keep gasoline prices elevated, according to the International Energy Agency. A strike by the United Auto Workers union could upend production at one or more automakers and push up prices on dealership lots. Recently reached labor contracts in the airline and healthcare industries will boost pay for some workers when the Fed is seeking a slowdown in wage growth to help cool inflationary pressures.

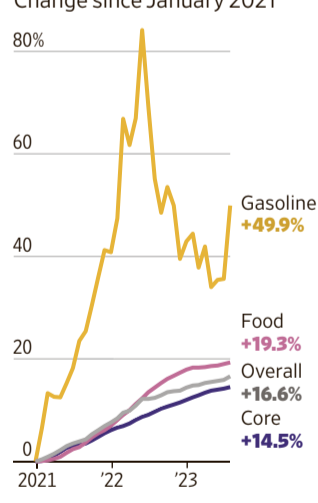
Core inflation has shown a more marked slowdown when considering a shorter time frame. The core CPI over the three months through August rose at a 2.4% annual rate, down

Consumer-price index Change from a month earlier*



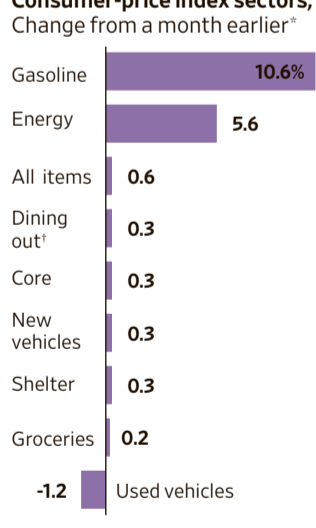
*Seasonally adjusted †Not seasonally adjusted Source: Labor Department

Change since January 2021*



Note: Core excludes food and energy prices.

Consumer-price index sectors, Change from a month earlier*



from a 5% annual rate for the preceding three-month period.

Fed officials raised rates most recently in July to a 22-year high, and their decision on whether to lift them higher will depend largely on whether price increases continue to slow in coming months.

New York Fed President John Williams last week pointed to measures of inflation that incorporate a widely anticipated slowdown in housing-growth, which suggests underlying price pressures are near 2.5%. "I'm not saying that the job is done or we're at 2.5%, but it is showing us there's some favorable, if you will, tailwinds bringing inflation" down, he said at a conference.

A big question is whether a step down in price pressures that began in June will be sustained. Officials are wary about prematurely declaring that inflation has slowed. Price pressures appeared to ease at times in 2021 and 2022, only for inflation to reaccelerate.

"I want to be very careful about saying we've done the

job on inflation until we see" more monthly inflation readings like June and July, Fed governor Christopher Waller said last week on CNBC.

While the rate of price increases has slowed over the past year, many people are taking little comfort from this because the run-up in the price of everything from cars to restaurant meals to housing since 2021 has been abnormally large and because prices aren't declining for many of these items.

Michael Davidson, of Arlington, Va., said he was aware of headlines about cooling inflation and a solid jobs market, but prices for gas and groceries were a source of anxiety for him. He said he noticed his grocery bill every few weeks is up by about \$50 now compared with last year. The 23-year-old recent college graduate said he limits eating out to stretch his pay as an investment analyst at a small family office.

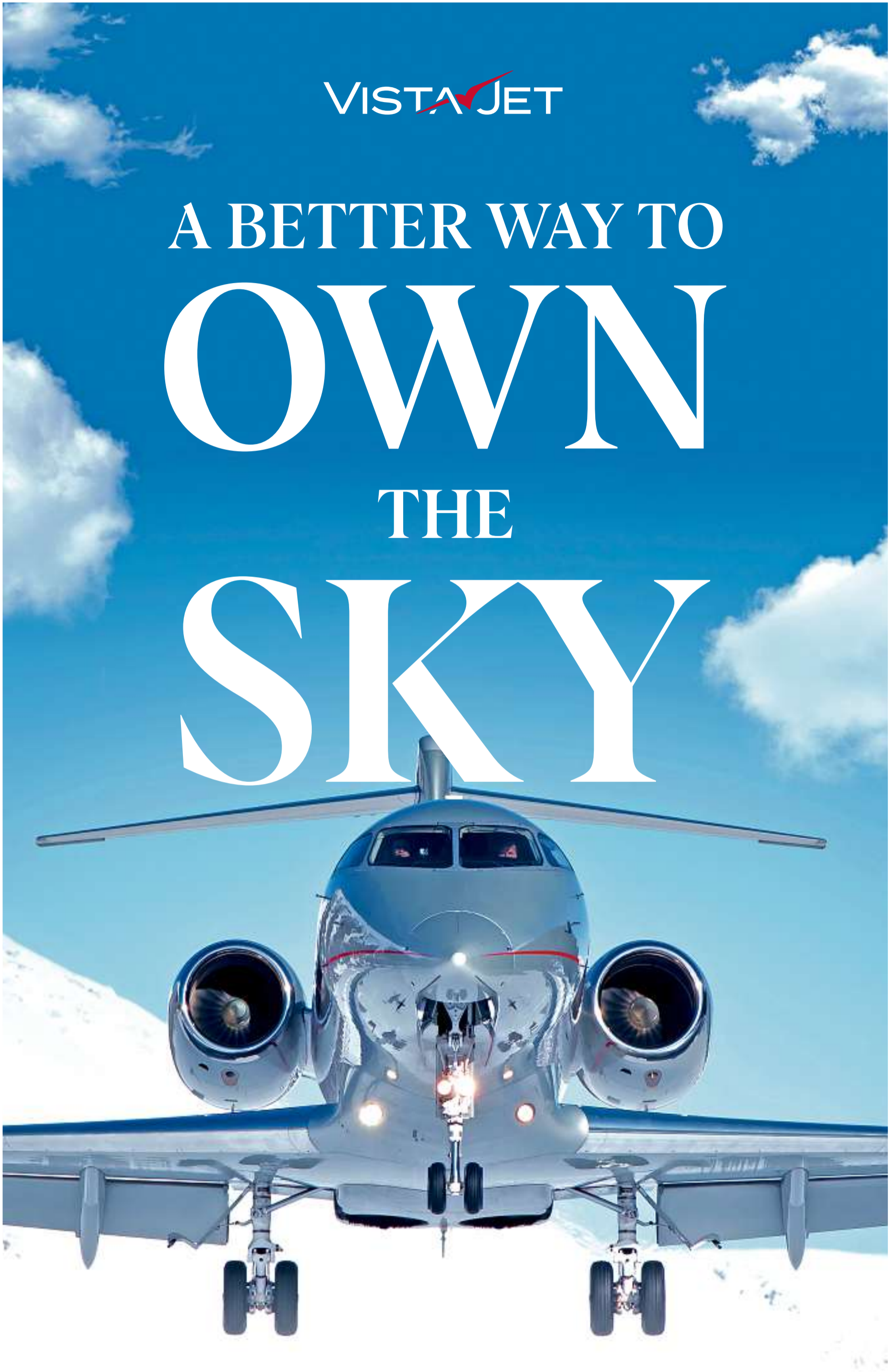
"Everything pretty much feels like it's going up price-wise," Davidson said. "I feel like I'm being pushed between

a rock and a hard place."

Drivers paid more at the pump during August, with prices up 10.6% from the prior month, the largest one-month increase since June 2022, according to Labor Department data. The average price of a gallon of regular gasoline was \$3.84 in August compared with \$3.60 in July, according to OPIS, an energy-data and analytics provider. Pump prices have held nearly steady in September. Unlike the CPI, those gasoline prices aren't adjusted for seasonality.

Energy and food prices heavily influence the way many people view inflation and can affect their behavior, including the wages they demand from employers. Food prices rose a mild 0.2% in August on a monthly basis, the same pace as in July.

Higher energy costs can feed into prices of non-energy goods and services. When they were falling until recently, transportation services helped drive tamer core inflation readings.



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WORLD NEWS

Kim, Putin Boost Economic, Security Ties

During one-on-one summit, the leaders pledge deeper military relations

Russian President Vladimir Putin and North Korean leader Kim Jong Un flaunted their burgeoning friendship at a summit, displaying a partnership that unnerves the West over concerns that North Korea will provide munitions to support Moscow's war in Ukraine.

By Dasl Yoon,
Timothy W. Martin
and Bojan Pancevski

Meeting Wednesday at Russia's main spaceport, the autocrats vowed greater cooperation on economic and security issues—and took aim at the U.S.-led global order. Putin promised assistance on North Korea's satellite endeavors. Kim pledged an unbreakable bond with Moscow.

Without mentioning adversaries by name, Kim declared confidence in Putin's ability to win the Ukraine war and create a stable environment for development, according to Russia's state news agency TASS. The North Korean leader described the Ukraine war as the "sacred struggle to punish the gathering of evil that claims hegemony and nourishes expansionist illusions."

The exchange occurred at the Vostochny Cosmodrome, in Russia's Far East, during the second in-person meeting between the leaders. Putin said he had a "frank exchange" with Kim, including talks on Russian assistance with agricultural development in North Korea, according to Russian state media.

For Moscow and Pyongyang, the summit offers a rare moment to display unapologetic friendship. The autocrats have drawn closer since Russia's invasion of Ukraine and North Korea's return to long-range missile testing—rogue behav-



Russian President Vladimir Putin and North Korean leader Kim Jong Un met in Russia's Far East on Wednesday.

Meeting Could Give Others the Green Light to Trade With North Korea

The Soviet Union had served as North Korea's main benefactor for decades, though the assistance dried up after the Cold War. Since then, the two countries' economic ties have been limited, especially compared with Pyongyang's trade volumes with Beijing.

North Korean leader Kim

Jong Un's regime has come to rely overwhelmingly on China, which represented roughly 97% of Pyongyang's foreign trade in 2022, South Korean data show. That was the highest level during Kim's decade or so in power. Russia didn't rank among North Korea's five largest trade partners.

Kim's meeting with Russian President Vladimir Putin—by validating closer coordination between the two nations—also could give some countries and private enterprises the green light to resume doing business with North Korea, said Darya Dolzikova, a research fellow at the Royal United Services

Institute, a London-based defense and security think tank. Russia has veto power at the United Nations Security Council as a permanent member.

The summit "may legitimize trade with North Korea," she said. "It sort of suggests Russia won't stand in the way of other countries engaging with North Korea."

ior that has left both countries more isolated and ostracized.

That has converged the world views of Kim and Putin as they confront a similar set of challenges: weakened economies, international sanctions and strengthened U.S. alliances. The meeting also gives

each leader an opportunity to show that powerful allies remain on his side.

But the get-together could deliver more than just diplomatic showmanship. The U.S. and its allies have warned the meeting could advance an arms sale between the two

countries, with North Korea offering ammunition to help restock Russia's supplies and extend the Ukraine war.

The West had thought Russia might be able to produce about one million artillery shells a year. But now, the assessment is that Russia is on a

path during the next couple of years to produce two million artillery shells annually, according to a Western official. To put that in perspective, the official said, Russia fired 10 million to 11 million shells last year and was sometimes using shells that were out of date

and prone to malfunction.

To sustain the war, Russia has boosted military spending by some 30%, which has had a distorting effect on its economy by forcing cutbacks elsewhere and prompting an increase in interest rates, the official said.

Some current and former U.S. officials played down the impact of the summit. "It shows how desperate Russia is that they are engaged with the DPRK," said Linda Thomas-Greenfield, the U.S. ambassador to the United Nations, referring to North Korea by the acronym for the Democratic People's Republic of Korea.

"It looked like an opportunistic photo shoot," with no joint statement on agreements released afterward, said Sydney Seiler, a former U.S. national intelligence officer for North Korea, who left the U.S. government in July. "These are two countries that don't have a lot to offer each other, other than shared talking points" about their fight against the West.

Still, Seiler said, Kim has jettisoned his reticence to publicly support Putin's Ukraine invasion. "That, I think, is the big thing that has changed."

Hours before the summit, North Korea launched two ballistic missiles off its east coast, Japanese and South Korean officials said. Conducting weapons tests while Kim is away could be a demonstration that the regime maintains military readiness despite the leader's absence, Pyongyang watchers said.

Many of North Korea's missiles are based on Soviet-era technology, and its artillery shells are compatible with much of Moscow's weapons systems, weapons experts say.

—Warren P. Strobel
contributed to this article.

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Reporter's Family Appeals To U.N. for His Freedom

By JENNIFER CALFAS

The U.S. ambassador to the United Nations and the family of Wall Street Journal reporter Evan Gershkovich called for his immediate release from Russia, where he has been imprisoned since March.

"No family should have to watch their loved one being used as a political pawn. And that's exactly what President Putin is doing," Linda Thomas-Greenfield, the ambassador, said Wednesday during a briefing at the U.N., referring to Russian President Vladimir Putin. "Russia's actions are beyond cruel, and they are a violation of international law."

The appeal comes ahead of the U.N. General Assembly, which is set to begin next week. Thomas-Greenfield and Gershkovich's parents and sister called on world leaders to join them in condemning Russia and demanding his release.

"We urge all world leaders to stand with Evan and what he represents: The basic right to a free press and freedom of expression," said Mikhail Gershkovich, Evan's father. "These rights are bedrock principles of the United Nations."

Evan Gershkovich, a U.S. citizen accredited to work as a foreign correspondent by Russian authorities, was detained during a reporting trip on



U.S. Ambassador to the U.N. Linda Thomas-Greenfield and Evan Gershkovich's family demand his release from a Russian prison.

March 29. He is being held on an allegation of espionage that he, the Journal and the U.S. government vehemently deny.

Lawyers representing Dow Jones, the Journal's publisher, on Tuesday requested that a U.N. group declare Gershkovich arbitrarily detained. The lawyers accused Putin of using Gershkovich as a pawn and of "holding him hostage."

Ella Milman, his mother, said on Wednesday that she hopes this petition will help bring her son home sooner.

"We urge all member states to join this call for Evan's release, and the release of all those who have been wrongfully detained," Thomas-Greenfield said.

Gershkovich's initial pretrial detention was set to expire on May 29, but has been extended until Nov. 30.

Gershkovich, the son of Soviet Jewish émigrés, grew up in New Jersey. His family on Wednesday talked about his passion for reporting on Russia and its people. Gershkovich's father called the detainment a "nightmare."

Danielle Gershkovich, Evan's sister, said their family should be planning how to celebrate his birthday next month. "Instead we are here to remind the world that Evan is innocent and journalism is not a crime," she said. "We ask that world leaders help find a solution to secure Evan's release."

U.S. to Shift Egypt Aid to Taiwan

By VIVIAN SALAMA

WASHINGTON—The U.S. plans to redirect some of its foreign military financing allocated for Egypt to Taiwan over what it says is Egypt's failure to make progress on human rights and other issues, U.S. officials said.

The Biden administration has notified Congress that it would withhold \$85 million in aid conditioned on the release of political prisoners, officials said. Some lawmakers are pushing to withhold another \$235 million in conditional as-

sistance that goes to Egypt, amid growing calls by Democrats to penalize Cairo for its human-rights record.

The conditional aid tied to Egypt's human-rights record represents a fraction of the overall \$1.3 billion in U.S. military aid each year, but the move comes at a time of strained relations between Washington and Cairo over human rights and support for Ukraine, as well as shifting U.S. security priorities in other parts of the world.

The administration is planning to redirect \$55 million of

the funding to Taiwan—where the U.S. has been looking to reinforce its military partnership amid rising tensions with China—and \$30 million to Lebanon, said several U.S. officials. Lebanon has been in a state of political and economic crisis since a deadly explosion at the Beirut port in 2020.

The Egyptian Embassy in Washington didn't respond to requests for comment.

Last year, the Biden administration withheld \$130 million of foreign military aid to Egypt because of its failure to fulfill human-rights conditions.

WORLD NEWS

Missiles Hit Vessels In Russian Shipyard

Ukraine targets the home of Moscow's Black Sea fleet in a Crimean port

By YAROSLAV TROFIMOV

ODESA, Ukraine—Ukraine hit Russian navy dry docks in the Crimean port city of Sevastopol with missiles, damaging a submarine and a large landing ship in one of the most spectacular blows to the Kremlin's naval power since the war began.

The commander of Ukraine's Air Force, Lt. Gen. Mykola Oleschuk, hinted that the strikes, which caused massive explosions that rocked Russia's principal dry dock on the Black Sea, were made using the Storm Shadow cruise missiles that the United Kingdom and France began supplying to Ukraine in May.

Russia's Ministry of Defense acknowledged that two warships undergoing repair were damaged after what it described as a barrage of 10 Ukrainian missiles. The ministry said it intercepted seven of the missiles, adding that both vessels would be repaired.

Footage from the dry dock at the Sevmozavod shipyard showed that one of the two vessels, the large landing ship Minsk, was destroyed, with most of its bridge torn apart

and collapsed. Satellite imaging also showed considerable damage to the second vessel, the Rostov-on-Don submarine.

Rostov-on-Don is one of only six Kilo-class submarines that the Russian Black Sea Fleet possesses, and it has been frequently used to fire cruise missiles at Ukrainian cities. Ukraine doesn't have any known effective anti-submarine capabilities.

Moscow has long warned that attacks on Crimea, a peninsula that Russia captured in 2014 and then used as a springboard for invading the rest of Ukraine in February 2022, would cross the Kremlin's "red lines," and could spark a nuclear response. Last summer, Russia's former President Dmitry Medvedev, who serves as deputy head of the nation's National Security Council, promised a "judgment day" for Ukrainian leaders who dare to threaten Crimea.

Elon Musk, the owner of X, the social-media platform formerly known as Twitter, has caused controversy in recent days by acknowledging that, because of escalation concerns, he denied a 2022 request to enable the Starlink satellite system for Ukrainian naval drones that planned to target Russian navy vessels in Sevastopol.

Musk explained that he wanted to avoid "a major act of war" and a "Pearl Harbor-type attack on Sevastopol," adding

that he would have turned on Starlink if he was directed to do so by President Biden.

The Ukrainians had to abort that mission, and the Russian Black Sea Fleet fired hundreds of missiles at Ukraine in the following months, causing widespread destruction and civilian casualties.

Since then, Ukraine has launched dozens of attacks on Crimea, using naval and aerial drones, domestically made missiles and, since May, the Storm Shadows. Kyiv has twice struck the Kerch Bridge linking Crimea to Russia, and targeted dozens of military and logistics installations on the peninsula. Last month, Ukrainian special forces even briefly disembarked in western Crimea, carrying out a raid against a Russian military unit.

Moscow has taken these strikes in stride, with initial fury giving way to an increasingly muted response. Russian state media paid limited attention to Wednesday's Sevastopol hits.

Striking Crimea is part of Kyiv's strategy to regain the one-fifth of the country that remains under Russian occupation. The peninsula serves as a crucial supply hub for Russian forces fighting to stop a slow Ukrainian offensive aiming to cut the so-called "land corridor" that runs through southern Ukraine and links the pen-



A Russian submarine and ship were damaged in a strike on navy dry docks in Sevastopol.

insula to Russia.

The success of Ukraine's long-range strikes—and the paucity of the remaining Storm Shadow missiles—is adding urgency to Kyiv's requests to get more long-range capabilities, such as the ATACMS ground-launched missile system operated by the U.S. and German Taurus air-to-ground missiles. The Biden administration and Germany are deliberating whether to provide these systems.

Turkey's decision last year to close the straits leading to the Black Sea to military vessels means that Russia is unable to bolster its naval presence in the area with ships from its Baltic, Pacific and Northern Fleets, making every loss irreplaceable.

Military analysts say they expect Russia to respond to Wednesday's strike by relocating more ships from Sevastopol to Novorossiysk.

Attacks on Crimea



Ukrainians Battle to Hold Their Ground in Besieged City

By YAROSLAV TROFIMOV

KUPYANSK, Ukraine—Sitting under a tree on a bluff overlooking the Oskil River, two Ukrainian soldiers watched as several plumes from Russian airstrikes rose up along the front line, roughly 6 miles away.

The Russians tried to break through Ukrainian lines once again that day, and once again failed to make headway, one of the troopers said. His radio crackled with updates as the other soldier scanned the skies for Russian aircraft.

An urban area of 50,000 people before the war, Kupyansk was captured by Russia without a fight in February 2022, becoming the capital of the occupied part of eastern Ukraine's Kharkiv region. Ukrainian forces reclaimed the city in a lightning offensive a year ago, a swift maneuver that ousted Russia from nearly all of Kharkiv and parts of nearby Donetsk and Luhansk regions.

Now, Moscow wants it back.

For the past year, Russian troops have remained within artillery range of Kupyansk, devastating the city with nearly daily barrages. In the past several weeks, as Ukrainian forces launched a push in the south of the country, Russia unleashed its own offensive toward Kupyansk, deploying more than 50,000 troops to attempt to retake the city.

Despite triumphant reports in Russian state media of Kupyansk's imminent fall, the

Russians have had little success.

"The result of their offensive has been an increase of the no-man's-land, of the number of settlements where active combat is under way," said Oleh Syniehubov, the head of the Ukrainian military administration for the Kharkiv region. "But the Russians haven't been able to occupy a single new village here since last September, and they keep

sustaining heavy losses in personnel and equipment."

Villages on approaches to Kupyansk have turned into rubble, with almost all residents gone. In Kupyansk, fewer than one-fifth of the prewar population remains. Ukrainian authorities declared a mandatory evacuation in August for the city's civilians because of frequent shelling and attacks by guided bombs, one

of which recently targeted the only pontoon crossing between the two banks of the Oskil River, which bisects the city. Ukrainian legislation, however, doesn't permit forcibly evicting residents from their homes, and only a fraction of the remaining residents heeded the call to evacuate.

Because of losses sustained in recent weeks, the Russians are regrouping, forming new

storm units and filling the ranks with parts of the recently created 25th Combined Arms Army, Ukrainian military commanders said.

"The Russians haven't changed their plans. They will continue trying to move ahead," said Ukraine's deputy minister of defense, Hanna Malyar. "They seek a revanche, to regain in Kharkiv the lands that we liberated last fall."

An additional Russian objective, she added, is to force the Ukrainian military to pull into the Kupyansk area the forces that are committed to offensive operations elsewhere.

Russia is using Storm Z penal units—made up of prisoner recruits—at the Kupyansk front, Ukrainian commanders said. Some of the units were so poorly equipped that only one out of three soldiers carried a rifle, with others expected to pick up the weapons of fallen comrades or to capture them, said a Ukrainian battalion commander on the Kupyansk front who goes by the call sign Phoenix.

"They keep trying to take Kupyansk, from the right, from the left, attack in large numbers, die by the stacks, and still don't give up," he said.

The Russian attackers appear motivated, he added: One of the recently taken Russian prisoners was convinced he was fighting against the U.S. to liberate Ukraine from what he believed to be American occupation, he said.

In Kupyansk a semblance of normal life goes on. Shawarma outlets, coffee shops and hair salons operate, serving civilians and soldiers.

Oleksandr Shpakovsky, a grocery owner, said few in the city believe Russia has the strength to recapture Kupyansk. "In February last year, the Muscovites didn't pay a drop of blood to take Kupyansk," he said. "Now, when they have to pay, they are irrigating with blood every hundred meters of their advance."



A hairdresser cuts a client's hair on the outskirts of Kupyansk, Ukraine, which is struggling to maintain a semblance of normal life.

U.S. Firm Scrapped Saudi Deal

Continued from Page One

partners and allies take sides. Saudi Arabia is once firmly in the Western camp, but since Russia's invasion of Ukraine, it has expanded ties with other powers, managing the oil market in alignment with Moscow and entering discussions with Chinese companies to help build its nascent nuclear program. The Biden administration has said it doesn't want Saudi links with those countries to stray into military cooperation.

The oil-rich kingdom's courtship of Russia and China also threatens ambitious plans to build its own military industry after decades as a top global-arms importer. Saudi Arabia's strategy has been to

join with defense firms from the U.S. and other North Atlantic Treaty Organization countries, which have sold the Saudis most of their current arsenal of defense systems.

Scopa's owner, Mohamed Alajlan, chairs the Saudi-Chinese Business Council and is the scion of a prominent Saudi family that has imported Chinese textiles for decades and now operates in many sectors. Scopa, founded in 2021, is the highest-profile private Saudi company set up to support Crown Prince Mohammed bin Salman's vision for a local arms sector, as the 38-year-old ruler tries to diversify the economy away from oil.

Alajlan denies dealing with Russian companies and said any transactions with Chinese firms are limited to securing raw materials like copper or rubber for use in producing ammunition and armored vehicles.

"We don't work with any companies that have international sanctions," Alajlan said in an interview. Suggestions to the contrary "are all rumors,

inaccurate and illogical and unrealistic," he said. He later said none of his companies are involved in any negotiations or dealings with any companies under sanction.

The State Department declined to comment on investigations. A U.S. official said the Treasury Department is aware of concerns that Alajlan's companies had dealings with entities under sanctions.

RTX and Scopa signed a memorandum of understanding in 2022 to set up a factory in Saudi Arabia for sophisticated air-defense systems to protect the country from drone and missile attacks.

The companies' plan was to stitch together radars and multiple air-defense systems that could intercept drones and missiles of various sizes that fly at different speeds and altitudes, said Nasr Al-

ghrairi, who was Scopa CEO until he was fired this year.

If information about current U.S. weapons systems that would be used in Scopa's new weaponry were to fall into Russian or Chinese hands, it could risk being reverse engineered, undermining U.S. defenses.

The proposed joint venture was expected to invest \$25 billion in the kingdom and generate \$17 billion of sales, Alghrairi said.

RTX's decision to end talks with Scopa was "rushed, illogical and even irrational," Alajlan said. He brought in a Saudi executive to succeed Alghrairi, whose contract wasn't renewed after he failed to achieve performance targets, Alajlan said.

Alghrairi denied that and said he had expanded the business rapidly. He said he was fired for raising concerns about

the Russia and China business.

RTX and the Saudi government didn't respond to requests for comment.

In his drive to create a local arms-manufacturing industry, the Saudi crown prince set up a defense company under the Saudi sovereign-wealth fund to deal with Western manufacturers and encouraged the private sector to get involved. Scopa and Alajlan's other companies aren't state-owned but are generally expected to fall in line with the kingdom's foreign policy. Alajlan said the government is their only customer.

To run Scopa, Alajlan hired Alghrairi, a U.S. Navy veteran who set up a small government-service contractor in Florida with his wife but had never worked for a major defense manufacturer.

Alghrairi used his military connections to establish an advisory board for Scopa led by retired Army Lt. Gen. Michael Barbero and other U.S. military veterans. They began lining up partnerships with RTX and

dozens of other arms manufacturers in the U.S. and Europe.

Scopa envisioned manufacturing significant portions of NATO weaponry inside Saudi Arabia, which meant gaining access to technology that is tightly guarded by the International Traffic in Arms Regulations, a set of Cold War-era American rules that control U.S. defense-equipment exports.

Interviews with people familiar with the matter and documents reviewed by The Wall Street Journal indicate that two of his other companies made efforts to engage with Chinese, Russian and Belarusian entities under sanctions. It was those contacts that spooked Scopa's board and potential Western partners like RTX, some of the people said.

Barbero said Scopa's U.S. advisers had worked in good faith and delivered potential partnerships with Western defense firms. "However, the situation on the ground made it untenable for us to continue to work with Scopa and left us with no choice other than to resign."

The courtship of Russia, China threatens plans for a Saudi military industry.

FROM PAGE ONE

Tax Cuts Are Here To Stay

Continued from Page One
 budget, Biden has already proposed extending Trump's tax cuts for almost all households, and he has promised to avoid raising taxes on anyone making under \$400,000.

If Democrats hold to that pledge, it largely rules out rethinking provisions that account for about two-thirds of the 2017 law's cost, such as lower personal rates for almost everyone and the expanded standard deduction.

Top 2%

And while Biden proposes sharp tax increases on roughly the top 2% of American income-earners, it is doubtful he could achieve much of that even if Democrats control Congress. They fully ran the government in 2021 and 2022 but couldn't raise taxes on the rich due to resistance within their own ranks.

This all attests to a rarely appreciated but significant dynamic: Just as both parties agree that Social Security and Medicare, the two biggest federal spending programs, must not be touched, they also agree that income taxes on the overwhelming majority of Americans can go down but never up. That tacit, politically popular consensus keeps tax revenue as a share of the economy flat or declining in the long run while spending's share rises. It also locks in a permanent budget imbalance that both parties bemoan but neither seems eager to change.

"We are at a political equilibrium where both parties compete to pander for middle-class and professional-class votes by promising them endless spending and taxes that can only fall," said former GOP Senate aide Brian Riedl, now at the conservative Manhattan Institute.

Broad benefit

Tax cuts haven't just benefited the wealthy. The effective tax rate—federal taxes as a share of income—on the middle 60% of the population fell from 19% in 1979 to 14% in 2019, according to the Congressional Budget Office.

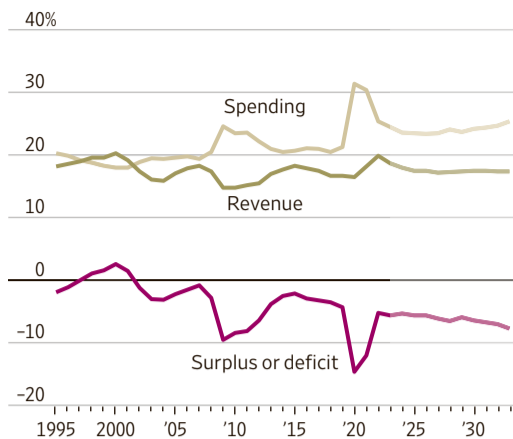
Had Congress left 1997's tax code alone, households would pay an average of nearly \$3,200 more, a 4.4% decline in after-tax income, according to the American Enterprise Institute. This year's deficit would be about 40% lower.

Instead, the deficit this year is projected at over \$1.5 trillion, or about 6% of GDP, and is expected to reach 7% by 2033. Federal debt as a share of the economy climbed from 33% in 2001 to 97% in 2022 and is projected to hit 115% in 2033. And that's assuming the tax cuts expire after 2025.

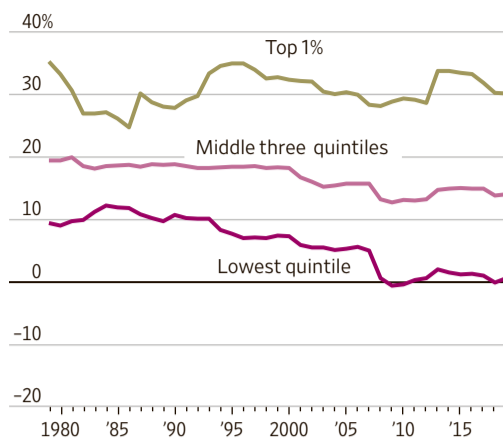
When Fitch Ratings downgraded the U.S. credit rating on Aug. 1, it cited the inability of political leaders to meet fiscal challenges on both the spending and tax sides of the budget.

Interest costs have increased but there's no sign yet that these rising debt burdens will cause a crisis, such as sharply higher interest rates that hurt private investment and economic growth. Yet through inaction, the U.S. is

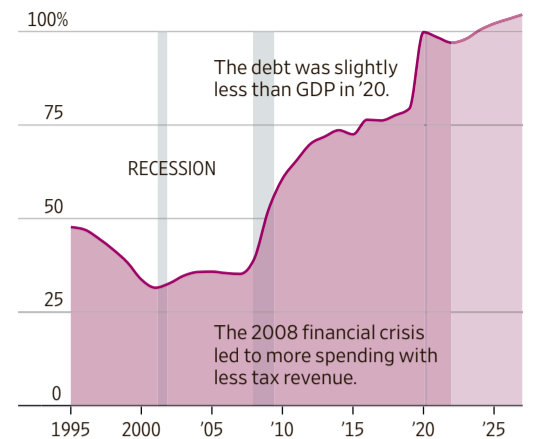
Revenue, spending and surplus or deficits as percentages of GDP*



Average federal tax rates, by income group

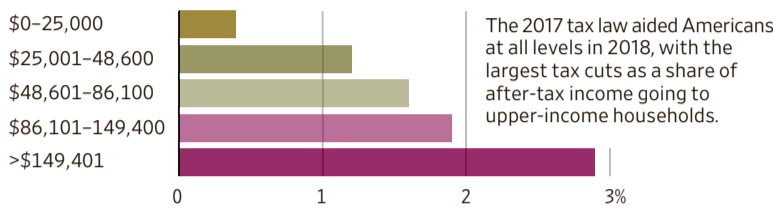


U.S. debt held by the public as a share of GDP†

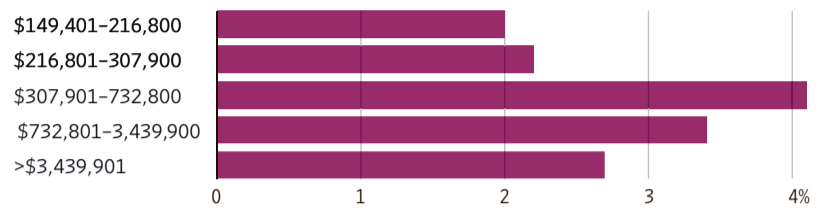


EFFECT OF 2017 TAX CUTS*

Increase in after-tax incomes by income group, by quintile



Increase in after-tax income of the top quintile group



*Projections for 2023 and beyond include this year's debt-limit agreement and assume tax cuts are extended. †2020-2022 revised in February. Data after 2022 are projections. ‡These are expanded definitions of income in 2017 dollars. Sources: WSJ analysis; Office of Management and Budget; Congressional Budget Office (revenue, spending, surplus/deficit, federal tax rates, debt); National Bureau of Economic Research (recessions); Tax Policy Center (effects of 2017 tax cuts) Rosie Ettenheim and Erik Brynildsen/THE WALL STREET JOURNAL

raising the risk of such an outcome while reducing its ability to respond, budget experts say.

"You start taking huge swaths of the budget totally off the table before you put anything on the table. You're never going to make progress," said Doug Elmendorf, former Congressional Budget Office director. "If we extend the expiring tax cuts without some other tax increase or spending cut, that will be a serious sign of mismanagement of our affairs."

'Bracket creep'

Broad income-tax increases aren't popular, but they once happened regularly—and stealthily. For most of the history of the income tax, key provisions, like the standard deduction and tax brackets, weren't indexed to inflation. Since nominal incomes tend to rise with inflation, people would naturally be nudged into higher tax brackets, a phenomenon dubbed "bracket creep." Particularly in periods of high inflation, such as the 1970s, Congress could pass laws that looked like tax cuts but which had the effect of undoing some, but not all, of that de facto tax increase.

Then, in 1981 Congress decided that key tax provisions, including tax brackets, should be automatically indexed to inflation. That meant raising taxes often required explicit action by Congress. Lawmakers raised Social Security taxes in 1983 in a bipartisan deal to ensure the program's long-term solvency. Then, in 1990, to deal with the deficit, Republican President George H.W. Bush broke his "read my lips" pledge against new taxes and split his own party.

Bush dissenters

The dissenters against Bush prevailed in the subsequent intraparty fight. Since then, cutting taxes and never raising them has been a defining policy position of the Republican Party. In 2001, with George W. Bush as president and Republicans controlling Congress, they ensured almost everyone got a tax cut as a way of spreading the benefits of budget surpluses.

Those tax cuts, after one extension in 2010, were due to expire after 2012, after those surpluses had turned into deficits. Democrats, who controlled the Senate and White



Then-President Donald Trump signed a landmark tax law on Dec. 22, 2017. The core individual provisions are set to expire after 2025.

House, were content to leave the bulk of them in place.

The big fight was only over which subset of the rich would have to pay taxes at 1990s levels again. Then-President Barack Obama had campaigned on preserving tax cuts for individuals earning under \$200,000 and married couples earning under \$250,000. Eventually, the two parties agreed to set the thresholds even higher: \$400,000 and \$450,000.

When Republicans again controlled both Congress and the White House in 2017, the script repeated. Their 2017 tax law cut taxes for almost all individuals, curtailed deductions, slashed the corporate tax rate, restructured international taxation and lowered taxes on closely held businesses. All Democrats voted no.

The two sides have fought fiercely over the law ever since. Some Republicans promised the tax cuts would pay for themselves and investment would boom. The tax cuts did generate growth in 2018 and 2019 simply by putting cash in consumers' pockets—what economists call the Keynesian, or demand-side, effect. Its authors had hoped the law would also have supply-side benefits: encouraging companies to make productive investments, spurring a virtuous circle of job and wage

growth. There was initially a rise in business investment that tailed off. Now, any long-run effects are small or nearly impossible to tease from muddled pandemic-era data. Contrary to claims that the tax cuts would pay for themselves, experts aligned with both parties agree they reduced federal revenue and expanded the deficit. Some Republicans disagree, pointing to a big jump in revenue in 2021 and 2022, but that reflected inflation and a spike in capital-gains realizations that has since faded.

For their part, Democrats attacked the law as a giveaway to the rich, pointing to higher estate-tax thresholds and a special deduction for business owners. Democrats sometimes use a misleading statistic, that 83% of the tax cuts go to the top 1%. That's a projection for 2027, assuming the individual tax cuts expire and the corporate tax cuts remain, but it isn't a reflection of what's actually happened or is politically likely.

In 2018, only about 20% of the Trump tax cuts went to the top 1%, close to their share of income. Democrats haven't actually tried to repeal the whole law, setting Congress on the course to extend most of it. Indeed, Republicans designed the law to ensure that more than just companies and the wealthy benefited. Like the Bush tax cut, much of the

Trump cut also had an expiration date. The corporate tax rate cut extends indefinitely. But to keep the headline, 10-year cost under \$1.5 trillion and to avoid needing Democratic votes in the Senate, Republicans scheduled individual tax cuts to expire after 2025. They were betting that a future Congress wouldn't let them expire after Americans got accustomed to eight years of tax cuts.

As it did in 2012, that bet seems likely to pay off again.

Extending all the tax cuts would reduce projected revenue by about \$3 trillion over a decade, or about 0.9% of gross domestic product.

Biden differs from Republicans, and from the position that Democrats took in 2012. He proposes to pay for extending those middle-class tax cuts by raising unspecified taxes elsewhere, such as higher estate taxes or limiting tax breaks for the wealthy, on top of tax increases he seeks to pay for new spending or deficit reduction.

Rising debt

There are two problems with this stance. First, given Democrats' additional spending plans, it likely wouldn't by itself stabilize the debt, which Biden's own budget shows rising as a share of GDP through 2033.

Second, many of the options Democrats floated for raising taxes on big companies and high-income households couldn't pass while they controlled Congress because of opposition within their own ranks.

Democrats don't look likely to budge on Biden's pledge not to raise taxes on anyone earning under \$400,000. "We made that commitment," said Senate Finance Committee Chairman Ron Wyden, (D., Ore.). "The president made that commitment and we're going to stand by it."

As a result, the Trump tax cuts for over 98% of taxpayers almost certainly won't be reversed, and accompanying changes to the standard deduction and personal exemptions are probably locked in, too, because changing those could break Biden's pledge.

The 2024 election stakes are large for people making millions of dollars, but the tax code of 2016 isn't returning.

Neither are the deficit concerns of 2011 and 2012, when some members in both parties flirted with a so-called grand bargain that would reduce entitlement spending and raise taxes.

"A dozen years ago, there was more worry about how large deficits and debt would push up interest rates," Elmendorf said. "Having now lived through a dozen years of larger deficits than most people projected and lower interest rates than most people had projected, that threat has receded."

Politics as usual

As lawmakers near a partial government shutdown at the end of September and argue again over agency spending levels, there are few signs that U.S. fiscal politics will change.

Democrats are proposing tax increases on corporations and top earners but mostly to pay for other priorities, not to reduce the deficit: they want to expand the child tax credit so more middle-income families have negative tax rates. They used corporate tax cuts as clean-energy incentives in last year's Inflation Reduction Act.

As college-educated suburban voters shifted from Republican to Democratic, Democrats now represent more affluent constituencies, creating pressure to move the definition of rich ever upward. Members repeat the mantra that \$400,000 doesn't make you rich in Scarsdale, N.Y. or Falls Church, Va., and resist the 2017 tax law's \$10,000 cap on the state and local tax deduction, even though it largely pinches high-income households.

Core principle

For Republicans, opposition to tax increases remains a core party principle. Some conservatives concerned about debt levels may object to new tax cuts, but keeping Trump-era policies beyond their expiration is an easy sell.

"We're just looking to sort of take those wins and extend them for a long period," said Rep. Lloyd Smucker (R., Pa.) "I just don't think it makes sense at this point to be raising taxes in any way."

Firm Bets on 'Assumable' Mortgages

Continued from Page One
 with the paperwork and other bureaucratic hoops. That means working with the seller's mortgage company on behalf of the buyer and seller.

"Have you ever called someone every day until you get what you wanted?" said Singh, who earlier in his career worked at the online real-estate company Opendoor. "That's the kind of service we do on your behalf."

A loan assumption is different from a standard sale, in which a buyer takes out a mortgage at the going rate to pay the seller. In that case, a

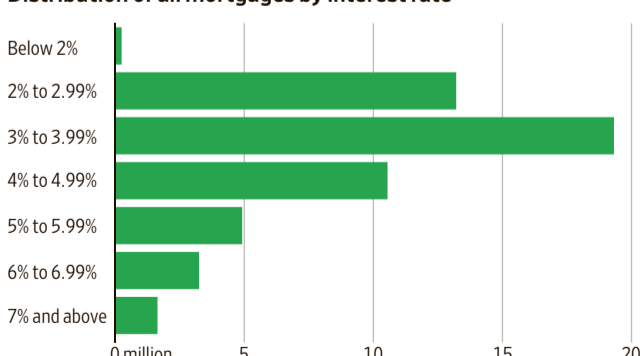
seller uses the money to pay off his or her own mortgage and pockets the rest.

An assumable transaction doesn't replace an old mortgage with a new one, but instead transfers the old mortgage to the new owner. The seller is relieved of the remaining mortgage liability, so the balance is subtracted from the purchase amount owed. The buyer must come up with cash to cover the rest of the purchase price.

Take a \$500,000 house that is tied to an assumable mortgage with a \$300,000 balance. Even after the buyer assumes the mortgage, the buyer still needs to come up with \$200,000. Unless the buyer can pay that amount, he or she would need to take out a second loan at going rates.

Roam said it would recommend lenders to provide additional financing. It wouldn't specify which lenders it will work with. Roam will collect a

Distribution of all mortgages by interest rate



Note: Shows active loans as of the end of July. Source: Black Knight

fee from the buyer that equals 1% of the purchase price.

Roam, with 10 employees, received \$1.25 million in a seed-funding round led by the venture-capital firm Founders Fund and Eric Wu, who co-founded Opendoor. Tim Mayopoulos, the former Fannie Mae CEO who briefly ran Silicon Valley Bank after it failed, is

an adviser.

The startup could run up against the Luddite world of mortgage banking, where assumption documents are still often transmitted by fax machine. Lenders sometimes drag their feet in processing assumptions because they earn only a few hundred dollars for processing them, often

not enough to cover the cost and far less than they make originating new mortgages, according to Ted Tozer, non-resident fellow at the Urban Institute's Housing Finance Policy Center.

For loan assumptions to become popular, lenders will need to be allowed to earn more on them, Tozer said. "There's not much you can do with that if the lenders aren't going to be efficiently processing assumptions," he said.

If assumptions did take off, mortgage investors could effectively demand higher rates on new loans to compensate for being stuck holding assumable mortgages for longer, according to John Kerschner, head of U.S. securitized products at Janus Henderson Investors.

Another challenge: Not every seller wants to part with a loan. If a seller with a VA loan bequeaths a mortgage to a ci-

vilian buyer, the seller might not be able to take out a new VA loan immediately.

Veterans United Home Loans, the largest VA lender, expects to process about 150 assumptions this year, up from about two dozen last year.

Jessica Pardinias and her family assumed a Veterans United loan with a rate of just over 3% when they bought a four-bedroom home in Bowie, Md., in August. She knew loan assumption was a possibility because it was mentioned in the listing. Because Pardinias is a veteran, the process was a little easier.

The seller hadn't paid down much of the loan balance, so a second loan wasn't needed. She estimated taking the lower rate will save about \$10,000 a year.

"It was a very welcome surprise," she said. "We certainly will be able to put the money we are saving to good use."



ELIZABETH BERNSTEIN

My nephew Noah had a classmate in seventh grade who mocked him for being short. One day he came up to Noah after lunch and crouched down, as if he were trying to make himself the same height. "Is this what you see down here?" he teased.

Noah paused, struggling for words. Then he replied: Bend down a little lower and kiss my rear end.

Bet there are times you wish you had a line like that.

There's an art to the comeback line. The best ones put the offender on notice and allow us to stand up for ourselves or someone else.

"A good comeback line rebalances the power in the conversation," says Selena Rezvani, a leadership consultant in Philadelphia who teaches conversational skills. "It allows us to be hard on the problem but respectful of the person."

Comeback lines can be tough to come up with in the moment, though. I typically come up with mine days later in the shower.

Thinking on our feet is hard, especially when someone has insulted or offended us. We freeze, psychologists say, because our brain perceives cutting remarks as a threat, which activates our stress response.

It can be good to pause, rather than blurt out the first thing that comes to mind. But often we want to answer an affront. Having go-to comeback lines in our back pocket, along with some other strategies, can help.

Lines that work

I heard a number of effective comeback lines while reporting this column, including this handy phrase: "That's a strange thing to say out loud." When asked a nosy or inappropriate question, responding with a question of our own can work: "Why do you ask?" And to reply to a person who is just plain nasty, there's this old favorite: "Bad day, huh?"

Karena Schwenk, a 51-year-old financial planner in Oakland, Calif., has several go-to lines. She tells someone she finds unnecessarily angry, such as the woman who yelled at her for accidentally cutting her off while exiting a garage recently: "You look like you could use a hug today."

"I am hoping it makes them think," she says.

If someone is being rude, Schwenk responds with: "Good for you." She once said it to a friend, after Schwenk had confided that she was getting a divorce and the woman had responded: "Well, my marriage is better than ever."

Dear reader, repeat after me: "Good. For. You."

Christopher Kilmartin, 68, a



▲ Karena Schwenk's comeback lines include, 'You look like you could use a hug today.'

consultant in Fredericksburg, Va., often uses humor in his comebacks, including once while playing the famous Ballyunion golf course in Ireland. When he told his group that he was going to play from the forward tees—colloquially called the ladies' tees—a man in his group teasingly said he'd have to call him a slur that refers derogatorily to women.

▲ Chris Kilmartin believes humor can defuse tension when delivering a comeback line.



▲ Chris Kilmartin believes humor can defuse tension when delivering a comeback line.

"Oh, I think Lorena Ochoa can hit it farther than any of us," he replied, referencing the former top-ranked professional female golfer. He says the man apologized, and they went on to have a great time.

How can you develop better comeback lines?

Take a breath

Don't respond immediately. Ask yourself: Does this matter to me enough to speak up?

"There's no perfect comeback line, so trust your instincts, whether they're telling you to change the subject as soon as possible or let the person know

this was rude," says Rezvani.

No response is OK

You may want to give some people a pass, such as a child, your boss, or someone you don't care about.

Silence can be effective, says Andrea Wachter, a licensed marriage and family therapist in Santa Cruz, Calif.

Don't be nasty

I've shared this advice often quoted by my Minnesota farm-bred grandmother before, but it bears repeating: "Don't get in the mud with pigs. The pigs love it. And you just get dirty."

Have some go-to lines

When it's hard to think on your feet, having some go-to lines for different situations can help. Here are a few.

Short and sweet: "Oh." "Got it." "Mmmm." Psychologists call this the "gray rock" method because it's meant to be dull and boring. This works particularly well with people who may be trying to provoke you.

Direct approach: "I don't feel comfortable talking about this."

Ask for clarification: "I'm sorry,

what did you say?" Asking someone to repeat what they said can make them stop and think about it, says Kilmartin, who provides training on how to combat harassment.

Hold up a mirror: "I hope your day gets better." I once replied to a nasty email from a stranger with this one. The man wrote back and apologized, acknowledging that he was having a bad morning and had taken it out on me.

Have a do-over

If the remark still bothers you later, ask to talk. You're in a powerful position because you're motivated to speak up and less emotionally reactive. Then be open: "Hey, there's something you said the other day that I want to come back to," Wachter suggests saying. "I didn't have the words then, but I do now. Can I tell you?"

Be funny

There's inherent tension in calling out someone's behavior. Humor can soften the blow, while still letting you get your point across, says Caleb Warren, an associate professor of marketing at the University of Arizona who studies humor.

This is why Noah's kiss-my-butt comeback line worked. When he delivered it, the other kids nearby burst out laughing and his bully "looked like he smelled something really bad," he says.

He never teased Noah again.

Time-Saving Tip at Airports Hits a Snag

BY ALLISON POHLE

Fliers trying to zip through long airport lines after international trips are finding it harder to score a well-known shortcut.

The U.S. government's Global Entry program is experiencing extended application delays. Global Entry offers travelers faster processing through customs and immigration when they arrive from international destinations, as well as speedier trips through security lines at U.S. airports.

New applications typically take an average of four to six months and as long as 11 months for U.S. Customs and Border Protection to process, the CBP says. Customers say that applications have taken a year or longer to process.

Large numbers of U.S. travelers have vacationed overseas this year and have also dealt with extensive passport delays.

People who don't travel internationally multiple times a year should instead apply for TSA PreCheck, CBP said in August. PreCheck is a separate program that includes expedited screening in Transportation Security Administration lines, but not all the benefits of Global Entry. Most PreCheck applicants can schedule an appointment in under two weeks, CBP says.

Global Entry applications cost \$100, slightly more than applying for PreCheck, and include PreCheck's benefits. Both are valid for

five years. Many travel credit cards now include credits for Global Entry and PreCheck application fees.

PreCheck vs. Global Entry?

Global Entry and PreCheck are Trusted Traveler programs. Both allow members to use expedited screening lanes at airports. These perks require people to undergo interviews with a government official. Only those determined to be low-risk are accepted.

People with PreCheck can use dedicated screening lanes and can keep laptops and certain liquids in their bags and keep their shoes on when going through security. The enrollment fee starts at \$78.

Global Entry is a separate program that, along with providing PreCheck's benefits, helps speed things up for fliers arriving from abroad. These travelers must undergo a deeper background check and interview with a CBP official before enrolling. Travelers with Global Entry can go into dedicated, faster lanes at passport control.

You become eligible to renew your membership one year before the expiration date. Some travelers need another interview when they renew.

What happens if I am reapplying?

If you submit a renewal application before your membership expires, you can continue using your membership for as long as two years.

The program temporarily shut



▲ Domestic travelers should apply for TSA PreCheck rather than Global Entry, customs officials say.

down in 2020 and staff struggled to catch up with the backlog of applications, CBP has said.

Why are applications delayed?

Since then, a record number have applied. From 2013 to 2023, the number of active Global Entry members has grown to 12.3 million from about 2.2 million, a CBP spokeswoman says. The agency says it is on track to receive more than four million ap-

plications this fiscal year, compared with 2.95 million applications last fiscal year.

During 2023, one-third of Global Entry applicants were enrolled in 60 days or less. Half were enrolled within 105 days, it says.

Why do processing times vary so widely?

Some travelers report receiving conditional approval in a matter of days, while others wait months.

Many travelers say securing an interview is the hardest part of the application process. Some locations have monthslong waits for interviews.

What's the fastest way to get an interview?

The agency scaled up its Enrollment on Arrival process. It lets travelers conduct their Global Entry interview at designated U.S. airports or other pre-clearance locations overseas. These interviews don't require an appointment.

Some travelers pay accounts for alerts on appointment openings. Others refresh webpages continuously. The agency says it releases interview appointment slots on the first Monday of every month by 9 a.m. local time. Travelers can also contact their local enrollment center for walk-in appointments.

What if I skip Global Entry?

You aren't doomed to a long line if you do that. CBP is scaling up mobile passport control, a free app that lets you enter your travel document, photo and customs-declaration information to speed up entry into the U.S.

Kenzie and Evin Magner of St. Paul, Minn., used mobile passport control this summer after landing to find long lines in Boston following their European honeymoon. "There was a single sign that basically parted the ways of the sea in the middle of all of the chaos," Evin says of mobile passport control. The couple got through in minutes.

Mobile passport control is available at 33 U.S. airports, with more locations coming. Check availability before counting on this option.

PERSONAL JOURNAL.



Schmoozing After Work Loses Luster Amid Change in Habits

Office happy hours, client dinners and other night gatherings are rarer and earlier these days

By ANNE MARIE CHAKER

Patience for after-hours work socializing is wearing thin. After an initial burst of postpandemic happy hours, rubber chicken dinners and mandatory office merriment, many employees are adopting a stricter 5:01-and-I'm-done attitude to their work schedules. More U.S. workers say they're trying to draw thicker lines between work and the rest of life, and that often means clocking out and eschewing invites to socialize with co-workers.

Corporate event planners say they're already facing pushback for fall activities and any work-related functions that take place on weekends.

"The flake-out rate is so much higher at events now," says Gretchen Goldman, a research director in Takoma Park, Md.

This summer Goldman invited 100 colleagues for casual after-work drinks at some picnic tables just outside the office as a good-bye party. She was taking a new job with the federal government. Fewer than 10 showed up.

"I guess people are just busy," she says.

The pandemic altered eating and drinking habits, and pandemic puppies, now fully grown dogs, have to be walked on a schedule.



▲ Caroline Wong, left, at Cobalt, tries to plan social gatherings that don't include alcohol.

With fewer people back in offices, there are fewer impromptu happy hours and a lack of interest in staying out late with colleagues, some bosses and workers say.

Andy Challenger oversees employees who participate in the fantasy football league at his outplacement firm, Challenger, Gray & Christmas. When some of them floated the same game plan as prior years—an in-office pizza

party that goes past 11 p.m. as everybody drafts their favorite players—the pushback was swift.

This season, the pizza arrived at 4:30 p.m. and everyone was finished and out of the office by 6 p.m.

"Normally that would have been the starting time," he says.

For decades, an unspoken rule of office culture has been that much of work happens outside the 9-to-5 window. Getting ahead often requires being known outside the building and having organizational allies—the type of networking that's helped by showing up



▲ Marketing firm Brand Guild hosts regular soirees for clients. It moved a recent one to 5:30 p.m.

for dinner with the boss and getting relaxed face time with co-workers at happy hours, says Jon Levy, a New York City-based consultant who advises organizations on connection and culture.

Now, even the go-getters are saying no to after-hours schmoozing opportunities. The thinking is: "That 20th happy hour isn't going to produce anything better for me," Levy says.

People are less jazzed about eating out once they are home, and many got pretty good at making dinner during the pandemic, says David Portalatin, food industry adviser at Circana Group, a market research firm.

In the past year, U.S. consum-

ers had 264 million restaurant dinners after leaving work, which is down 43% from 2019 levels, according to Circana. And reservations are now earlier: In 2023, 26% of after-work restaurant dinners happened before 6 p.m., compared with 21% in 2019.

Barbara Martin hosts bi-monthly evening soirees for clients of her marketing firm, Brand Guild. Traditionally, cocktails start flowing around 6:30 p.m. and the

'Nobody wants to overbook themselves until 10 p.m. on a weeknight anymore.'

mingling could last until 9 o'clock—or beyond. But last Thursday she pulled the start time forward to 5:30 p.m. sharp.

"I'd love to come to these if you could do them earlier," Martin says she's heard again and again this summer. "Nobody wants to overbook themselves until 10 p.m. on a weeknight anymore."

Attitudes don't appear to be changing as the summer vacation season ends. Kay Ciesla is helping organize an all-staff gathering for 80 people at the American Immigration Lawyers Association, the Washington, D.C., nonprofit where she works as a governance executive. She is considering an ax-throwing theme, and serving finger foods and cocktails.

"I'm already getting pushback," she says of spending precious time that bleeds into personal hours on team building. Due to scheduling conflicts the group can't gather until December. One employee voiced concern that the socializing could turn into a superspreader event ahead of Christmas travel.

Doug Quattrini, an event planner in the Philadelphia area, has already booked six Christmas parties. What's different this year, he says, is that most are on weekdays, in the office—and end at 8 p.m.

"Nobody wants to take up people's Fridays, Saturdays and Sundays," says Fausto Pifferrer, co-owner of

Blue Elephant Catering in Saco, Maine, near Portland, which has booked several office holiday parties for Monday through Thursday.

Younger Americans are drinking less. The share of people between 18 and 34 who said they "ever" drink alcohol has fallen to 62% from 72% two decades ago, according to Gallup data.

Caroline Wong, the chief strategy officer at Cobalt, a cybersecurity company in San Francisco, quit drinking in her early 30s and tries to plan social gatherings sans alcohol. A team off-site next month will be a tour of waterfalls near Portland, Ore. She's noticed things wrap up earlier when there's no drinking involved.

"It's like, 'You know what, we hung out for 90 minutes. We're good and I'll see you tomorrow,'" Wong says. "I think there's something awesome about that."

Streaming Sports Is its Own Sport

Continued from Page One

N.Y., area, is learning what it takes to be a sports fan in the streaming era.

He intends to cancel his streaming subscription to YES, the Yankees' local broadcaster, as soon as the baseball season ends. He only pays for ESPN+ on months when the platform carries Yankees games. He uses a promotion and his wife's shopping account to avoid paying extra for Apple TV+ and Prime Video, respectively. And he chose to ignore Peacock, another streaming service that also has exclusive rights to a slice of the baseball season.

Fans say the sheer complexity of having to juggle so many streaming platforms has made watching sports a sport unto itself.

Many lament the loss of simple joys, such as the ability to flip between channels during lulls in the game, given the clunkiness of having to open and close separate apps.

Others have simply given up, turning back to the simpler times of listening to games on the radio.

The streaming revolution hasn't been bad for everyone. It has been a boon to sports fans who live far away from their favorite teams, since many league-owned streaming

packages like MLB.tv and NBA League Pass give them access to locally broadcast games they previously couldn't have watched.

But the intricacies of the sports-media business—which prevent users of such packages from watching games featuring a team in their media market, to protect the rights of local TV stations—mean nothing can be too easy.

Josh Smull, a 41-year-old telecom manager who lives in Las Vegas and likes the Seattle Mariners, is the exact kind of fan for whom MLB.tv was designed. Smull uses it to watch most Mariners games—that is, unless they happen to play teams from Los Angeles, the Bay Area, San Diego and Arizona, which are all considered to be in the same media market as Las Vegas, and were therefore blacked out when the season began.

"That's like 40 games that I can't watch—a quarter of the season," Smull said. Sometimes, when the Mariners play some of the six blacked-out teams consecutively, he finds himself unable to watch any of their games for weeks. As a result, he chose to subscribe to MLB.tv monthly instead of picking the yearly plan, so he can cancel service during gameless stretches.

MLB.tv stopped blacking out San Diego and Arizona games midway through this season, after the league took over the broadcasts of both teams, whose broadcaster had filed for bankruptcy.

What frustrates Smull is that it is actually pretty easy to find pirated



The Seattle Mariners' Jarred Kelenic is tagged out by the San Francisco Giants' Casey Schmitt.

streams on the internet. These blackouts aren't preventing fans from watching games, he said—they are just preventing them from doing so legitimately.

Iowa residents face a similar predicament: They are considered too close to six baseball teams—the Chicago Cubs and White Sox; the St. Louis Cardinals; the Minnesota Twins; the Milwaukee Brewers; and the Kansas City Royals—to be allowed to see them on MLB.tv.

Instead of looking for a way to watch the Twins, Matthew Nelson, a 30-year-old from Ames, Iowa, decided to sign up for satellite radio

provider Sirius XM and listen to the games.

"Cord-cutting was supposed to be simple," Nelson said. But "with professional sports, especially baseball, it has actually made it immensely more complicated."

The continued fragmentation of the TV ecosystem was at the heart of a high-profile fight between Disney and cable giant Charter Communications, which left nearly 15 million households without access to major sports content for more than a week. Before the dispute was resolved on Monday, Charter had hinted it may exit the pay-TV business altogether, because entertainment companies' strategy of moving high-profile content to their streaming platforms had diminished the appeal of the cable-TV bundle.

Kraft, the Yankees fan, said having to juggle so many different streaming apps has changed his viewing habits: Once an avid channel surfer, he now knows better than to close the app he's watching, even during lulls in the game.

"If I have a good connection, I don't want to risk it," he said.

That means he ends up watching a lot more commercials. Making matters worse, most streaming platforms "have like the three same ads cycling through for the entire 2-3 hours," he said.

Overall, Kraft estimates he spends more than \$40 a month during the baseball season to watch the Yankees. He also pays for NFL+, the National Football League's streaming app, to watch the Buffalo Bills, and the MSG+ app, which gives him access to the National Hockey League's New York Rangers. Even though he doesn't subscribe to all these apps every month, he said their combined cost isn't that far off what he'd pay for cable TV.

Opting for a cablelike alternative like Google's YouTube TV doesn't necessarily solve all problems. Anne and Chris Miller, a couple of New York Mets fans from the Albany, N.Y., area, relied on that platform to watch their team. Then in late June, they learned YouTube TV would stop carrying SNY, the Mets' main local broadcaster. They quickly looked for alternatives and settled on Disney's Hulu + Live TV. But because they found Hulu's image quality not to be as crisp, they are only using it to watch the Mets.



ALAIN HUBERT, 2007 POLAR EXPLORER AND MOUNTAINEER



HAROUN TAZIEFF, 1963 PIONEERING VOLCANOLOGIST



FRANCESCO SAURO, 2014 SUBTERRANEAN EXPLORER

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ARTS IN REVIEW

ART REVIEW

Spotlight on Signoras
In Renaissance Italy

A show demonstrates shifting ideas about gender during a golden age

By JUDITH H. DOBRZYNSKI

What is Cleopatra, born in 69 B.C., doing in an exhibition titled “Strong Women in Renaissance Italy”? And why do the Queen of Sheba (10th century B.C.), Judith (sixth century B.C.), Salome and Mary Magdalene (both A.D. first century) also figure prominently?

In recent years, attempting to make up for past neglect, some museums have presented female Renaissance artists like Artemisia Gentileschi, Sofonisba Anguissola and Lavinia Fontana in group, duo or solo exhibitions. But the presence of Cleopatra’s chaste, pensive portrait in bronze (c. 1519-22) and of other historical females in “Strong Women” at the Museum of Fine Arts, Boston, signals a far different approach to the subject.

Instead of focusing on the few increasingly famous names, the curator, Marietta Cambareri, aims to show that others in 14th- to early 17th-century Italy also surmounted restrictions that confined most women to home, church and family visits. Some became writers, musicians, healers, or lace and textile makers, while others exerted influence as patrons and devotional leaders. Moreover, she asserts, attitudes toward women, past and present, were shifting—prompting male artists like Pier Jacopo Alari Bonacolsi, known as Antico, to portray Cleopatra positively, not as a lustful schemer, and Bernardino Luini to paint “Salome With the Head of St. John the Baptist” (1515-25) with her looking away, troubled, not pleased, by the murder she had requested at the behest of her vengeful mother.

A quote in the catalog from the Venetian writer Moderata Fonte (1555-1592) about the unrecognized talents of women—“Gold which stays hidden in the mines is no less gold, though buried, and when it is drawn out and worked, it is as rich and beautiful as other gold”—serves as a guiding light for this welcome approach. But it’s a risky one because Ms. Cambareri chose to restrict her mother lode to the museum’s superb but still limited permanent collection, supplemented by only a few loans. (Cost considerations played a part in that decision, Ms. Cambareri said.)

The 100 paintings, engravings, books, lace fragments, textiles, embroideries and other objects on view—nearly a quarter of which are documented as by women or thought to be so—are organized thematically, in sections about fe-

Boston



▲Bust of Cleopatra (c. 1519-22), by Pier Jacopo Alari Bonacolsi

male accomplishments as well as their daily life.

Not surprisingly, the sections on the domestic and spiritual sides of life are the strongest. The creativity of women shines through in a pattern book of 38 woodcuts (printed 1625) by Isabella Catanea Parasole, part of her book series of intricate original lace designs, published when the trade was the province of men. More typically—but beautifully—an anonymous woman used multi-colored silk and silver threads to embroider a large linen table cover (17th century) with floral patterns. And one piece truly astonishes: A brilliant golden casket (16th century), embellished all over with marquetry flora and fauna, turns out to be made of cut straw, which women would burnish to a radiant shine.

Several representations of Mary Magdalene cast her in a positive light, rather than repeating the

discredited notion that she was once a prostitute. Bernardo Daddi’s gold-ground “The Crucifixion” (before 1328) gives her a dominant role—dressed in intense red, with a bright halo, clinging to the cross at a time when most of Jesus’ male followers had abandoned him. Others—especially an exquisite woven silk-and-satin fragment (14th-15th century) of the “Noli Me



► Illustrated book of woodcuts (1625), by Isabella Catanea Parasole



▲“Salome With the Head of St. John the Baptist” (1515-25), by Bernardino Luini

Tangere” scene, which shows her as the first person to whom the risen Christ appears and thus the first to spread the gospel—credit her as the first apostle.

Widows in particular served as spiritual role models in Renaissance Italy, an idea represented here by Ludovico Carracci’s “Portrait of a Widow” (c. 1585). Strong and dramatic, it depicts a woman in black worshipping before a crucifix, showing the way that others might follow.

“Strong Women” is full of other such insights. But, strangely, not a single female creator emerges as a “strong woman.” Small paintings by Gentileschi, Anguissola, Fontana and Barbara Longhi hang in an alcove near the entrance. But only Anguissola’s expressive self-

portrait (c. 1556) could be considered a masterpiece—and it’s tiny, just over 3 inches tall.

Visitors will learn of the notable Vittoria Colonna solely through a 1542 copy of her illustrated book, “RIME”; originally published in 1538, it was the first single-authored printed volume of poetry by a woman in Italy. And of Diana Mantuana (c. 1535 to after 1587; also known as Diana Scultori) only through five marvelous engravings she made of works by Francesco Salviati, Giulio Romano and Cornelis Cort. And Isabella d’Este—a learned noblewoman who likely commissioned Antico’s “Cleopatra” and, more important, exerted political power in Mantua, commissioned paintings by artists including Titian, Mantegna and Raphael, and collected works by many more—is “seen” here essentially only in her crest on a Majolica plate (c. 1524) and a few other pieces and engravings that she may have owned.

Numerous portraits of Isabella exist, including a drawing by Leonardo da Vinci and a famous painting by Titian. Likewise, images of Colonna, Mantuana and Parasole exist and were certainly more lendable or reproducible. “Strong Women” offers visitors new ideas, but it would have benefited from fewer examples of historical revisionism and more about these women, their circumstances and personalities, and how they managed to thrive. A few more of their works, too.

Strong Women in Renaissance Italy

Museum of Fine Arts, Boston, through Jan. 7, 2024

Ms. Dobrzynski writes about art for the Journal and other publications.

MUSIC REVIEW

A Pair of Big-Band Experiments

By MARTIN JOHNSON

Even as economic complications make maintaining a mid-size ensemble difficult, several of jazz’s most creative voices continue to lead and write for big bands.

Two recordings by jazz orchestras that are due out this month showcase stunning contrasts. Steve Lehman’s “Ex Machina” (Pi Recordings, Sept. 15) pairs him and two members of his octet with the French Orchestre National de Jazz in a program that features Mr. Lehman’s innovative use of spectral harmonies—a highlight of his compositions for smaller groups—and integrates an innovative use of electronic music techniques. On “Beyond Orbits” (Edition Records, Sept. 29), composer and arranger Miho Hazama celebrates 10 years of what she calls her jazz chamber orchestra, M_Unit, with a collection of stellar and refined compositions that reflect her cornerstone influences.

Mr. Lehman’s octet has made two of the best jazz recordings of the 21st century, “Travail, Transformation, and Flow” (2009) and “Misen Abime” (2014). “Ex Machina” shares the highlights of these masterworks—innovative harmonies, urgent rhythms, virtuosic solos and

memorable interplay—and builds on them. Mr. Lehman’s compositions have a futuristic element, as if they were the soundtrack to a science-fiction film, and showcase the influence of contemporary-classical composers. In these ways, his works share traits with the large-ensemble music of Darcy James Argue, Rob Mazurek and Anna Webber.

“Ex Machina” starts out gracefully, on “39,” as the harmonies build from a variety of horn players, with drums and bass entering to underpin them. But before long the rhythms stutter and provide counterpoint to Mr. Lehman’s probing alto saxophone solo, which is accented by a glockenspiel and electronically generated percussion. Mr. Lehman, who is 45 years old, studied his instrument with jazz great Jackie McLean, and the influence is still present, especially at faster tempos; it’s a fleet, darting sound that gives the music a daring and driving sensibility. He also studied with electronic-music pioneer and jazz composer/trombonist George Lewis, whose influence is prominent. Mr. Lewis developed ways in which computer-assisted music can interact with improvisers. On this recording, Mr. Lehman works with interactive soft-

On ‘Ex Machina,’ Steve Lehman uses innovative electronic techniques.



▲ Miho Hazama, whose new album with her group M_Unit is ‘Beyond Orbits’

ware developed by Jérôme Nika of IRCAM, the Institute for Research and Coordination in Acoustics/Music; it produces abstract electronic sounds that react to the improvisers in real time, creating unusual sonorities within the music’s harmonic structure.

The vibraphonist Chris Dingman and trumpeter Jonathan Finlayson, both from Mr. Lehman’s octet, perform superbly on the recording. Mr. Dingman frames much of the intense play and corrals the orchestra when the polyphony of sounds gets frenetic. He also takes a brilliant solo on “Chimera.” Mr. Finlayson’s bright tone contrasts with percussion to highlight “Jeux d’Anches.” Large ensembles have created some of the most exciting new jazz of the past

decade, and Mr. Lehman—who has found a middle ground between jazz and hip-hop in his other projects—makes his mark with this impressive album.

Ms. Hazama, who is 36, has been at the forefront of orchestral jazz for more than a decade. She was the curator of the Jazz Gallery’s Jazz Composers’ Showcase, a New York setting that offered young musicians a chance to write for large ensembles. In addition to leading her chamber big band, which includes both strings and horns, she is the chief conductor of the Danish Radio Big Band, a post that enables her to follow in the footsteps of several of her idols, including Thad Jones, Bob Brookmeyer and Jim McNeely, and she is a guest conductor for the Metropole Orkest in the Netherlands. Her previous recording with M_Unit, “Dancer in Nowhere,” was nominated for a Grammy Award.

The title “Beyond Orbits” implies a space-age theme, but Ms. Hazama is also referring to her challenges while juggling work in several different bands and countries. Her writing integrates strings and horns—particularly those with softer sonorities like the French horn and bass clarinet—to create a sumptuous weave of sounds. Like Maria Schneider, another great bandleader who brought extensive training in classical music to orchestral jazz, Ms. Hazama creates music that is elegant and cinematic in its sweeping sounds that bring rolling hills and babbling brooks to mind as readily as they do urban nightlife.

Among the highlights on “Beyond Orbits” are two pieces with guest stars. “Exoplanet Suite: I. Elliptical Orbit” features the bassist Christian McBride, who anchors the work with soulful authority. The up-and-coming saxophonist Immanuel Wilkins appears on “From Life Comes Beauty,” and he delivers an austere refined solo.

The difference between the music of Ms. Hazama and Mr. Lehman on these recordings illustrates the subdivisions in contemporary orchestral jazz. While some composers like Mr. Lehman are creating futuristic soundscapes, others, like Ms. Hazama, look forward by expanding the boundaries set by their idols. This bodes well for what is too often considered an anachronistic style of jazz.

Mr. Johnson writes about jazz for the Journal.

SPORTS

Rodgers Faces Long Recovery

The 39-year-old quarterback suffered a torn Achilles tendon. But doctors say it shouldn't stop him from playing next year—if he wants to.

By Andrew Beaton and Louise Radnofsky

Aaron Rodgers was just a few minutes into his career as a New York Jet when he suffered one of the cruelest injuries in professional sports: a torn Achilles tendon.

He's done for the season before he ever completed a pass for his new club. But what about the rest of his career?

The 39-year-old was already testing the limits of age in a notoriously brutal sport as he attempted to follow Tom Brady's unprecedented path of longevity. Now, Rodgers faces a long road to recovery from an injury that has ended careers far shorter than his.

Doctors who specialize in sports medicine say the recovery after surgery for an Achilles tear can take nearly a year, and that it can take another year after that for athletes to return to full strength—or as close as they'll ever get to that. Those doctors also caution that not every pro athlete who suffers such an injury makes it back onto the field at all.

Still, they were optimistic that should Rodgers wish to continue his career as a 40-year-old in 2024, his Achilles shouldn't stop him.

"I would anticipate that he should be able to come back next year," said Dr. Peter DeLuca, the chair of sports medicine at Cooperman Barnabas Medical Center and a former Philadelphia Eagles physician. "I don't think it's going to affect his throwing and arm strength, but I think it's going to affect his running a little bit—at least the first year back."

Rodgers has yet to comment publicly since the injury beyond an Instagram post in which he said he's "heartbroken," though before

the season he said he envisioned his time with the team as a partnership lasting a few years. Jets coach Robert Saleh said Wednesday he would be shocked if this is the way Rodgers went out.

Rodgers, in August, added that he wants to keep playing as long as it's fun and "as long as my body feels good."

There's no shortage of research into Achilles tendon ruptures in elite athletes, or even specifically elite athletes who play in the National Football League, and it points to somewhere between a quarter and a third of players never returning at all from their tears.

On the brighter side, though, surgeons say that technological advances in the last 25 years changed the game. In several recent studies, researchers comparing NFL players' performance before and after the injury have reported that it's mainly or only running backs and linebackers who have significantly decreased performance following their injury during the rest of their career.

Robert A. Jack II, MD, an orthopedic sports medicine surgeon at Houston Methodist Hospital, was the first author of a study of 98 Achilles tendon repair surgeries in 95 NFL players between 1958 and 2016. That study included five quarterbacks, and all returned to sport, an average of 11 months from the injury. But Jack had better news than that, about Rodgers's position specifically.

"We did not find any post-injury/surgery differences in QBs as it relates to performance," Jack said in an email.

There have been recent examples that show both types of outcomes among high-profile athletes. Kevin Durant waited 18 months to play again after his Achilles tear, an extra lengthy time period owing to



New York Jets quarterback Aaron Rodgers suffered a season-ending injury during the team's first game.

some external factors such as the pandemic, but eventually returned as one of the NBA's best players. The more worrisome comparison for Rodgers is Kobe Bryant, who was 34 years old and nearing the end of his career when he tore his Achilles. He returned to the court, but he was never the same player.

There have also been remarkable turnarounds that count as

The position he plays is a positive factor in a potential comeback.

medical marvels. A Russian gymnast who seemingly anchored his team to an Olympic gold medal in Tokyo in the summer of 2021 three months after his injury and surgery remains to American experts difficult to believe. Rams running back Cam Akers returned in under six months for the team's Super Bowl run two seasons ago, although he wasn't especially effective when he first got back onto the field.

Despite the bittersweet situation on Monday night, when Rodgers and Jets fans saw the team's Super

Bowl chances plummet even after the team pulled off an overtime victory in his absence, experts pointed to a couple silver linings. For one, when right-handed quarterbacks drop back to pass, they typically plant with their leg on the same side. Rodgers, though, tore his left Achilles tendon.

The position he plays is also a positive factor. Unlike an NFL wide receiver or an NBA shooting guard, Rodgers doesn't require bursts of athleticism to be a master at his craft. Doctors are in agreement that his recovery will be more difficult owing to the simple fact that he's 39 years old. That may be relatively young for the general population, but it also makes him one of the oldest players in the NFL.

"Trying to get your muscle unit to come back is probably harder every year of your life," said Dr. Andrew Elliott, a foot and ankle surgeon at the Hospital for Special Surgery who works with Major League Soccer's New York Red Bulls. "He's not 30. He's almost 40."

Part of what makes predicting a precise outcome is that there isn't a terribly large sample size of NFL quarterbacks who have suffered an Achilles tear. And even some of the prominent examples that exist oc-

curred decades ago, and doctors say medical advancements since then are significant.

One prominent instance was another one of the best quarterbacks ever. Dolphins great Dan Marino tore his Achilles during the team's fifth game of the year in 1993, and when he first returned in the 1994 preseason he struggled—leading to questions about whether the injury would doom his career.

Marino has said the surgery didn't work properly and that he didn't move the way he had previously, but when the regular-season came around he proved his doubters wrong. He threw five touchdowns in the season opener to beat the New England Patriots.

Jets fans don't need to be reminded of a slightly more recent Achilles tear. Vinny Testaverde led them to the AFC Championship after the 1998 season, and they hoped to take the next step a year later. Then Testaverde, like Rodgers, tore the same tendon in the first game of the season. Testaverde returned the next year, though his numbers showed a marked decline.

Moments before Rodgers's debut as a Jet on Monday night, he was joined at midfield by an honorary team captain for the coin toss. It was none other than Testaverde.

The WSJ Daily Crossword | Edited by Mike Shenk

Crossword puzzle grid with numbered squares for clues.

- 32 Sorry state
33 Femur's upper end
34 U.S. Open champ in 1994 and 1997
35 Moody music
36 Exemplar of meekness
38 Hassle persistently
39 ___ Fridays
40 Family card game
41 Positive move?
42 Afore
46 Hugs and kisses, maybe
47 Cape near Cod
48 Call for a pitcher?
51 ___autres (among other things)

Twist of Fate | By Prasanna Keshava

Twist of Fate puzzle with across and down clues.

Previous Puzzle's Solution grid with filled-in letters.

Mets Hire a Small-Market Guru To Reboot the Team Once Again

By Lindsey Adler

THE NEW YORK METS have once again acquired the hottest free agent on the market, though this time he'll be in the executive ranks rather than in uniform—with even more pressure to win. David Stearns, the long-time Milwaukee Brewers executive who has led the team to sustained success in a small market, will become the president of baseball operations for the Mets, controlled by the richest owner in the game, a person familiar with

produced nothing more than another disappointing season. He has also firmly stated that the long-term goal of the organization is sustainable success through a robust farm system.

The Mets, backed by Cohen's deep hedge-fund pockets, are MLB's current financial heavyweights, though their clear pursuit of Stearns points to baseball's most influential front offices residing in small markets, rather than large. This season alone, the Mets, New York Yankees, and San Diego Padres all learned

to a baseball operations role in Cleveland. He ascended to become an assistant general manager with the Houston Astros in 2012, at a crucial point in their historic rebuild, and was hired to lead the Brewers in 2015.

Stearns's hiring will inevitably reshape an organization that has been playing catch-up in the years since Cohen took over operations. In Milwaukee, Stearns developed an ability to turn fringe players into key performers and generally sustain team success while navigating and guiding roster turnover. The Brewers made the postseason in four consecutive years during Stearns's tenure.

Still, a new, very different market will mean a very different set of obligations for Stearns. He'll manage the club's entire baseball operations infrastructure—from major-league roster to player development—while also managing a wealthy, highly involved, and new-to-baseball owner in Cohen.

Stearns will take a place of seniority over current general manager Billy Eppler, who signed a four-year contract with the organization in late 2021. Cohen made clear his intentions to hire a president of baseball operations during a press conference in late June, when he first addressed the disappointing season playing out for the most expensive baseball team ever assembled.

That team was partially disassembled at the Aug. 1 trade deadline with expensive co-aces Justin Verlander and Max Scherzer traded away. Eppler oversaw what would become critical transactions for the future of the Mets, and with the blessing of ownership, elected to cover departing player salaries—at huge price points—in exchange for better prospects to replenish the team's farm system. Now, all the Mets need is a reconfigured roster and a World Series appearance in the span of Stearns's five-year contract.



David Stearns will lead baseball operations for the Mets.

the hiring said. He is expected to sign a five-year contract and begin working for the team after the season.

Stearns's move to the Mets is the splashiest hiring of a baseball executive since the Dodgers hired Andrew Friedman away from the Tampa Bay Rays in late 2014. In Los Angeles, Friedman has managed to combine the small-payroll strategies around player development and under-the-radar player acquisitions with the big-money payroll that allows him to retain players on long-term contracts.

The Dodgers' playbook is the general strategy that Stearns will be asked to replicate in New York. Team owner Steve Cohen has shown a willingness to spend lavishly on payroll. But in 2023, Cohen's big spending

that dollars spent on payroll don't necessarily correlate to on-field success. The Rays have built the ultimate model of sustainable success—procuring and developing a seemingly never-ending pipeline of players so that veteran (expensive) players can be dealt to replenish the farm system. The Houston Astros also innovated new, efficient (and often ruthless) methods of developing homegrown players to give the roster—and payroll—stability through the players' prime careers.

Stearns, 38, grew up as a Mets fan in Manhattan, graduating high school from Columbia Prep in 2003. Yet his résumé since leaving New York is more impressive than his deep organizational loyalty. His career began in labor relations for MLB's Commissioner's Office. Then he moved

OPINION

REVIEW & OUTLOOK

The Census Exposes Bidenomics

You almost have to admire the brass of the Biden White House. The Census Bureau reported Tuesday that Americans are poorer under Bidenomics, and the President quickly changed the subject to blame Republicans for rising child poverty on his watch. As usual, too many in the press corps bought the spin.

Mr. Biden is trying to avoid the real story, which is that the Census Bureau says median household income adjusted for inflation fell last year by \$1,750 to \$74,580. It is down \$3,670 from 2019. Households in the fourth income quintile—those making \$94,000 to \$153,000—lost \$4,600 in 2022 and \$6,700 since 2019. Middle-class Americans who think they're losing ground are right.

* * *

The reason is that inflation has outpaced the earnings growth from work. Real median earnings for full-time workers last year fell \$3,620 for men and \$2,880 for women despite a tight labor market that had companies paying more to attract and keep workers. Wages in industries with more female workers such as healthcare and hospitality rose faster than those with more male workers such as manufacturing. But neither men nor women kept pace with the cost of living.

Real incomes at every decile were lower and income inequality was greater than in 2019. Americans in the bottom 10% of earners were 6.3% poorer last year than in 2019 while those in the top 5% saw their incomes decline 4.1%. Inflation invariably punishes lower-income Americans more than the affluent.

These numbers don't take into account most transfer payments that Congress enacted or expanded as part of its \$6 trillion in Covid relief. These include \$3,200 a year in stimulus payments per adult and \$2,500 per child; a \$3,600 per child tax credit whether or not you paid any taxes; larger health insurance, earned income and child-care tax credits; and more generous food stamps.

These provided temporary income boosts in 2020 and 2021, but at the cost of fueling the historic inflation surge that gutted real incomes. Thus after-tax median real income last year fell \$6,220 as some, but not all, Covid transfer payments lapsed. Americans with college degrees last year saw the biggest after-tax real income decline (\$9,860), perhaps because

they benefited most from the expanded tax credits.

Democrats passed their \$1.9 trillion Covid bill in March 2021 with the goal of hooking the middle class on bigger government. But the big political surprise is that Americans weren't thrilled with the handouts. A Hill-HarrisX poll in July 2021

found that 60% of voters, including nearly half of Democrats, thought the child tax credit expansion was too expensive and no longer needed.

Yet there Mr. Biden was on Tuesday lashing Republicans in Congress for not extending the expanded child tax credit.

"We cut child poverty by nearly half to record lows for all children in this nation largely by expanding the Child Tax Credit," he declared. "The rise reported today in child poverty is no accident—it is the result of a deliberate policy choice congressional Republicans made to block help for families with children while advancing massive tax cuts for the wealthiest and largest corporations."

The child poverty rate did jump to 12.4% from 5.2% in 2021, but that is roughly the same as before the pandemic. The expiration of the expanded child credit accounted for about a quarter of the increase in the child poverty rate, though its impact was offset by an increase last year in food stamps, free school lunches and housing subsidies. Most of the increase in child poverty owed to the end of stimulus payments, inflation and higher taxes.

Mr. Biden has apparently forgotten that Republicans didn't control either branch of Congress in 2021 or 2022. West Virginia Democrat Joe Manchin blocked an extension of the expanded child tax credit because it was estimated to cost \$1.2 trillion over a decade.

And which tax cuts for the wealthy and corporations is he talking about? Maybe he's confused and is referring to the Inflation Reduction Act's green-energy corporate welfare and subsidies for electric vehicles and solar panels that largely benefit the affluent.

The annual census data tell the real story of Bidenomics: A gusher of unprecedented and unnecessary social-welfare spending helped to produce the highest inflation in 40 years that has made Americans poorer. The last thing Congress should do is heed Mr. Biden's demand to do it all again.

Its annual report shows how inflation has gutted real income.

Median real income, 2019-2022

2019	\$78,250
2020	76,660
2021	76,330
2022	74,580

Source: Census Bureau

No Inflation Rest for the Fed

Inflation rebounded in August, which is bad for consumers but perhaps not enough to spook the Federal Reserve from standing pat on monetary policy when its Open Market Committee (FOMC) meets next week.

The consumer-price index climbed a sharp 0.6% for the month, owing largely to a surge in fuel prices. Prices are up 3.7% over the last 12 months, which is substantial progress from the heights of summer 2022. But gasoline prices were up 10.6% for the month, as no doubt our readers have noticed. Services less energy are also continuing to be sticky, rising 0.4% for the month and 5.9% in the last year.

The good news for the Fed is that so-called core prices, sans food and energy, rose only 0.3% for the month. After three straight months of relatively small increases, core prices are now up only 4.3% in the last 12 months. That's still well above the Fed's inflation target of 2%, but it will probably give Chairman Jerome Powell confidence that he's slowly winning his anti-inflation fight.

Whether the Fed raises its fed-funds target rate another 25 basis points next week from

the current 5.25%-5.5% probably doesn't matter much. The market doesn't expect it, and it doesn't look to us like another one is required even with the August price rebound.

The harder challenge for the Fed will be keeping money tight enough for long enough to get back to its 2% target even as the political clamor rises on Wall Street and Washington for rate cuts. The Fed signaled in June that its median projection was four 25-point rate cuts next year, but that will depend on further inflation progress.

Wall Street wants to restart the easy-money party, but the best case for Fed caution is in the Census Bureau data on real incomes that we report nearby. Inflation punished America's lower- and middle-income earners with a vengeance in 2021 and 2022.

The corner on falling incomes looked like it might have turned this year with five monthly increases in real average hourly wages from March to July. But the consumer-price rebound in August meant that real wages fell 0.5% for all employees, erasing nearly all of the gains for June and July. Americans need a raise, and that means slaying the inflation beast.

A surge in energy prices led to another monthly decline in real wages.

Gov. Grisham vs. the Second Amendment

When an officeholder ignores the Constitution, others must speak up, so it's reassuring in our polarized age to watch the almost total embarrassment of New Mexico Gov. Michelle Lujan Grisham. Her unilateral order Friday to ban the carrying of firearms in the state's most populous county was contradicted by acclamation, even before it was legally blocked Wednesday by a federal judge.

Ms. Lujan Grisham's order says gun violence is a public-health emergency, and thus only police and security guards are permitted to carry a firearm, openly or concealed, for 30 days in Bernalillo County, including Albuquerque. This defies what the Supreme Court ruled last year: "The Second and Fourteenth Amendments protect an individual's right to carry a handgun for self-defense outside the home." (*New York State Rifle & Pistol Assn. v. Bruen*)

The Democratic Governor's diktat proved far more brief than she intended: It lasted five days before federal Judge David Urias granted a temporary restraining order. Will Ms. Lujan Grisham appeal? On Tuesday she was sent a letter by New Mexico Attorney General Raúl Torrez, a fellow Democrat, who said her suspension of the Second Amendment is unconstitutional.

"I am writing to inform you that my office will not defend your administration in the above ref-

erenced cases," Mr. Torrez said. "Though I recognize my statutory obligation as New Mexico's chief legal officer to defend state officials when they are sued in their official capacity, my duty to uphold and defend the constitutional rights of every citizen takes precedence." Given the experience of Covid, he also found it "unwise to stretch the defini-

tion of a 'public health emergency.'" Local authorities similarly didn't wait for a court before repudiating the ban. "This order will not do anything to curb gun violence other than punish law-abiding citizens from their constitutional right to self-defense," said Bernalillo County sheriff John Allen, another Democrat. "It's unconstitutional. So there's no way we could enforce that order."

At a Sunday protest in Albuquerque, "more than a hundred people openly carried their guns in Old Town," the news channel KOB4 reported. A spokesman for the New Mexico State Police said that "to his knowledge, no citations were given out at the event."

Ms. Lujan Grisham's order might have been meant to show she's serious about gun violence. Instead it's sending the message that she's unserious about governing and ineffectual besides. Her comeuppance is a useful lesson for other Governors tempted to violate the Constitution to make a political point.

LETTERS TO THE EDITOR

Is Pence Wrong About Populism or Too Late?

In "The Republican Time for Choosing" (op-ed, Sept. 7), Mike Pence presents a false choice for Republicans: conservatism or populism. I agree with Mr. Pence that man's rights come from God, not the state, but disagree with his definition of populism, which dismisses the phenomenon as little more than "passing public opinion."

The dictionary definition of populism is "a political approach that strives to appeal to ordinary people who feel that their concerns are disregarded by established elite groups." Populism is an approach, not an ideology, and its opposite is elitism. Populism was the magic of Ronald Reagan and Donald Trump—their ability to connect to regular Americans.

Since 2000, many conservative leaders have forgotten who elected them, abandoning traditional, small-government, conservative principles. They gave us the No Child Left Behind Act, a massive federal government intrusion into K-12 education, and took us from balanced budgets to massive deficits. Their leadership also led us into long wars with no

exit strategy or clear plan for victory.

It is time for Republicans to marry populism and conservatism and reconnect with the American people. Elected officials and government employees work for the American people. We have to earn their trust to lead.

PETER HOEKSTRA

Holland, Mich.

Mr. Hoekstra was U.S. Ambassador to the Netherlands, 2018-21, and a member of Congress (R, Mich.), 1993-2011.

Mr. Pence warns that "a populist movement is now rising in the Republican Party." Only "now"?

Mr. Pence was a key part of the 2016 and 2020 elections, and a key figure in the Trump administration between those campaigns. But now that the forces of populism have turned to target Mr. Pence, he complains about a form of politics driven by "personal grievances and performative outrage." He helped Mr. Trump deliver such a political message for five years. It's too late now for Mr. Pence to complain.

RICHARD TUCKER

Henrico, Va.

Running Out of Excuses for Abbas's Hatred

Your editorial "Even Hitler, Says the Palestinian President" (Sept. 7) is right to note the virulent anti-Semitism of Mahmoud Abbas, the leader of the Palestinian Authority and Fatah movement. Mr. Abbas has spewed anti-Semitism for decades, and so has the PA, whose official media and educational arms also promote anti-Jewish violence. Elements of Fatah have even perpetrated recent terrorist attacks, as have the PA's own security forces over the years. These actions violate the Oslo Accords, which birthed the PA in the hopes that it would be a "partner for peace."

Palestinian leaders promised in Oslo to renounce terrorism and resolve issues with Israel in bilateral negotiations. They have failed to do so. But instead of meeting with consequences, these transgressions have been overlooked by U.S. administrations.

The PA isn't a peace partner. Three

decades after its creation, it is time to stop pretending it wants to be one.

SEAN DURNS

Research analyst, CAMERA
Washington

Mr. Abbas has a long record of fomenting anti-Semitism and terrorism. Even in his doctoral dissertation, he blamed Zionists for the Holocaust. As president of the PA, he has promised that if he were down to his last penny of aid, he would continue to fund the "pay for slay" program, which rewards the families of terrorists.

Though Western media prefer to ignore it, this hatred permeates Palestinian ideology. It pours forth in a daily flood from educational, religious, government and media sources. It's why Palestinians have rejected multiple offers of peace and independence.

DANIEL H. TRIGOBFF

Williamsville, N.Y.

Antiracism Educator Responds to Mac Donald

Only days after a white supremacist murdered three black people, Heather Mac Donald criticized an antiracism workshop I led ("How to Serve White Victims," op-ed, Aug. 31).

California's Alameda County elected Pamela Price, its first black woman district attorney, to address systemic racism in the East Bay. Ms. Price improved victim services by hiring a diverse team of advocates, training them to provide culturally responsive care to all victims.

As a white antiracism educator, I led a workshop to help advocates understand white victims, including how to handle white victims who express racism against victim-services

advocates. Because irresponsible leaders stoke white racial resentment, some white people express racism against service providers of color, increasing the need for this training.

Ms. Mac Donald accuses Ms. Price of dividing people by race, but Ms. Price works for racial justice, truth, accountability and healing. As any successful businessperson knows, victim-services advocates must understand victims' cultures to serve them well.

It is Ms. Mac Donald's rhetoric that divides people by race, which inevitably escalates to violence, endangering America and making black people feel unsafe everywhere. Threats to black women judges and prosecutors, a bomb threat to an elementary school for hosting a playdate for families of color, and two white youths attempting to drown a black youth while calling him "George Floyd" underscore the urgency of deplatforming divisive voices.

Let's follow Ms. Price's lead in dismantling systemic racism, promoting equality and ensuring all systems serve every community member, regardless of race or background. Let's make racism wrong again.

KAREN FLESHMAN

San Francisco

Watching the Fed Birds Come Out of Jackson Hole

Was the Federal Reserve signaling at its annual Jackson Hole conference that it is "slightly hawkish" or "slightly dovish"? Prof. Alan Blinder argues that it was "very, very slightly hawkish" ("Powell's Very Slightly Hawkish Signal From Jackson Hole," op-ed, Sept. 6). So many adverbs; so many birds!

Given how little our gurus really know about how their policies work, do any of these distinctions make sense? Chairman Jerome Powell says that Fed policy will be data-driven. Since that's another way of saying they don't know what's going on right now, wouldn't it be better to have a modest Fed implementing a few simple rules with the goal of creating a steady, predictable world?

People should spend their days doing the real work that makes our economy grow, not trying to interpret birding reports from Jackson Hole.

MICHAEL L. DAVIS

SMU Cox School of Business

University Park, Texas

Common Sense on Libraries

Regarding the letter "Where Did the Liberty Go?" (Sept. 9): I fail to see a problem with school libraries having a smaller subset of book titles than the local public library. It's reasonable that the pool of titles be age-appropriate, as determined locally. Parents wishing to allow their children to access a wider selection of books are free to visit public libraries. There's no reason to question the liberty of this arrangement.

JOHN BARBERO

Jupiter, Fla.

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Pepper ... And Salt

THE WALL STREET JOURNAL



"I'll have my lawyer call your lawyer to keep them gainfully employed."

WORLD NEWS



The mountain village of Tafeghaghte lost a quarter of its 400 residents in a deadly 6.8-magnitude earthquake that struck Morocco last week.

Libya Races To Identify Victims of Catastrophe

Authorities and relatives of thousands of residents of eastern Libya who were killed in a lethal storm are burying

By Jared Malsin,
Summer Said
and Benoit Faucon

many of the dead in collective graves, as officials struggle to identify the bodies piling up on the streets and locate thousands of missing people.

Storm Daniel wrought catastrophe on the Mediterranean port city of Derna this week after floodwaters overwhelmed a pair of nearby dams, washing entire buildings out to sea and thrusting the region into chaos.

Authorities on Wednesday told survivors in areas devastated by the storm to move to neighboring urban centers. Over 300 families were evacuated to the nearby city of Al Bayda and many others to Benghazi after the order was issued, Libyan and Egyptian officials said.

It couldn't be determined how the evacuation order would be implemented, given the difficulty in accessing Derna, and whether authorities had made arrangements for those leaving the city.

More than 6,000 are feared dead and as many as 10,000 people are missing, Libyan and Egyptian officials said, though the estimates may overlap.

A delegation of senior Egyptian officials flew to neighboring Libya earlier this week to help coordinate a response to the storm, which also killed many Egyptians living in the country and created a new humanitarian crisis across the border.

Video footage from outside a hospital in Derna showed people stepping over bodies that lined the sidewalk. People, including families with children, peered under the blankets covering the bodies as they searched for their relatives.

The storm heaps fresh trauma on Libya, where generations of people are still reckoning with the abuses of Moammar Gadhafi's dictatorship and the violence that has taken place in a series of crises since he was overthrown and killed in an armed revolution in 2011.

Political paralysis and war have hobbled Libyan institutions in recent years, leaving authorities incapable of handling the disaster, experts say.

Quake-Hit Morocco Villages Lose Hope

Towns devastated by earthquake have lost as much as half of their populations

By CHAO DENG

TAFEGHAGHTE, Morocco—This mountain village near the epicenter of last week's deadly earthquake shook so violently that every house collapsed. A quarter of its 400 residents were killed and every family lost someone.

Now, five days into the disaster, survivors are wondering if it is even possible to rebuild a village that feels wiped off the map. Abderahmane Ben Hanna, 36, lost his wife and three young children in the quake and wants to eventually live near his extended family again, but he fears it is hopeless.

"I love my village," he said. "We weren't rich but happy enough."

The death toll of the 6.8-magnitude earthquake is nearly 3,000, but the number doesn't tell the whole story of a disaster that has jarred the physical and emotional landscape in the sparsely populated High Atlas Mountains, where for centuries indigenous Berbers have made a liv-

ing farming and raising livestock. Across a swath of rugged terrain south of Marrakesh, nearly every village has suffered casualties and some appear to be totally destroyed like Tafeghaghte, exacting a psychological toll that is impossible to measure.

"It's like having a mental block," said Rachid Ouhadouch, a 23-year-old shepherd in Tafeghaghte. "I've never seen anything like it."

Further up a nearby mountain, the collapse of a hillside in Imi N'Tala killed 100 in a community of 200 and injured another 50. The road was completely blocked and foreign aid workers arriving later deployed drones and seismic sensors to try to find survivors. Few government aid workers have been able to reach the devastated mountain communities, leaving them mostly with the help of relatives and neighbors.

In the Atlas Mountains, villagers' way of life has evolved, with an influx of tourists opening up odd jobs in construction and hotels. Trekkers from around the world have sought out the highest peak, which reaches over 13,000 feet, and the surrounding mountain range, named after a Greek mythological figure who

is said to have been made to carry the world on his shoulders after angering the gods.

Residents described the experience of the earthquake and its immediate aftermath as like being in a film. Some said they could feel the heat rising from the ground as it shook.

Some villagers said their homes couldn't sustain the shock because they were made of stone blocks and built generations ago. Others shrugged it off as God's will. Some things are inexplicable, they said, like why the natural spring that fed the village bubbled up after the quake.

Ouhadouch has a small miracle to cling to, having rescued his sister's baby boy, Bilal, who was crying under the rocks, tucked under his mother's arm. Ouhadouch checked her, but she was dead. It was minutes after the quake.

"She was on her side and I could only see her face," he said.

Volunteers arrived on Tuesday with donations and began extracting dead animals from the rubble, addressing what

they worried was a public-health risk. The community was busy preparing for its fifth night living out in the open, putting up tents and distributing food before sunset. A few villagers limped around with bandages and a volunteer nurse came to dress wounds.

Many people survived the quake only because they weren't home when it happened.

Ben Hanna was working at a gas station down the mountain when the earthquake hit. He rushed home to find his block so destroyed that he couldn't figure out which one was his home until his

brother, Hisham, came to help. For eight hours in the night, they searched through the rubble for Ben Hanna's wife and three children—Reda, 9, Oussama, 7, and Ziyad, 4. He screamed all their names but got no response.

"The building was like a pancake, so I knew they must be dead," Hisham said. "But I chose to help my brother dig, so he could know by himself."

In the days since, friends

The death toll doesn't tell the whole story of a disaster that jarred the region.

India Keeps Pulling Internet Plug, Hampering Digital Economy

By NEWLEY PURNELL

When Indian authorities shut the internet across a remote northeast state in May, Amy Aribam said it wiped out the more than \$9,000 in monthly revenue for her home business selling saris online.

Four months later, Aribam is back online but the internet remains down for many, and the women who weave her silk and cotton saris by hand are suffering. "We couldn't communicate with our customers," Aribam said. "Our business is completely online."

Indian authorities said they pulled the plug to stop the spread of rumors as social unrest erupted in Manipur, a state governed by Prime Minister Narendra Modi's ruling Bharatiya Janata Party. India's government has increasingly shut the internet to respond to a range of problems, including political upheaval, fugi-

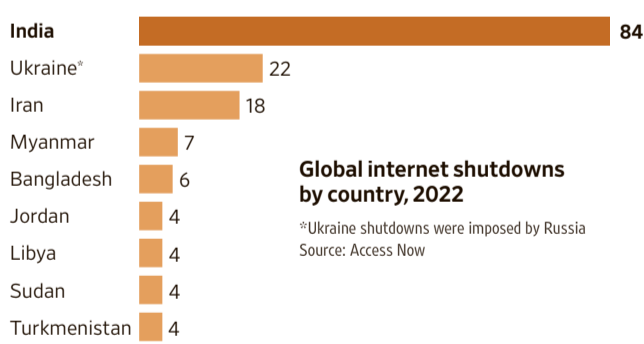
tives on the loose and even cheating on exams.

Nine years after Modi was elected, the world's most populous democracy leads the world in internet shutdowns, according to tallies by digital-rights groups.

Last year's 84 cutoffs in various parts of the country exceeded the combined total for all other nations, including Iran, Libya and Sudan, New York-based digital rights group Access Now says. Since 2016, when the group began collecting data, India has accounted for more than half of all internet shutdowns.

The outages have disrupted the lives of tens of millions of people in a country where inexpensive mobile data and government efforts to facilitate mobile payments have catapulted vast numbers of consumers into the digital age in recent years.

About half of India's 1.4 bil-



lion people are now online, increasingly dependent on connectivity to communicate with friends and family, shop online, pay utility bills and more.

Digital-rights advocates say the shutdowns disproportionately affect the poor, often making it harder for them to collect food subsidies and wages through rural employment programs. They also lead to job losses, hamper online transactions and discourage

foreign investment. That disrupts economic growth and damps startups and U.S. e-commerce companies, researchers say.

The prime minister's office and the Ministry of Electronics and Information Technology didn't respond to requests for comment.

Web shutdowns in India between 2019 and 2022 cost more than \$4.8 billion in economic activity, according to London-based Top10VPN,

which tracks global outages. More than 120 million people in India were affected last year, the group says.

The U.S. has expressed concern even as it increases cooperation with India as a strategic counterweight to China. The State Department said in a March human-rights report that restrictions on internet freedom included authorities repeatedly blocking the internet, particularly during periods of political unrest.

In 2015, the year after Modi was elected, he promised to build a "Digital India" connecting the country's masses. "Digital connectivity should become as much a basic right as access to school," he said.

The number of internet users in India has risen to 692 million from 350 million since 2015, according to digital consulting firm Kepios. But government efforts to bolster connectivity are undermined

by the government's shutdowns, said Raman Jit Singh Chima, Asia policy director at Access Now.

"How can you have a 'Digital India' with all these shutdowns?" he said.

The Muslim-majority region of Kashmir is subject to the most shutdowns. Indian authorities last year cut internet access there 49 times, according to Access Now, more than half of the national total. The restrictions began in 2019 on the grounds that they were needed to maintain public order ahead of New Delhi's decision to strip the region of its special status.

Local businesses say the region's economy is ailing.

"Earlier, the shutdowns were in response to trouble, but now they are being used in preventive ways," said Namrata Maheshwari, Asia-Pacific policy counsel at Access Now.

WORLD WATCH

VIETNAM

Building Fire Kills At Least 56

A fire in a nine-story apartment building in Vietnam's capital killed at least 56 people, including at least four children, and injured at least 37, authorities said Wednesday.

The fire started just before midnight Tuesday in a building housing about 150 residents. Firefighters contained the blaze, but the building's location at end of a narrow

alley made rescue operations difficult.

State-owned national television channel VTV said four children were among those killed. Many of the dozens being treated at hospitals suffered from smoke inhalation and injuries sustained during desperate attempts to escape the building.

Authorities are investigating the cause of the fire, which started in the parking area of the building, which had no emergency exit.

—Associated Press

GREENLAND

Luxury Cruise Ship Runs Aground

A fishing vessel owned by Greenland's government will attempt to use a high tide to pull free a Bahamas-flagged luxury cruise ship carrying 206 people that ran aground in the world's northernmost national park, authorities said.

Capt. Flemming Madsen of the Danish Joint Arctic Command said that the passengers and crew on the ship stranded in northwestern

Greenland were doing fine.

The scientific fishing vessel was scheduled to arrive later Wednesday and would attempt when the conditions were right to pull the 343-foot long and 60-foot wide MV Ocean Explorer free.

The ship ran aground above the Arctic Circle Monday in Alpefjord, which is in the Northeast Greenland National Park, which covers almost as much land as France and Spain combined, according to the Visit Greenland tourism board.

—Associated Press

NIGER

U.S. Resumes Drone Operations

The U.S. has quietly resumed flying drones for its Niger counterterrorism mission, which was suspended following the military coup in July, a U.S. Air Force commander said Wednesday.

The military coup in Niger had spurred fears that the U.S. strategy for taking on Islamic militants in the region had been upended.

Gen. James Hecker, the top

U.S. Air Force commander for Europe and Africa, said drone surveillance operations had resumed in the past few weeks.

Diplomatic efforts with the junta in Niger have enabled the U.S. to restart drone and manned aircraft operations, though the number is still less than before the coup.

Gen. Hecker said the U.S. has been talking to other countries in the region in case it needs to set up alternative drone operations elsewhere.

—Michael R. Gordon

BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Thursday, September 14, 2023 | B1

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Arm Targets \$54.5 Billion Value in IPO

Chip designer sets \$51 share price in listing seen as a Wall Street bellwether

Arm set a price of \$51 a share as the British chip designer lays the groundwork for the biggest U.S. public offering of the year.

The price was decided on after meetings Wednesday afternoon between underwriters

and company executives, according to people familiar with the matter. Initially, the company was eyeing a price of \$52 a share, but later settled on \$51.

By Corrie Driebusch, Ben Dummett and Asa Fitch

At that price, Arm would be valued at \$54.5 billion on a fully diluted basis. That is below the \$64 billion Arm

owner SoftBank Group recently valued the company at when it bought out a stake held by its Vision Fund.

Arm shares are set to start trading Thursday on Nasdaq under the symbol ARM.

The pricing and trading will be closely watched for signals of the health of the new-issue market, which has been in the doldrums since last year, the slowest for traditional IPOs in the U.S. in at least two decades, as rising interest rates

and inflation deterred investors from riskier investments.

If Arm's stock trades well, it could be a boost for grocery-delivery company Instacart and marketing-automation platform Klaviyo, both of which are planning listings of their own next week.

SoftBank, the only seller in the offering, is set to raise about \$5 billion. The Japanese technology investor had planned to sell shares at a price between \$47 and \$51

apiece. In a sign of the importance of the deal to SoftBank, its chief executive, Masayoshi Son, attended Wednesday's pricing meeting virtually.

Arm doesn't make chips, but supplies chip makers with essential circuit designs. Founded in 1990, it focused on the nascent mobile-phone market in its early years and became a dominant supplier to that industry.

Investors in the company are betting that Arm will be

able to generate more sales from its current customers and venture into new markets. The company's circuitry is in more than 99% of smartphones, but it is seeking to make inroads in areas where it is less dominant, including computer networks, cloud-computing and the automotive industry.

The company is also trying to seize on an explosion of interest in artificial intelligence and language-generation systems such as OpenAI's ChatGPT.



Sotheby's will auction the 1932 portrait, 'Woman With a Watch.' It hails from the estate of Emily Fisher Landau, a New York collector who died in March at 102.

Picasso Work Set to Auction for \$120 Million

By KELLY CROW

Sotheby's just landed the chance to sell the undisputed star of the fall auction season: A royal blue, green and red portrait of Pablo Picasso's young mistress curled up in a chair, "Woman With a Watch," estimated to top \$120 million

this November.

The 1932 portrait hails from the estimated \$400 million estate of Emily Fisher Landau, a New York collector who died in March at age 102. Fisher Landau's 120-piece trove includes major examples by Jasper Johns, Ed Ruscha and Andy Warhol, so market

watchers will be closely following the estate's performance to gauge global bidder interest during the current slump. The Picasso, which carries the artist's second-highest asking price ever, will come under the most scrutiny.

"Masterpieces are incredibly market resilient," Brooke Lam-

pley, Sotheby's head of global fine art, said. Lampley confirmed the house won the consignment in part by guaranteeing Fisher Landau's heirs that the house itself would buy her pieces, including the Picasso, if no other bidders stepped up during the Nov. 8-9 sales.

To break Picasso's record,

"Woman With a Watch" will need to sell for more than the \$179.4 million paid in 2015 for a 1955 harem scene, "Women of Algiers (Version O)."

Collectors tend to pay a premium for Picasso's works from the 1930s, with half of the artist's top 10 priciest works hail-

Caesars Paid Ransom To Hackers

By KATHERINE SAYRE AND ROBERT MCMILLAN

Caesars Entertainment paid roughly half of a \$30 million ransom that hackers demanded after a cyberattack late this summer, another example of a major casino operator suffering from an attack as MGM Resorts grapples with the fallout of a recent incident.

Hackers used a social-engineering scheme, in which a person pretending to be an employee contacted the company information-technology help desk to have a password changed, according to people familiar with the matter.

Caesars is expected to report the cyberattack in a Securities and Exchange Commission filing this week.

Caesars's planned disclosure comes as MGM Resorts—the biggest operator on the Las Vegas Strip—responds to its own cybersecurity incident. MGM said a "cybersecurity issue" on Sunday prompted the

Please turn to page B5

◆ Cyber Issue snarls MGM's Vegas operations B5

Citigroup CEO Fraser Streamlines Top Brass

By DAVID BENOIT

Citigroup Chief Executive Jane Fraser is shaking up the bank's upper management levels, shedding layers and overlapping roles in her latest bid to simplify the sprawling organization.

The bank said Wednesday it will get rid of its longstanding split into two divisions and eliminate the international layer overseeing global regions.

Instead, the heads of the five businesses Fraser has made the bank's focus will all report directly to her.

Simplifying Citigroup has been a top goal for Fraser since she took over the bank in early 2021. Citigroup is the most global of the big U.S. banks and in many ways remained a jumble of overlapping fiefs from deals struck decades ago.

The complexity has created angst for Citigroup's regulators and its investors. Regulators are demanding the bank improve safeguards and data programs. Investors want to see lower costs and better returns.

Fraser, like her predecessor, Michael Corbat, has shed several businesses.

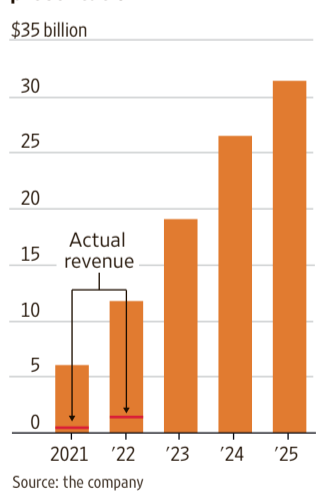
Fraser had moved to get rid of international consumer businesses. But Citigroup's organization hadn't changed shape.

"We need the leaders of our five businesses at my table, fully engaged in how we operate the firm and in the critical decisions we make every day," Fraser wrote in a memo to employees Wednesday. "We

Please turn to page B10

SpaceX's Starlink Soars, but Falls Far Short of Goals

Starlink annual revenue goals from a 2015 presentation



Source: the company

By MICAH MAIDENBERG AND ROLFE WINKLER

SpaceX's satellite-internet division has outpaced rivals, generated surging revenue and played a pivotal role in Ukraine. The business still has a long way to go before living up to Chief Executive Elon Musk's ambitions.

Starlink, which relies on a satellite fleet to provide high-speed internet connections, reported \$1.4 billion in revenue for 2022, according to recent documents viewed by The Wall Street Journal—up from \$222 million the year before.

The company had predicted the business would be bigger by now: A 2015 presentation

SpaceX used to raise money from investors, viewed by the Journal, projected the division the company would later call Starlink would generate almost \$12 billion in revenue and \$7 billion in operating profit in 2022.

SpaceX is best known for blasting off rockets, but Starlink is key for the company's plan to one day send humans to Mars. Global spending on high-speed internet is orders of magnitude bigger than outlays on rocket launches, and Musk needs a cash cow to help pay for technology that could make interplanetary missions possible.

Investors in the company have said they are also watch-

ing Starlink closely because it undergirds much of SpaceX's roughly \$150 billion valuation and could one day go public, according to comments Musk has made in the past. A SpaceX spokesman didn't respond to requests for comment.

The documents viewed by the Journal don't break out Starlink's profitability, but they show the company overall reported a loss for 2022 and a slim profit for the first three months of this year.

Musk—who is also Tesla's CEO, owns X, the social-media company formerly known as Twitter and has backed other ventures—is known for setting aggressive goals.

Starlink hasn't signed up customers as quickly as SpaceX had hoped. Toward the end of last year, Starlink had more than one million active subscribers, SpaceX has said. The company thought its satellite-internet business would have 20 million subscribers as 2022 closed out, according to SpaceX's 2015 presentation.

Starlink is bumping up against a reality articulated by many skeptics of satellite internet. The majority of the world's population that the business could serve and that can afford high-speed broadband lives in cities. In those regions, internet service is readily available, usually offers

Please turn to page B4

Strike Threat Clouds Auto Show in Detroit

By RYAN FELTON

The Detroit auto show has suffered setbacks in recent years, from pandemic disruptions to the defection of car brands. As the annual event kicked off Wednesday, it faced a new distraction: a looming strike deadline commanding the Motor City's attention.

Detroit's carmakers—General Motors, Ford Motor and Jeep maker Stellantis—are staring down a 11:59 p.m. ET Thursday deadline to reach tentative agreements with the United Auto Workers on new four-year labor contracts for roughly 146,000 factory workers. Industry observers anticipate a strike of at least one company starting early Friday, a day before the nine-day auto show opens to the public.

The gathering, officially named the North American In-

ternational Auto Show, for years served as a cornerstone event on the industry's calendar. Dozens of the world's largest car brands would present large displays, unveil new models and outline their business goals for the year.

This year's show is considerably slimmed down, much like its return in September 2022 following a three-year hiatus because of Covid-19 precautions. Most major car brands—including Asian automakers such as Honda and Hyundai, and German luxury names such as Mercedes-Benz and BMW—are sitting out. Some have cited scheduling conflicts and a need to be more deliberative with how they spend marketing dollars.

The fading spectacle in Detroit mirrors a similar downsizing of marquee car shows

Please turn to page B2

INSIDE



ENERGY

After the CEO's exit, BP faces a choice on whether to pursue green energy. B3



HEARD ON THE STREET

The Cracker Barrel chain is stuck in a generation gap. B12

Disney-Charter Feud Signals Cable Havoc

By ROBBIE WHELAN AND ISABELLA SIMONETTI

Disney's high-stakes feud with Charter Communications sent up warning flares across the entertainment industry: The transition from TV to streaming is about to get even tougher.

Disney averted disaster by reaching a deal with the cable giant this week to restore ESPN and many of its other channels in 15 million U.S. households, after a weeklong standoff.

As part of the deal, Disney agreed to sacrifice eight cable networks that will no longer be offered in Charter's bundle. They include Freeform, home to teen and young-adult fare like "Switched at Birth," "Good Trouble" and "Grown-ish"; Disney Junior, known for "Doc McStuffins" and "Mickey

Mouse Clubhouse"; BabyTV and others.

In return, Disney will get paid for its streaming app Disney+, which Charter will offer to most of its customers.

Allowing cable-TV channels to disappear from the bundle is risky. They supply the profits for Disney and its peers to invest in streaming services that are growing but losing lots of money. Sacrificing channels is a trade-off that all media companies will need to consider, as they make the tricky pivot from TV to streaming, media executives and analysts said.

"This accelerates the slow death of some of the long-tail networks that consumers don't really want and hastens the transition to streaming," said Tim Nollen, a media analyst with Macquarie.

Please turn to page B2

BUSINESS NEWS



The oil company had rolled back parts of its green-energy transition plans in February, boosting shares. A station in Poland.

BP Faces Choice on Fossil Fuels

After CEO exit, more drilling would lure investors, but bring climate criticism

By JENNY STRASBURG

The sudden end to BP Chief Executive Officer Bernard Looney's 32-year career at the British energy giant could free the company to do more of what investors have wanted amid soaring energy prices—pump still more oil and gas.

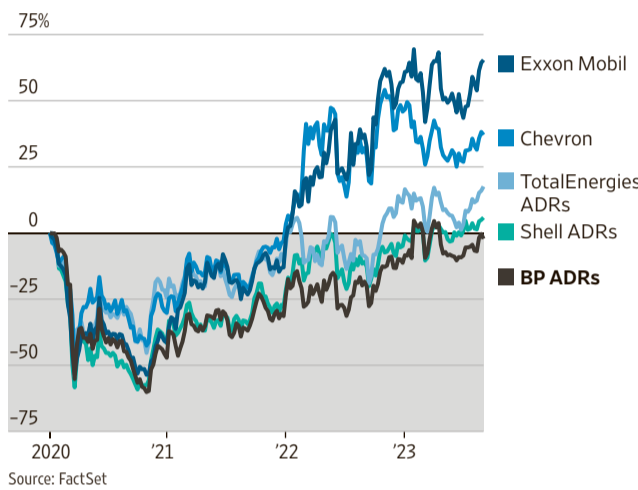
Putting more priority on fossil fuels would entail playing down the lower-carbon strategy Looney championed more than his predecessors and rivals alike.

Analysts and advisers see an opening for BP to continue investing selectively in wind and solar power, including in Europe to help power the company's refineries there. But they say BP also could grab the chance to shift further back to its traditional core focus of extracting and trading oil and gas, which currently produces overall higher returns than renewable projects.

Such a move would increase criticism from green-energy advocates already arguing that big oil companies spend far too little of their massive profits on lower-carbon alternatives, playing down the bigger role they could have in addressing climate change.

Interim CEO Murray Auchincloss, a longtime BP executive who until Tuesday was

Share price since the start of 2020



Source: FactSet

finance chief, told employees in a video address Wednesday afternoon that the company's strategy hasn't changed.

Auchincloss, who was introduced by BP Chairman Helge Lund, said his top priorities are employee safety and company performance. "While the person in the CEO's chair has changed, the fundamentals have not changed," he said, adding that the board still supports the plan the company has laid out.

BP is planning to start a CEO-candidate search that will include both internal and external candidates, a spokesman said.

Analysts said that if the London-based company has more undisclosed bad news or fails to manage its leadership change smoothly, it could become vulnerable as an acquisition target by bigger major oil

companies like crosstown rival Shell or bigger U.S. companies.

If it opts to lean more on oil and gas, analysts and advisers say BP likely would be rewarded by investors. That happened already once this year: BP's shares surged in February after Looney rolled back parts of his green transition plans.

They have since fallen from that short-lived run, and are lagging behind European and U.S. peers this year. BP shares closed down 2.8% Wednesday.

"Certainly any further scaling back of the low-carbon business is an option which would be received positively," Bernstein analyst Oswald Clint said in a note Wednesday. He called Looney's abrupt departure a "shocking and unfortunate set of circumstances" but said BP has a deep leadership bench and good businesses.

Looney, 53 years old, re-

signed abruptly Tuesday over what the company described as past relationships with colleagues, less than four years after he became CEO.

For now, the job goes to Auchincloss, a Canadian national who himself has been at BP 25 years.

Looney's surprise resignation followed revelations—which BP said it received initially through an anonymous source—that he had engaged in "a small number of historical relationships with colleagues" before he became CEO.

BP said its board reviewed the allegations last year, found that Looney hadn't violated the company's code and was assured by Looney of the disclosures and what BP on Tuesday termed "his future behavior."

Further allegations surfaced, however, and Looney resigned. BP said he acknowledged that he was "not fully transparent" about his relationships. Attempts to contact Looney weren't successful.

BP said investigations into Looney's conduct continue.

Besides its pure green-energy businesses and fossil fuel production, BP has growing networks of electric-vehicle charging stations, biofuels production and a big chain of American truck stops.

Looney had argued the world needs both more clean energy and more oil and gas, at the same time. But he faced unrelenting pressure to prove his expanding green-energy plays wouldn't cripple profits.

Delta Ties Rewards To Spending Model

By ALISON SIDER AND JACOB PASSY

Travelers won't need to step on a plane to earn status in Delta Air Lines's frequent-flyer program—if they spend enough money.

Delta had been a holdout in keeping its SkyMiles loyalty program closely tied to flying even as rivals had shifted to reward credit-card spending more richly.

Now, the carrier is shifting to a model that ties status exclusively to how much people spend, either on travel with the airline and its partners, on co-branded credit cards, or by booking hotels, rental cars and vacation packages through Delta channels.

Elite status has long been highly sought after—and hotly pursued—by frequent fliers who cherish perks like early boarding, free checked bags, seat upgrades and bonus miles to spend on award travel. Delta is the latest carrier to decide that flying is no longer a prerequisite.

Dwight James, Delta's senior vice president of customer engagement and loyalty, said the changes mean there are more ways for people to earn status and that it will be simpler to navigate. Instead of the three metrics that currently contribute to a customer's progress toward the upper echelons of Delta's Medallion status tiers, there will be just one.

"We wanted to make the program more welcoming to customers," James said. "But we also want to ensure that we're reserving the most premium experiences for our most premium customers."

Travelers will have higher spending bars to clear.

Delta customers currently need to spend the equivalent of \$3,000 on flights to earn Silver status, the lowest. Starting next year, requirements based on the number

and distance of flights taken will be gone, but customers will have to spend double that. For the highest status, Diamond, they will need to spend \$35,000 a year—\$15,000 more.

Delta isn't the only airline to make it more expensive to earn and maintain higher levels of status recently, which analysts say reflects the continuing travel boom. Other carriers also have been raising the bar for earning rewards as they look to address a glut of top-tier fliers that made it more difficult for members of loyalty programs to reap high-flying benefits. Delta previously raised spending thresholds last year but left the overall structure of the program intact.

Delta also announced Wednesday plans to further restrict access to its Sky Clubs to ease the crowding that has become a persistent problem in the post-Covid travel boom.

Delta already has tried several tactics, including capping visits at three hours, limiting who can buy annual passes and raising fees. But it says demand is still exceeding clubs' capacity, even as it has opened new spaces.

Those with the Delta SkyMiles Reserve card will now get 10 visits a year and can gain unlimited access only if they spend \$75,000 on their card in a calendar year. SkyMiles Platinum cards will no longer provide access to Delta Sky Clubs.

The shift underscores changes in airlines' customers. The road warriors who racked up points through constant flying haven't fully returned. Leisure travelers, who fly less frequently, have proved willing to shell out for pricey premium tickets and other perks. James said millennials are spending more than ever on travel but devote the bulk of their budgets to things like hotels.



Delta is the latest to decide flying is no longer a prerequisite.

Starbucks's Schultz Retires From Company Board Again

By HEATHER HADDON

Howard Schultz is retiring from Starbucks again.

Starbucks said Schultz, its former chief executive officer and longtime leader, would step down from the coffee chain's board effective Wednesday, fully exiting from returning's leadership after remaining last year to help navigate labor and operational challenges.

The Seattle-based company said Schultz's departure from the board was planned. He ended his third tenure as Starbucks's CEO in March, with former Reckitt Benckiser CEO Laxman Narasimhan taking over the role.

Schultz, 70 years old, built Starbucks from a local coffee shop into a global chain over the decades. He said Wednesday he would focus on his family foundation and various philanthropic and entrepreneurial investments.

"I look forward to supporting this next generation of leaders to steward Starbucks into the future as a customer, supporter and advocate in my role as chairman emeritus," Schultz said.

The company said he will hold no operational or fiduciary roles.

Starbucks's leadership has been in flux over the past year and a half. Kevin Johnson stepped down as chief executive and a director in April

2022 after leading the company for five years. Starbucks then called back Schultz to the CEO role and its board to help steer the company at what it described as an inflection point.

The company at the time said Schultz would serve as interim CEO. It didn't specify how long he would remain on the board.

Schultz remains one of the company's largest shareholders. Starbucks said in a securities filing Wednesday that it will continue to provide

Schultz and his spouse with security in light of his recent CEO role, with the services evaluated annually. Starbucks said it would also reimburse Schultz for his monthly health insurance premiums.

The company paid Schultz a \$1 salary when he returned to Starbucks as CEO last year.

As he stepped back into the CEO role, Schultz pledged to reinvest in Starbucks's baristas and operations through a strategic plan initiated in 2022, saying the company needed to improve its service and appeal to its employees.

Schultz promised to rectify missteps he said Starbucks made coming out of the Covid-19 pandemic, while he

sought to rear a new generation of company leaders. He and other executives pledged to spend billions of dollars to expand employee benefits, upgrade cafes and install new equipment to make serving elaborate iced-coffee beverages.

Starbucks's board presided over a search for its next permanent CEO, and announced the selection of Narasimhan last September. Narasimhan trained under Schultz and other Starbucks leaders for roughly six months before officially taking the helm in March.

Narasimhan is Starbucks's first CEO from outside the company.

Schultz has stepped away from Starbucks before, only to return at times that he said the company required course-correcting or new leadership.

Schultz took over leadership of Starbucks in 1987 after he acquired the then-local coffee enterprise, overseeing its expansion until stepping down as its CEO in 2000. He returned to the role in 2008 as the company sought to improve its performance and handed the job off to Johnson in 2017. Schultz remained on Starbucks's board as executive chairman until retiring in 2018.

Schultz remains one of the company's largest shareholders.

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NOTICE OF PUBLIC AUCTION

Reference is hereby made to that certain Indenture, dated as of September 29, 2005 (the "Indenture"), by and among Taberna Preferred Funding III, Ltd., as Co-Issuer, and JPMorgan Chase Bank, National Association, as original trustee thereunder and which Deutsche Bank Trust Company Americas is now serving and acting as successor trustee in such capacity, the "Trustee", in accordance with the applicable provisions of the Indenture and the Uniform Commercial Code as in effect in the State of New York, the following assets will be sold (individually or on a portfolio basis) to the highest qualified bidder(s) at Public Auction to be held on the dates and times set forth below:

Table with columns: No., CUSIP, Issue, Asset Type, Registration, Original Face Amount (\$). Lists various financial instruments for public auction.

Additional information. All bids must be submitted by the applicable above-noted Bid Deadline in accordance with the terms and conditions set forth in a bid package (the "Bid Package") relating to this Public Auction. In addition, please be advised that the sale of the above-noted assets (individually or on a portfolio basis) will be made only to the highest qualified bidder(s). For additional information regarding this Public Auction, and to obtain a Bid Package, please contact DUCK STREET CAPITAL MANAGEMENT LLC, Attn: David Crowle, Facsimile No.: 212.457.8269, E-mail: liquidations@duckstreetcap.com, and Jeffrey Holtman, Facsimile No.: 212.457.8269, E-mail: liquidations@duckstreetcap.com. The Public Auction will be a public disposition (within the meaning of Section 9-610 of the UCC).

The Trustee is authorized at this Public Auction, if the Trustee deems it necessary or otherwise advisable or is required by applicable law to do so: (a) to restrict the prospective bidders on, or purchasers of, any of the above-noted assets to be sold to those persons who (i) represent and warrant that they are a "qualified institutional buyer," as such term is defined in Rule 144A(a)(1) promulgated by the SEC under the Securities Act of 1933, as amended (the "Act"), and a "qualified purchaser" for purposes of Section 3(c)(7) of the United States Investment Company Act of 1940, as amended; and (ii) agree that they will not resell such assets without compliance with the registration requirements of the Act and applicable state securities laws or pursuant to valid exemptions therefrom and (b) to impose such limitations or conditions in connection with this Public Auction as the Trustee deems necessary or advisable in order to comply with the Act or any other applicable law.

All of the information contained herein is made to the best of the knowledge of the Trustee as of the close of business on September 11, 2023.

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TECHNOLOGY

U.S. Plans Push to Upgrade Fast Chargers

The \$100 million effort aims to ease 'range anxiety' among EV drivers

By JENNIFER HILLER

America's electric-vehicle drivers are increasingly unhappy with public charging, as problems that include glitchy or inoperable equipment seem to be getting worse, not better.

Now the U.S. government plans to launch a \$100 million effort to try to tackle the reliability issue and make public charging less annoying and more consistent. The funding aims to repair and replace thousands of old or out-of-commission chargers.

Around 1 in 5 attempts at charging at a public station outside of the Tesla network is a bust, according to an August study from J.D. Power.

"Imagine what it would be like if you couldn't be sure when you pulled into a gas station that you'd actually get gas out of it," said Transportation Secretary Pete Buttigieg in an interview.

"This is about making sure

that access to charging is as reliable as access to fuel is today for gas cars, and we know that that's not just a question of quantity but also one of quality," he said.

The money, which comes out of funding approved in 2021's bipartisan infrastructure bill, will target more than 6,000 existing chargers that are classified as "temporarily unavailable" in a widely used government database that tracks public charger installations. Reasons that chargers might be reported as unavailable could include things such as power issues, damage from vandalism or routine maintenance.

There are around 150,000 public charging ports available to drivers, according to government data. Most charge cars over a period of hours, but around 34,000 are fast chargers that can do the job in 20 minutes to an hour, depending on the equipment and how fast the car battery can charge.

Getting a reliable charging network in place underpins the transition from gasoline to electric. But if drivers can't find public chargers, they



Reliability issues with public chargers often vex EV owners.

won't buy EVs.

Buttigieg, who owns a hybrid minivan, is no stranger to the frustration of unreliable equipment. "We've definitely had that experience. Matter of fact, had it just a few days ago at a park in town," he said. A

parking spot with a charger was open, but it wasn't working.

Like many EV owners, Buttigieg charges at home in his garage. As EV ownership moves beyond early adopters who tend to be wealthier and

own single-family homes, public charging becomes more critical, advocates say.

The charging industry outside the Tesla network has struggled with reliability. Tesla has been building its own network for more than a decade and plans to open at least some of its network to other kinds of vehicles. A cascade of automakers have said in recent months they would switch to using the Tesla-designed connector, called the North American Charging Standard, in exchange for gaining access to Tesla's chargers.

The August study from J.D. Power found that while 20% of charging sessions failed, the Tesla network had a failure rate of just 4%.

Overall, driver sentiment about charging has been on the decline since 2021, and charger build-out isn't keeping pace with the rapid arrival of more EVs, said Brent Gruber, J.D. Power's executive director, EV practice.

"You're taking an area that's already deficient in terms of availability and you're widening that gap," Gruber said. While charger re-

liability is a major issue, nearly half of prospective EV drivers cited a lack of public chargers as the top reason they decided against a purchase, he said.

The funding comes as states begin to release the first federal dollars intended to dot U.S. highways with new fast chargers and overcome "range anxiety," the fear of getting stranded in an EV. About \$7.5 billion was approved in the 2021 federal infrastructure law for charging.

The replace-and-repair program comes from the same funding, a portion of which the Transportation Department can target for specific purposes. It could be used for equipment that is on public or private property as long as it is open to the public.

Some of the "temporarily unavailable" chargers might just be old: About 20% were installed before 2019, according to the data.

Companies that report the information will have about a month to make sure their data is correct, which could lead to a ballooning of the "temporarily unavailable" list to try to qualify for funding.



Lisa Materazzo takes over amid a push to sell more EVs.

Ford Hires Marketing Chief From Toyota

By PATRICK COFFEE

Ford Motor hired a new global chief marketing officer away from rival **Toyota** as the automaker contends with a costly and slower-than-expected shift toward electric vehicles, as well as a potential strike by thousands of unionized workers.

Lisa Materazzo succeeds Suzy Deering, who left Ford late last year after two years in the role. Materazzo spent nearly 20 years at Toyota during two stints at the Japanese automaker, where she most recently led North American marketing.

Ford and the other Big Three U.S. automakers have struggled to prove they can produce and sell electric vehicles at a profit, rather than simply manufacturing so-called compliance cars to adhere to tightening emissions standards, said Nick Nigro, founder of EV research firm Atlas Public Policy.

In attempting to win a larger portion of the hyper-competitive EV market, Ford is in effect competing with its own traditional combustion engine auto business, whose profits have funded the EV transition as the company attempts to transform existing customers to EV buyers, according to Nigro.

"In some respects, they're trying to take business away from the combustion side of Ford," he said.

Ford saw its stock price drop this summer despite raising its full-year guidance, due in large part to disappointing growth in consumer

demand for EVs, said Dan Levy, a senior equity research analyst at Barclays. The company adjusted the estimated fiscal year 2023 losses for its EV division from \$3 billion to \$4.5 billion in its most recent earnings report.

"While there's progress in the EV transition, it's just not going as quickly as some had hoped," said Levy. "They're dealing with a difficult path to EV profitability."

Negotiations between Detroit automakers and the United Auto Workers union could further complicate the positions of Ford and its competitors, since wage increases will force them to absorb higher production costs to avoid raising prices for consumers, said Levy. The workers are widely expected to strike this week, he said.

On the marketing front, Ford has also been working to repair its reputation for producing high-quality products, which powered its ad campaigns in the 1980s and 1990s with the tagline "Quality Is Job 1." That reputation suffered due to recent incidents such as recalls of traditional combustion vehicles, including the Ford Expedition, as well as the electric Mustang Mach-E. Ford's most recent ad campaigns continued the "Built Ford Proud" positioning established in 2018.

Using the Mustang brand for the Mach-E was a good marketing strategy for Ford, said Nigro. But the company has struggled to deliver the performance and utility associated with Mustang due to the nascent nature of its EV technology, he said.

EU Launches Probe of Subsidies Of China's Electric-Vehicle Makers

By KIM MACKRAEL AND WILLIAM BOSTON

BRUSSELS—The European Union is launching an antisubsidy investigation into China's electric-vehicle makers, opening a new front in the battle for leadership of the global clean-technology industry.

The probe, announced Wednesday, reflects growing concern in Europe about the impact of low-price products from China on the bloc's domestic industries. It could result in tariffs if officials from the European Commission, the bloc's executive body, conclude that Chinese EV manufacturers are receiving subsidies that are hurting Europe's auto industry.

"Global markets are now flooded with cheaper Chinese electric cars," European Commission President Ursula von der Leyen said in a speech on Wednesday. "Huge state subsidies" are keeping prices artificially low and distorting the European market, she said.

The move comes as the EU puts growing emphasis on what it refers to as fair competition. The bloc has introduced new rules to expand its options for dealing with what it perceives as unfair trade practices, including measures aimed at pushing back against trade or investment-related coercion and tackling foreign subsidies that it considers to be distortive.

However, divisions remain within the bloc over how forcefully the EU should respond to trade frictions with China, the bloc's biggest trading partner. Some member states, including France, have placed a greater emphasis in recent months on the impact of U.S. subsidies to clean-technology companies under the Inflation Reduction Act.

The EU also has aligned itself more closely with the U.S. in recent years on its approach to China, with some officials voicing increasing concern about the risks the bloc faces from a geopolitical rival.

Europe's top trade official, Valdis Dombrovskis, said Wednesday that he plans to travel to China next week to discuss trade and the economy.



Imports from China accounted for 15% of battery EV sales in Europe so far this year.

"We want to keep dialogue open; to de-risk, not decouple," Dombrovskis said Wednesday on X, the social-media platform formerly known as Twitter.

He said the EU was launching the antisubsidy investigation because the bloc is open to competition, but not to what he called "unfair practices."

Representatives from China's mission to the EU didn't immediately respond to a request for comment. The China Chamber of Commerce to the EU said it opposed the decision. The group said Chinese EV makers have an advantage because they are innovative and competitive, and not because of subsidies.

"We strongly encourage the EU to approach the progress of China's electric vehicle industry with objectivity rather than resorting to unilateral economic and trade measures," the group said.

Von der Leyen said in her speech that Europe hasn't forgotten the impact of Chinese subsidies on the continent's solar-power industry, which was an early leader in manufacturing but whose output is now dwarfed by Chinese producers.

Antisubsidy investigations don't necessarily result in the imposition of tariffs. After com-

pleting an initial probe, EU officials can decide to impose provisional tariffs, continue the investigation without tariffs or drop the matter altogether. Tariffs also can be imposed or extended once an investigation is finished.

The EU investigation will focus on battery electric vehicles, or BEV, from China.

The European Automobile Manufacturers' Association said Chinese imports are already affecting European automakers' domestic market share. The EU announcement on Wednesday is a sign that the bloc recognizes "the increasingly asymmetric situation our industry is faced with," said Sigrid de Vries, the association's director general.

The German auto manufacturers' association, the VDA,

was skeptical about the potential impact of the EU's investigation. The VDA said Europe and Germany need to do more to improve conditions for manufacturers at home.

"It is clear that an antisubsidy investigation alone does not contribute to solving the existing challenges regarding Europe's competitiveness," a VDA spokesman said.

Research analysts at Bern-

stein, a brokerage firm, warned that potential retaliation by China could hit some of Europe's biggest manufacturers, especially Germany's **Volkswagen**, which Bernstein said is most exposed to any retaliatory action by Beijing.

Imports from China accounted for 15% of BEV sales in Europe so far this year, according to Bernstein. SAIC, a VW partner in China and owner of the MG brand, accounted for 6% of BEV sales in Europe.

But any action by the EU to target China could be complicated, because a large number of EVs imported from China are actually made by Western manufacturers, Bernstein said. Tesla Model 3 vehicles accounted for 4% of European sales of BEVs imported from China during the period, followed by **Polestar**, **BMW**, which makes the iX3 in China, and others.

In a study of the impact of Chinese subsidies for domestic manufacturers on German companies published last year, Switzerland's Prognos institute said China created an unfair advantage for its industries with subsidies such as direct financial aid, tax breaks, favorable loans and state funds. Prognos said this kind of aid distorted global competition when Chinese companies expanded abroad.

—Laurence Norman contributed to this article.

Starlink Falls Short Of Goals

Continued from page B1
cheaper monthly costs than Starlink and doesn't require specialized equipment.

Most of the Earth's surface is ocean, and while Starlink has looked to cruise operators, shipping, oil rigs and even airlines as possible customers, those represent a smaller market.

Starlink, which first de-

ployed satellites in 2019, has shaken satellite-broadband rivals, prompting many to try to save money and deploy better technology to keep up.

The company's fleet of reusable rockets has enabled it to launch satellites faster and in greater numbers than competitors, many of whom rely on SpaceX rockets to blast off their own satellites. The company has around 4,700 functioning Starlink satellites in orbit, ahead of where the company thought it would be.

Starlink drew worldwide attention last year when Musk ordered the service turned on for Ukraine, following Russia's invasion. After shipping terminals and providing internet

connections, he grew concerned about the business's involvement in the war, and recently Musk said he declined a request to activate Starlink near Sevastopol, in Ukraine's Russian-occupied Crimea.

The recent documents viewed by the Journal showed that capital expenditures at SpaceX for 2022 were \$3.2 billion. SpaceX has funded its capital investments in part by using upfront cash that customers use to reserve future launch slots, as well as by selling additional stock. Those sources of cash could be unsustainable without faster and more profitable growth.

The company last raised funding more than a year ago,

according to regulatory filings. Musk said in April he didn't believe the company would need additional outside capital.

SpaceX is trying to stoke growth at Starlink. User kits for the service are available from Home Depot and Best Buy. The company agreed to use third-party distributors to reach business clients. In July, it said Starlink was available in 60 countries.

Starlink has also sought out customers among recreational-vehicle and boat owners, and struck a deal to provide connections to T-Mobile customers in areas without wireless service.

Competitors are behind

Starlink, but are setting their own plans for low-Earth-orbit satellite networks. Amazon.com is expected to have two prototype satellites launched soon. Canadian satellite operator Telesat recently said it came up with a funding plan to deploy a new fleet, called Lightspeed.

Part of SpaceX's challenge is that Starlink satellites are designed to last five years before they fall out of orbit and burn up, meaning the company has to continually manufacture and launch them.

SpaceX aims to make launches of upgraded Starlink satellites more efficient with Starship, a massive rocket. The initial Starship launch ended

with an explosion a few minutes into the flight in April. It isn't clear when SpaceX might get to try to launch Starship again.

If it can squeeze down costs, the company still will have to find subscribers, often far from the regions home to the most potential customers.

"I'm pretty sure we can launch satellites into orbit," SpaceX President Gwynne Shotwell said in an interview four years ago with the Journal. A question the company was asking itself then about Starlink, she said: "Can you make money out of it?" Early this year, she said Starlink was expected to do so in 2023.

TECHNOLOGY



Some kiosks at the Aria Resort & Casino remained down after MGM Resorts reported a cybersecurity incident this week.

MGM Resorts Suffers in Vegas

By Dawn Gilbertson and Joseph De Avila

LAS VEGAS—The cybersecurity incident that forced MGM Resorts International to shut down some of its computer systems was still creating headaches for tourists on the Las Vegas Strip.

At the Bellagio resort, several slot machines on the casino floor, which was noticeably less busy than usual, still weren't working early Wednesday morning. A message on the bright Smokin' Hot Stuff Wicked Wheel slot machine said "Temporarily Unavailable."

MGM said Monday its resorts, including dining, gambling and entertainment, were operational. The company didn't respond to a request for comment Wednesday.

MGM's website, including hotel and dining reservations, remained down Wednesday.

The company previously said it had to shut down some computer systems to protect data after discovering a cybersecurity issue. MGM hasn't elaborated on what happened or explained how extensive the problems are.

The setback for MGM comes after a bustling period for Las Vegas resorts that have had a resurgence in visitors since Covid-19 restrictions ended. MGM's Las Vegas properties had an occupancy rate of 96% for the three-month period that ended on June 30, according to U.S. Securities and Exchange Commission filings.

In addition to its Las Vegas properties like the MGM Grand Las Vegas and New York-New York, MGM also operates resorts in Detroit, Atlantic City, N.J., Springfield, Mass., and other parts of the U.S. It also has properties in China.

The company said Tuesday its properties are using backup

protocols, including offering physical hotel-room keys when digital keys aren't working and checking guests in and out at the front desk rather than online.

MGM filed regulatory paperwork Wednesday acknowledging the cybersecurity issue. The SEC requires public companies to submit such filings when reporting material corporate events.

Moody's Investors Service said in a note Wednesday that "the cybersecurity incident highlights key risks related to business operations' heavy reliance on technology and the operational disruption caused when systems need to go offline or are inoperable."

At the Bellagio, most of the casino's slot machines that were working were unable to spit out the vouchers players receive when they hit the cash out button. So slot machine attendants were scurrying

around manually paying the balance.

One Bellagio slot attendant said she had delivered as little as one penny. She and others said they were working on their day off.

Guests had to wait for an attendant, with some waits as long as an hour, guests said. The wait just before midnight was about 15 minutes, with jackpot music blaring on any machine awaiting a payout.

The check-in line at Bellagio resort, usually a bustling place around the clock, was relatively quiet after midnight.

There was one temporary perk for visitors: Valet parking was free.

Watch a Video



Scan this code for a video on how gambling machines were affected.

Caesars Paid Ransom

Continued from page B1

company to shut down "certain systems." Slot machines, sports-betting kiosks, digital keys for hotel rooms, online reservations and credit-card transactions were down.

MGM operated its resorts with backup protocols this week—including some properties checking guests in with

per and paying out slot-machine wins manually.

Hotels and casinos are potentially lucrative targets for hackers because of the amount of personal and financial data they collect from customers.

Not all companies opt to pay ransom, though some do to avoid lost data or business disruptions. Operators of the Colonial Pipeline, which was shut down in a ransomware attack in 2021, paid \$4.4 million to hackers, although just over half of that was later recovered by the Federal Bureau of Investigation. The average ransomware payment is \$740,000, according to data compiled by Coveware, a firm that helps companies respond to cyber extortion.

MGM and Caesars combined operate about 60,000 hotel rooms in Las Vegas and tens of thousands more across the U.S. Caesars's Strip casinos include Caesars Palace, Paris and Planet Hollywood. MGM's casinos include Bellagio, Aria, MGM Grand and Mandalay Bay.

MGM hasn't released further details about its cybersecurity issue, including whether the company had received a ransom demand.

Bloomberg earlier reported that the company had suffered a cyberattack.

Some sectors have been hit with ransomware and extortion attacks more frequently than others, but often the

hackers breaking into companies are indiscriminate in their attacks—targeting any organization that they can. "The organizations with the weakest security posture are the ones that get hit the most," said Brett Callow, a threat analyst for cybersecurity company Emsisoft.

The gaming industry has been increasingly victimized by these attacks this year. "We've had a ton of cases where the victims were gaming companies, not just in the U.S., but outside the U.S. as well," said Shane Sims, the chief executive of Kivu Consulting, a firm that helps companies respond to cyber extortion.

About 5% of Kivu's cases involved gaming-industry victims this summer, Sims said. Between January and May, there were none. "I would call the summer of 2023 the summer of cyber extortion in the gaming industry," he said.

Hackers aren't always shutting down computer systems, Sims said. "They are taking sensitive information and threatening to disclose it," he said of the gaming-industry hacks. "Often that's the driving factor in making the payment," he said. Such payments are often made via digital currency like bitcoin.

One group of hackers has been particularly active, targeting hospitality and entertainment organizations over the past several weeks, said Charles Carmakal, chief technology officer with Google's Mandiant cybersecurity unit. The group, which Mandiant calls UNC 3944, has hit more than 100 organizations over the past two years, including videogame, retail technology and telecom companies.

The group's members appear to be in their teens and early 20s, with some of them based in the U.S. and U.K., Carmakal said.



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BUSINESS & FINANCE

Nuclear Power Faces Uranium Shortage

Prices have soared for the radioactive element required to fuel atomic reactors

By JOE WALLACE AND RHIANNON HOYLE

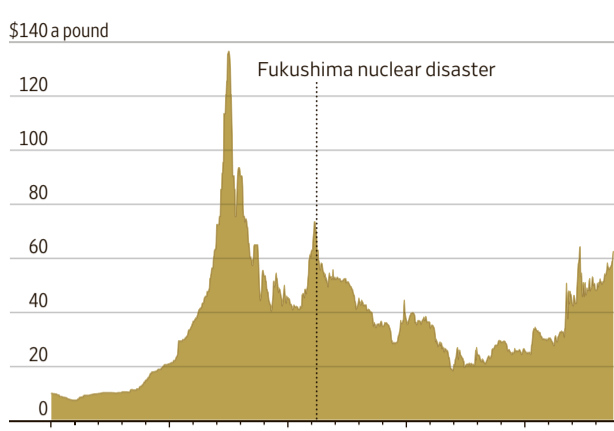
A renaissance for the nuclear-power industry has run into a problem: Prices have soared for the radioactive uranium required to fuel reactors in the decades ahead.

New reactors have connected to the grid in the U.S., Asia and Europe, while the lifetime of existing plants has been extended. Japan is bringing power stations that were closed after the 2011 Fukushima disaster back online. And small modular reactor projects, involving companies such as **General Electric** and **Rolls-Royce**, have taken steps toward commercial viability.

The nuclear comeback has jolted the \$10 billion uranium market after a decadelong bust that deterred mining companies from producing the fuel. There are pinch points along the complex supply chain, from mining to enrichment. Some worry that the West will eventually sanction fuel from Russia, the world's largest enricher of uranium.

Adding to the angst is the

Uranium spot price, weekly*



*Prices are for U3O8, a semi-processed form of uranium.

recent coup in uranium-rich Niger. The West African country accounts for roughly 5% of the global uranium supply and 24% of European Union imports, according to Morgan Stanley analysts. France's huge nuclear-power fleet is particularly dependent. Traders fear potential disruption to shipments and delays to new projects.

Benchmark prices have jumped 30% this year to about \$62 a pound, according to market-data firm UxC, making uranium one of the top-performing commodities. Barring a surge last year after Russia's invasion of Ukraine, that is their highest level since 2011, when the Fukushima meltdowns led to the

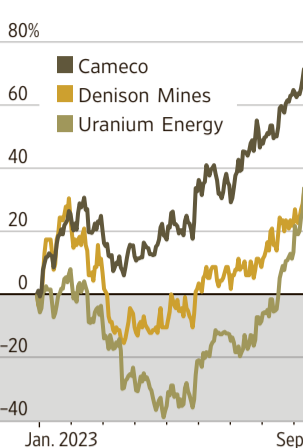
shutdown of dozens of reactors.

"The market is now needing new production again, but the lead times for that to happen will not occur quickly or easily," said Amir Adnani, chief executive of Texas-based **Uranium Energy**, an aspiring miner.

The uranium that usually trades takes the form of U3O8, a lightly processed concentrate known as yellowcake. This powder is converted into gaseous uranium hexafluoride, then enriched and fabricated into fuel rods, which fire power plants. Just a handful of companies can convert uranium, in the U.S., Canada, France, Russia and China.

Traders say utilities have

Share-price performance



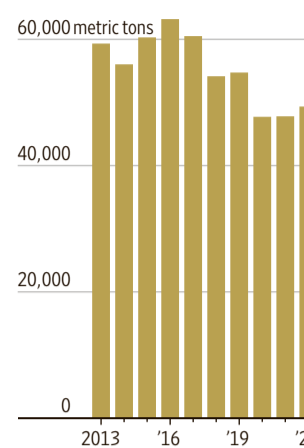
Sources: UxC (spot price); FactSet (performance); World Nuclear Association (production)

dashed to lock in conversion contracts, driving up the cost. **ConverDyn**, the only U.S. converter, restarted its **Honeywell** plant in Illinois in July after a pause of almost six years. It has sold out until 2028, people familiar with the matter said, reflecting strong demand.

"There's a shortage of uranium at a global level but it's particularly pronounced in the Western-aligned countries," said Kevin Smith, managing director for energy metals at trading company Traxys.

In uranium, boom-bust cycles tend to run in slow motion because nuclear projects take so long to get under way. Uranium bought today will power

Global uranium production



a report this month that generation capacity is on track to expand by three-quarters by 2040. It takes between eight and 15 years for a miner to produce uranium after discovering it. "Things are tightening up," Jeanne Tortorelli, who manages nuclear-fuel supplies for Maryland-based **Constellation Energy's** 21 reactors, told an industry event this month.

China has 24 reactors under construction to add to its fleet of 55. India plans to expand its fleet and several countries hope to install their first reactors.

Even in Japan, where the Fukushima disaster sparked massive rallies against atomic energy, reactors that went offline until they could pass stricter safety standards are resuming operations. One-third of the country's 33 operable reactors have restarted. Approvals are being lined up for another 16, one of which is due to resume operations this month, according to the WNA.

Miners are already benefiting from higher prices. Shares of Kazakhstan's **Kazatomprom**, the world's biggest producer, have jumped 11% over the past month in London. **Cameco**, its Canadian rival, is up 8.7% over the same period—even though the company said earlier this month that output this year would fall short of earlier forecasts.

Marvel's Visual-Effects Workers Vote to Join Union

By JOSEPH PISANI

The artists who make Captain Marvel fly and Spider-Man scale walls are unionizing.

Visual-effects workers at **Walt Disney**-owned **Marvel Studios** have voted to join the International Alliance of Theatrical Stage Employees, the union said Wednesday.

It covers 41 workers at the studio behind the multibillion-

dollar Avengers series and other blockbuster comic-book films.

IATSE, which represents more than 168,000 technicians and artists in the entertainment industry, said it was the first time a unit made up of visual-effects workers has voted to join its union. Employees at Walt Disney Pictures, who work on the visual effects for projects including live-action adaptations such

as "The Lion King" and "Aladdin," also are seeking to join the union.

Matthew Loeb, IATSE's president, said the vote "demonstrates the unprecedented demand for unionization across new sectors of the entertainment industry is very real."

The unionization efforts come at a difficult time for Hollywood, which is currently paralyzed by labor strikes.

Writers have been on strike since May, halting the production of many movies and television shows. The actors union went on strike two months later.

The coalition representing Hollywood studios offered several concessions to the writers last month, including guaranteed minimum length of employment, controls around the use of generative artificial intelligence and wage

increases. The Writers Guild of America said the offer was inadequate.

The National Labor Relations Board, which conducted the unionization vote, said the Marvel workers voted unanimously to unionize. Marvel has five days to object to the results, the NLRB said.

Employees have said they work under tight deadlines and unionizing could offer protections such as paid over-

time and regular breaks.

Marvel and Disney didn't immediately respond to requests for comment Wednesday.

Marvel, which is Disney's most profitable film studio, has seen some setbacks at the box office, with a recent version of its Ant-Man film underperforming a previous one. The studio is releasing new Captain America and Deadpool movies next year.

The Wall Street Journal CIO Network Summit

October 2, 2023 | 8:00 a.m. – 6:00 p.m. ET | New York, New York

SELECT SPEAKERS

Marco Argenti
CIO
Goldman Sachs

Will Grannis
CTO
Google Cloud

Rachana Kumar
CTO
Etsy

Amjad Masad
CEO
Replit

Christina Montgomery
VP and Chief Privacy and Trust Officer
IBM

OVERVIEW

The Wall Street Journal CIO Network will meet on October 2 in New York City for a full-day event focused on the most pressing AI questions that enterprise technology leaders need to answer, including:

- What guardrails and governance structures need to be in place to ensure data privacy and security?
- How much compute power do generative AI applications need to run and does that require a rethink of cloud and on-premises architecture?
- What is the outlook for AI regulation in the U.S. and globally?
- Can generative AI be trusted to write code and, if so, how can CIOs prevent the spread of poorly written code?
- How does generative AI affect workforce productivity and connectivity? How can companies build enough of an understanding of AI among employees to mitigate risks and unlock innovation?
- How can technology leaders manage the excitement and concerns across the C-suite and the boardroom?

Membership is by invitation: CIONetwork@wsj.com. Learn more at CIONetwork.wsj.com/inquire

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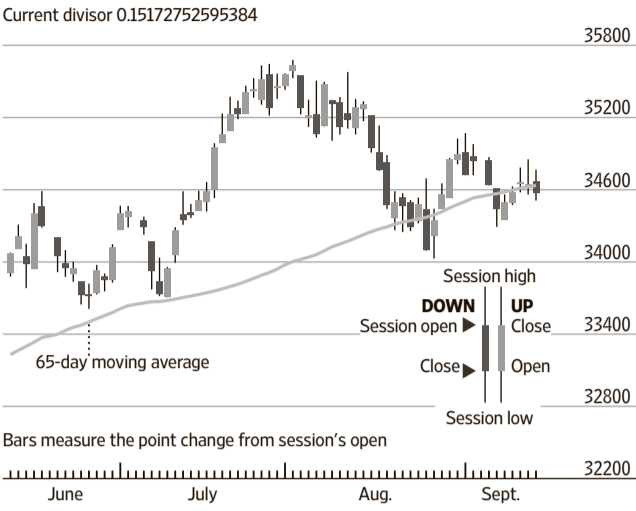


MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

34575.53 ▼70.46, or 0.20%
High, low, open and close for each trading day of the past three months.



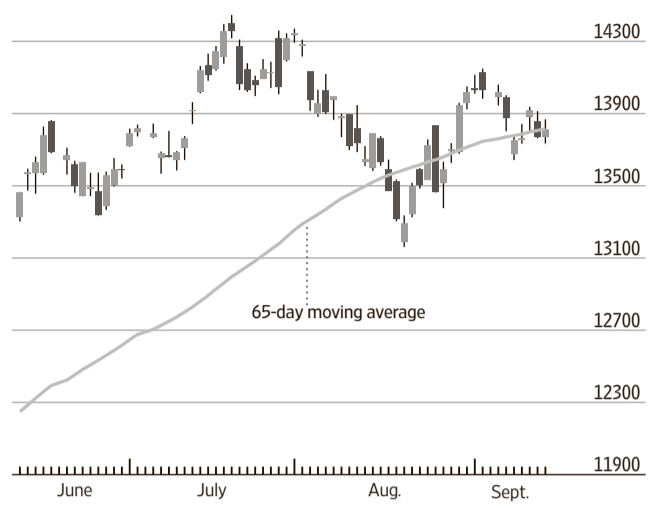
S&P 500 Index

4467.44 ▲5.54, or 0.12%
High, low, open and close for each trading day of the past three months.



Nasdaq Composite Index

13813.59 ▲39.97, or 0.29%
High, low, open and close for each trading day of the past three months.



Major U.S. Stock-Market Indexes

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

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6 p.m. ET as reported by electronic trading services...

Most-active issues in late trading

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

Percentage gainers...

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

...And losers

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

Trading Diary

Volume, Advancers, Decliners

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

International Stock Indexes

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

Percentage Gainers...

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

Most Active Stocks

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

Percentage Losers

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

Volume Movers

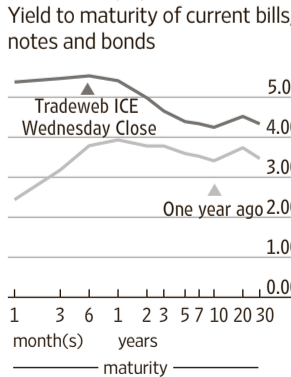
Table of volume movers with columns for Company, Symbol, Volume, % chg from 65-day average, Latest Session Close, % chg, 52-Week High, Low, % chg, and YTD.

CREDIT MARKETS

Consumer Rates and Returns to Investor

Table showing consumer rates and returns to investor, including U.S. consumer rates and selected rates for various banks.

Treasury yield curve



Forex Race



Corporate Borrowing Rates and Yields

Table showing corporate borrowing rates and yields for various companies and indices.

CURRENCIES & COMMODITIES

Currencies

Table of U.S.-dollar foreign-exchange rates in late New York trading, including Americas, Europe, Asia-Pacific, and Middle East/Africa.

Commodities

Table of commodity prices including DJ Commodity, Refinitiv/CC CRB Index, Crude oil, Natural gas, and Gold.

BIGGEST 1,000 STOCKS

How to Read the Stock Tables
The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities.

Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume.

Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Table of stock data for A-Z, including columns for Stock, Sym, Close, Net Chg, and Net Chg %.

Table of stock data for J-K, including columns for Stock, Sym, Close, Net Chg, and Net Chg %.

Table of stock data for L-M, including columns for Stock, Sym, Close, Net Chg, and Net Chg %.

Table of stock data for N-O, including columns for Stock, Sym, Close, Net Chg, and Net Chg %.

Table of stock data for P-Q, including columns for Stock, Sym, Close, Net Chg, and Net Chg %.

Table of stock data for R-S, including columns for Stock, Sym, Close, Net Chg, and Net Chg %.

Table of stock data for T-U, including columns for Stock, Sym, Close, Net Chg, and Net Chg %.

Table of stock data for V-W, including columns for Stock, Sym, Close, Net Chg, and Net Chg %.

Table of stock data for X-Y, including columns for Stock, Sym, Close, Net Chg, and Net Chg %.

Table of stock data for Z, including columns for Stock, Sym, Close, Net Chg, and Net Chg %.

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Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Wednesday, September 13, 2023

Main table of stock data for A-Z, including columns for Stock, Sym, Close, Net Chg, and Net Chg %.

Table of stock data for J-K

Table of stock data for J-K

Table of stock data for L-M

Table of stock data for L-M

Table of stock data for N-O

Table of stock data for N-O

Table of stock data for P-Q

Table of stock data for P-Q

Table of stock data for R-S

Table of stock data for R-S

Table of stock data for T-U

Table of stock data for T-U

Table of stock data for V-W

Table of stock data for V-W

Table of stock data for X-Y

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New highs and lows

The following explanations apply to the New York Stock Exchange, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities.

Table of stock data for new highs and lows, including columns for Stock, Sym, 52-Wk Hi, 52-Wk Lo, and % Chg.

IPO Scorecard

Performance of IPOs, most-recent listed first

Table of IPO performance data, including columns for Company, Symbol, Wed's IPO date/offer price, and % Chg From.

Sources: Dow Jones Market Data; FactSet

Dividend Changes

Table of dividend change data, including columns for Company, Symbol, Yld, and Amount.

Table of dividend change data, including columns for Company, Symbol, Yld, and Amount.

Sources: FactSet; Dow Jones Market Data

Borrowing Benchmarks

wsj.com/market-data/bonds/benchmarks

Key annual interest rates paid to borrow or lend money in U.S. and international markets.

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BANKING & FINANCE

Treasuries/Futures Trade Returns

Inflation, bond issuance and Fed rate hikes spur a comeback

By ERIC WALLERSTEIN

The basis trade, an innocuous-looking practice at the center of some of Wall Street's historic blowups, is back.

A popular way for hedge funds to profit from bond trading while minimizing their exposure to swings in the market, the basis trade exploits the price difference between Treasuries and Treasury futures. The resurgence is attracting fresh scrutiny from Wall Street because previous meltdowns have rattled global markets.

Here's what traders say is going on now:

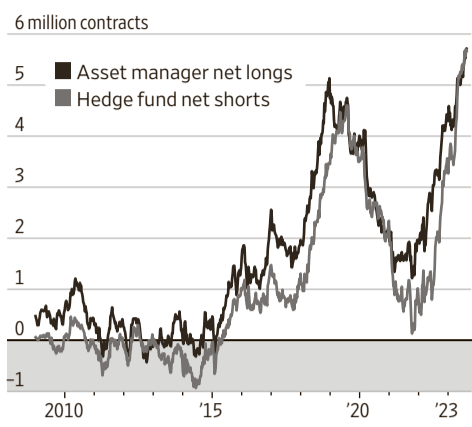
How trade works

Hedge funds buy Treasuries, then bet against Treasury futures by selling contracts promising delivery of a bond on a specific date at a preset price. Instead of betting on the direction of bond markets, the trade seeks to take advantage of small differences in the securities' prices.

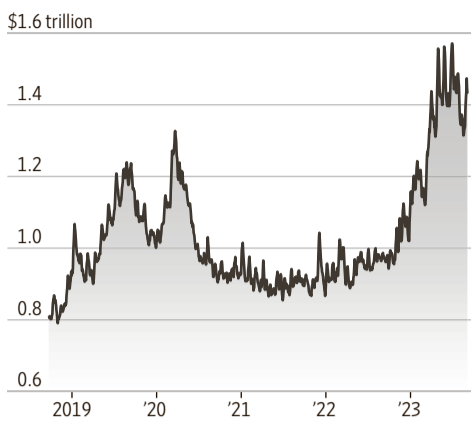
The trade works because large asset managers like pension funds often prefer buying Treasury futures that require less upfront cash than actual bonds. That tends to make the contracts slightly more expensive than the bonds, creating a window for speculators to take advantage. Futures prices typically converge toward bond prices as their settlement date approaches.

The differences are small, so hedge funds juice returns by borrowing from big banks in the overnight funding markets—often putting little, if

Treasury futures positions, weekly*



Overnight repo volume¹



*As of Sept. 1. ¹Five-day moving average of Secured Overnight Financing Rate (SOFR) transactions. Data through Sept. 11. Sources: CFTC, FactSet (futures positions); New York Fed (repo volume)

any, cash upfront. Leverage can reach extreme levels: Hedge funds had more than \$550 billion of Treasury trades at the end of last year backed by just \$10 billion of their own money, Fed research found.

That worries some on Wall Street. Unexpected shocks can force hedge funds to rapidly exit from their positions, sending shock waves through financial markets.

The basis trade had been subdued since a dash for cash in March 2020 forced hedge funds to rapidly unwind their positions, straining the market for Treasuries—meant to be the world's easiest investment to buy and sell.

Now, a flurry of activity suggests it has rebounded. Speculators are shorting 5.6 million futures contracts tied to Treasuries, Commodity Futures Trading Commission data show, representing roughly \$715 billion of bonds.

At the same time, repurchase agreements, where speculators borrow daily from large banks using Treasuries as collateral, have surged. Roughly \$1.4 trillion of overnight repo transactions are taking place each day, Federal Reserve Bank of

New York data show, breaching previous highs.

What sparked surge

The Fed's fight against inflation and the U.S. government's wave of borrowing reignited the trade, analysts say. Higher yields and worries about a recession have asset managers scooping up long-term bond futures.

Investment in Treasury futures has never been higher at CME Group, one of the world's largest derivatives exchanges. A record 19.8 million contracts were outstanding in August, up from 14.3 million at the start of the year.

At the same time, the continuing influx of debt issuance has weighed on short-term Treasury prices, widening the gap between them and long-term futures. Inflation remains far from the Fed's 2% target, and the central bank is paring its bond book, adding pressure to the market.

Given those uncertainties and with a potential recession up in the air, "it's natural to see record hedging in the Treasury market," said Agha Mirza, global head of rates and OTC products at CME Group.

Regulators and others have sounded alarms this year that an unwinding of the basis trade could spark tumult.

The Switzerland-based Financial Stability Board warned last week that hedge funds were building up worrying amounts of "hidden leverage," risking a blowup.

During the 2020 Covid market crash, hedge funds' unwinding of leveraged strategies, including the basis trade, spilled across markets, helping send the Dow Jones Industrial Average to its worst losses since 1987 and forcing the Fed to step in.

The Securities and Exchange Commission wants to require trading firms such as hedge funds involved in the Treasury market to register with the agency. Chair Gary Gensler said it would help "level the playing field." Both bodies warn that banks require nearly no margin, or cash buffers against losses, for fund managers to access significant leverage.

The trade doesn't always go as planned. A scramble for cash could hurt short-term Treasury prices or a flood into long-term bonds could boost futures prices. Hedge funds forced to exit from their positions by market

swings could spur banks to ask for more collateral to back up their positions, worsening volatility.

In extreme circumstances, the combination can throw a wrench into the ordinary process of convergence.

The hedge fund Long-Term Capital Management collapsed 25 years ago—requiring a Fed bailout—after pursuing similar strategies that bet on securities prices converging.

Worries overblown?

Many investors say concerns about the basis trade are overblown. Without it, greater friction in the underpinnings of the financial system would cause more onerous terms for taxpayers, they say.

DRW Holdings is one of the firms actively trading the basis. The Chicago-based proprietary trading giant opposes the SEC's proposal to register participants as dealers, saying it would do more harm than good by hurting competition and liquidity.

"The basis trade is crucial to the Treasury market," said Mark Wendland, chief operating officer. "It drives liquidity, ultimately lowering the U.S. government's borrowing costs."

The leverage involved is at the heart of firms' willingness to participate. Even a small increase in financing costs would slash the trade's profitability significantly, Fed research found.

CME Group's Mirza said the basis trade remains just a fraction of the record 5.2 million Treasury contracts changing hands on an average day this year. Still, it serves a vital function.

"The basis trade benefits price discovery and liquidity in the Treasury market, and therefore the economy and taxpayers," he said.

EY Says It Has Invested \$1.4 Billion in AI

By ISABELLE BOUSQUETTE

Consulting firm EY said it recently completed a \$1.4 billion investment into artificial intelligence, the latest among a series of peers to make a billion-dollar announcement regarding the rapidly developing technology.

In addition to the \$1.4 billion investment, announced Wednesday, the professional-services company said it has created its own large language model, EY.ai EQQ, and that it would train its 400,000 employee workforce on AI.

EY declined to comment on the exact sum it would spend on AI going forward, but said the amount is more per year than it has spent over the past

five years.

Future investment includes continuing to refine its large language model.

A few of EY's peers have also made big-bang AI announcements over the past year.

KPMG in July said it planned to spend \$2 billion in AI and cloud services globally over the next five years. Also in July, Accenture announced a \$3 billion investment to expand its data and AI practice. PricewaterhouseCoopers

EY's peers have also made big-bang AI announcements in the past year.

consumer banking; and wealth management. Citigroup is launching a search for the head of the banking unit. The other units will be led by their current bosses.

The bank declined to say how many jobs would be cut in the changes, but the new structure will eliminate roles throughout the bank. Fraser said in her memo that employees will know by the end of November of any changes to their roles.

Citigroup shares are down since Fraser took over and lower than they were a decade ago. They rose 1.7% on

Wednesday. Speaking at an investor conference Wednesday, Fraser said the bank also would eliminate most of Citigroup's co-head structures—which are numerous—and dozens of committees that sucked up management time. She also said she knew the changes would rankle people across the organization.

"We have taken hard, consequential, tough decisions here. They are not going to be universally popular within our bank," she said. "It's going to make some of our people very uncomfortable. I am absolutely fine with that."

which helps companies manage their data, according to the company. It also has a library of use

cases that essentially provide a path for how companies can safely and effectively deploy AI at scale, EY said.

Andy Baldwin, EY global managing partner, client service, said the guidelines and frameworks, which include best practices for risk, governance and data management, are intended to help companies answer the question: "Where do I even start with AI?"

"That's part of the challenge for a lot of companies—they all started in very different places on this technology," Baldwin said.

"For some of them, it's more of a natural evolution. For some of them, they're starting from scratch."

One challenge that EY is also hoping to solve for customers is uncertainty over privacy and data security when using large language models.

EY's new large language model is trained on publicly available data from the internet, but can be used in a safe and secure way: In other words, customers don't need to be concerned that prompts they feed the model could find their way back into its training data, Baldwin said.

Going forward, the goal is to train the model on EY's own library of data and create a series of use-specific LLMs, such as an LLM trained on EY's hundred-plus years' worth of tax data, Baldwin said.

Citigroup Revamps Top Brass

Continued from page B1

need a structure with fewer layers and clearer, more direct lines of decision making."

The five businesses for Citigroup are: services (treasury and custody work for big clients); markets; banking (investment banking, corporate and commercial banking);

consumer banking; and wealth management.

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Simplifying Citigroup has been a top goal for Jane Fraser.

New Highs and Lows

Table with columns: Stock, 52-Wk % High/Low, and % Change. Lists various stocks like OcéanoInt, OmegaHealthcare, OxfordSquare, etc.

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Genesis Parent Assures Exchange Users

By AKIKO MATSUDA

Digital Currency Group, parent company of bankrupt crypto lender Genesis Global, said users of Gemini Trust's Earn program can expect 95% to 110% recovery of their claims against Genesis under a recently announced financial framework.

Customers of crypto exchange Gemini's Earn program lent Genesis nearly \$1 billion before the latter filed for bankruptcy in January following the failure of crypto exchange FTX. Genesis said last month that under the proposed framework, its customers could receive estimated recoveries of between 70% to 90%.

But DCG said the rate of recovery for more than 232,000 users of Gemini's Earn program would be even better because Genesis had posted about 30.9 million shares of DCG-owned investment firm Grayscale Bitcoin Trust as collateral to secure borrowings from Gemini Earn users, according to its filing Wednesday with the U.S. Bankruptcy Court in White Plains, N.Y.

The value of the collateral—which is now held by Gemini—has more than doubled to \$607.6 million from \$284.3 million in the past several months, giving an edge to Gemini Earn users over the rest of Genesis creditors, according to DCG.

Genesis and Genesis representatives didn't respond to requests for comment.

In comparison, the average recovery rate of unsecured creditors in the 66 chapter 11 cases in the first quarter of this year was about 48.5%, DCG said in the filing, citing bankruptcy data provider New Generation Research.

DCG said in the filing that Gemini Earn users would receive "more than full recovery" if Gemini contributes \$100 million as it had promised under the first financial framework announced in February. The first proposal collapsed when certain stakeholders disagreed with DCG's contribution to reorganization of Genesis.

The current proposal aims to restructure DCG's debts to Genesis, including about \$630 million in a past-due unsecured loan, and a \$1.1 billion unsecured promissory note due in 2032. Under the new framework, DCG would convert those debts into a new \$323.8 million first-lien loan due in two years and an \$830 million second-lien loan due in seven years. It would also pay \$275 million before Genesis leaves chapter 11.

The proposal was backed by the official committee representing Genesis's creditors, but it was sharply criticized by other stakeholders, notably Gemini, whose co-founders Winklevoss brothers have been at odds with DCG and its founder Barry Silbert.

Lawyers for Gemini said in their previous court filing that the limited information provided by Genesis on the agreement framework makes it clear that the proposal is "woefully light in economic consideration." But DCG said in the Wednesday filing that under the proposed framework, it is paying the full amount owed to Genesis with interest.

MARKETS

S&P, Nasdaq Gain, Dow Falls After Data

Moderna leads gainers with rosy outlook; Citigroup jumps on revamp

By JACK PITCHER

Investors largely liked what they saw in Wednesday's inflation report, solidifying their bets that the Federal Reserve will hold interest rates steady at the end of next week's policy meeting.

Major stock indexes were modestly higher for most of the day before losing some momentum in the final 90 minutes of the session.

WEDNESDAY'S MARKETS
The S&P 500 added 0.1%, the Nasdaq Composite rose 0.3% and the Dow Jones Industrial Average fell 0.2%. Treasury yields were little changed, with the yield on the 10-year note settling at 4.248%, from 4.263% Tuesday.

The consumer-price index rose 0.6% in August from the prior month, the fastest pace

in more than a year. Higher gasoline prices were responsible for more than half of the increase.

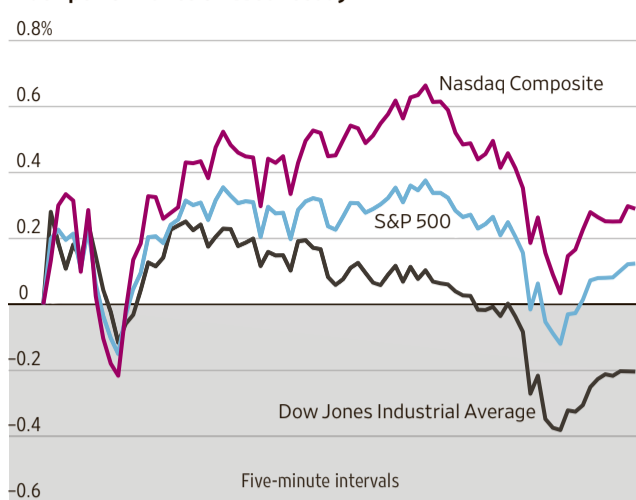
Core prices, the preferred gauge of the Fed that excludes volatile food and energy categories, rose a more modest 0.3%—slightly above the 0.2% estimate of economists surveyed by The Wall Street Journal.

Traders appeared relieved that the report didn't come in hotter than expected. Stock futures initially pulled back, and bond yields inched up, in the minutes following the report, but markets settled.

Treasury yields rose sharply in August amid fears that a flurry of strong economic data might force the Fed to lift interest rates further to fight inflation. The 10-year yield has steadied around 4.3% in recent weeks.

"The market is starting to focus on growth again as opposed to higher rates," said Chris Marangi, co-chief investment officer of value at Gabelli Funds. "That's a positive."

Index performance on Wednesday



Source: FactSet

Strong consumer spending continues to power a surprisingly resilient economy, but the resumption of student loan payments and rising gas prices could both threaten that momentum, Marangi added. Americans' spending power fell in August, with the average hourly wage rising

0.2% compared with a 0.6% rise in prices.

Further out, the outlook for interest rates is less certain. Traders in the derivatives market see a 97% chance that the Fed leaves its policy rate unchanged at its Sept. 20 meeting, but they are pricing in a 40% chance of a quarter-

point rate hike at the central bank's November meeting, according to CME Group.

Moderna was among the S&P 500's best performers, advancing 3.2%, after the drug maker said it expects \$10 billion to \$15 billion in additional annual revenue by 2028 thanks to new products.

Citigroup shares advanced after the bank unveiled a management reorganization. Chief Executive Jane Fraser is shaking up the bank's upper management levels, shedding layers and overlapping roles in her latest bid to simplify the sprawling organization. Citigroup shares closed 1.7% higher.

American Airlines and **Spirit Airlines** declined after cutting their forecasts, sending other airlines lower as well. Both carriers said jet-fuel expense will be higher than previously forecast due to rising oil prices.

Oil was slightly lower, with Brent crude, the international benchmark, settling at \$91.88 a barrel.

The British pound weak-

ened against the dollar after data showed the U.K. economy contracted more than expected in July. The Stoxx Europe 600 fell 0.3%.

At midday Thursday, Japan's Nikkei 225 was up 1.1%, South Korea's Kospi was up 0.8% but Hong Kong's Hang Seng Index was down 0.1%. S&P 500 futures rose 0.2%.

AUCTION RESULTS

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

17-WEEK BILLS

Applications	\$147,861,325,100
Accepted bids	\$50,320,075,100
* noncompetitively	\$712,780,100
** foreign noncompetitively	\$1,997,000,000
Auction price (rate)	98.238139 (5.330%)
Coupon equivalent	5.516%
Bids at clearing yield accepted	18.75%
Cusip number	912797H23
The bills, dated Sept. 19, 2023, mature on Jan. 16, 2024.	

29-YEAR, 11-MONTH BONDS

Applications	\$49,220,636,500
Accepted bids	\$20,000,007,500
* noncompetitively	\$15,896,500
** foreign noncompetitively	\$0
Auction price (rate)	96.329971 (4.345%)
Interest rate	4.125%
Bids at clearing yield accepted	70.90%
Cusip number	912810T75
The bonds, dated Sept. 15, 2023, mature on Aug. 15, 2053.	

Saudi Oil Cuts Set to Keep Gasoline Prices at High Levels

By YUSUF KHAN

Saudi Arabia's decision to extend cuts to its crude-oil output until the end of the year is likely to lead to a significant supply shortfall for the rest of the year, keeping prices higher at the pump,

COMMODITIES
according to the International Energy Agency.

In its monthly report, the IEA said cuts from the Organization of the Petroleum Exporting Countries have led to 2.5 million barrels a day being removed from the market since January, though this has

mostly been mitigated by record supply coming from the U.S. and Brazil, with non-OPEC supply up by 1.9 million barrels a day.

However, with Saudi production as well as Russian exports being reduced until the end of the year, the market is likely to see a significant shortfall of about 1.1 million barrels a day in the fourth quarter, which is likely to support prices, the IEA said Wednesday.

The unwinding of the cuts in 2024 should bring the market back to surplus, but a lack of oil inventories could mean high volatility in the market,

the Paris-based agency added.

"The Saudi-Russian alliance is proving a formidable challenge for oil markets," the IEA said, noting that their combined supply cuts of about 1.3 million barrels a day had led to a sharp increase in prices, with Brent crude, the international benchmark, rising above \$90 a barrel and prices pushing to a 10-month high.

The IEA expects demand to grow further. Oil demand is set to rise by 2.2 million barrels a day in 2023, averaging 101.8 million barrels a day, according to the IEA.

Demand growth is likely to

temper next year to one million barrels a day, averaging 102.8 million barrels a day, the IEA said, as China's economic recovery from the Covid-19 pandemic tempers and higher electric-vehicle adoption lowers consumer demand for fossil fuels. Nevertheless, China is expected to account for 75% of the increase in demand this year.

The agency added that global oil inventories fell by 76.3 million barrels a day, hitting a 13-month low in August. Next year, "oil stocks will be at uncomfortably low levels, increasing the risk of another surge in volatility that

would be in the interest of neither producers nor consumers, given the fragile economic environment," it said.

Meanwhile, the IEA expects oil supply this year to grow by 1.5 million barrels a day in 2023 to average 101.6 million barrels a day. The IEA expects supply to rise by an additional 1.7 million barrels a day next year.

The IEA also said that with the price of crude oil rising amid supply cuts, pricing for Urals—the benchmark price for Russian oil—has also jumped to over \$75 a barrel, pushing Indian consumers to find alternative sources.

Brent crude-oil futures price



Source: FactSet

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HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

'Almost All Loans Are Bad'

JPMorgan Chase's Dimon predicts slowing lending as rising deposit costs and capital needs make banks pickier

Banks would love to lend more, but not to just anyone.

One way for American banks to offset the pressure coming from rising deposit costs would be to boost business: More loans, even if earning less individually, could still lead to overall revenue growth.

But right now, their lending is expanding very slowly. As of the latest Federal Reserve weekly tally, overall loan growth at U.S. banks has been 3.6% on an annualized, seasonally adjusted basis so far in the third quarter—well below the long-term average of 7%, according to Autonomous Research analyst Brian Foran.

Some of that reflects weakening demand for loans, thanks in large part to rising interest rates that have made it much more expensive to borrow to buy homes or cars, as well as for companies to finance themselves. It reflects credit caution in some sectors, such as commercial real estate, where landlords of mostly empty

office buildings might struggle to cover the higher cost of new loans.

Yet even if the economy were to stay strong, and consumers and businesses were to increase their appetites for borrowing, banks might still be reluctant to oblige. That is because banks will still be worried about ensuring the stability of their deposits, both to satisfy investors and regulators.

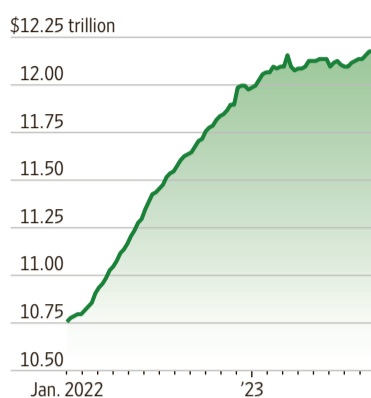
And they will be dealing with rising capital requirements from a set of new Federal Reserve proposals.

With the Silicon Valley Bank and First Republic bank runs fresh in their memory, many investors are watching deposits as an entry point to jump back into what appear to be very cheap bank stocks.

S&P 500 banks are priced at about 8.7 times forecast earnings for the next 12 months versus a 10-year average above 11 times, according to FactSet.

Banks rallied to start the week after M&T Bank last Friday gave

U.S. bank loans and leases



Note: Seasonally adjusted
Source: Federal Reserve

a midquarter update that total deposits were up 2% from the second quarter so far. But banks will need to increase their loan books to offset the pressure that comes with funding costs rising faster than yields generated by the loans.

For now, some banks have described themselves as being on a "diet" as they become much more selective about the risky lending and financing that they provide. Speaking at Barclays' banking analyst conference this week, there was a common message: Attractively priced loans will be for the best customers.

Truist Financial said Monday that indirect lending, such as via outside mortgage originators or vehicle sellers, is going to be optimized in favor of the kind of lending that has the ability to "generate full relationships, deposit relationships, long-term wealth relationships."

Citizens Financial said "our pace of growth here will be guided by our ability to...drive a strong deposit profile," and that "we will not be offering out capital and loans to those that don't fully intend to bank with us and enter the relationship business." Even the biggest banks are feel-

ing the pressure. **Bank of America** said that, at higher required capital levels, it would have to evaluate things such as how much of unused credit-card lines it can offer. **JPMorgan Chase** Chief Executive Jamie Dimon said the new set of capital proposals by the Fed imply that "certain things should not be held in the banking system. That's what it means. Almost all loans are bad." The proposal includes higher risk-weightings for loans such as certain types of mortgages.

Yes, Dimon might be trying to bend the ears of regulators. However, this doesn't mean he is wrong that bank lending might slow. At the very least, it will keep the growth outlook shrouded in uncertainty.

Focusing on making better loans to better customers is definitely a good thing. The problem is that there might not be enough of them to go around.

—Telis Demos

Cracker Barrel Is Stuck in a Generation Gap

It isn't a good sign when a restaurant chain's investors ask management about the effect of Social Security checks on its future prospects.

Cracker Barrel Old Country Store has long thrived on its unique formula and down-home charm. For example, it proudly touts not only how many biscuits, eggs and strips of bacon it sells but also the number of rocking chairs and wooden puzzles—around 70,000 and 300,000 a year, respectively.

With about 43% of its guests 55 or older and a substantial portion of revenue coming from the sale of tchotchkes in its attached retail stores, tweaking that formula to get with the times has been a delicate matter. The strains have started to show, as full-year results released Wednesday illustrate.

Revenue for the fourth quarter barely grew and sharply lagged behind menu and wage inflation. Comparable-store sales in the company's retail stores fell by a disappointing 6.8% with comparable-restaurant sales offsetting that with 2.4% growth.

Cracker Barrel shares have lost nearly a third of their value over the past six months even as the stock of casual-dining giant **Darden Restaurants**, the parent of Olive Garden, has appreciated more than 6%.

There have been tweaks to Cracker Barrel's formula such as the introduction of alcoholic beverages, a loyalty program and QR codes that allow customers to pay at the table. Those moves might seem sensible for any other casual-dining chain, but they endanger both its roadside family appeal—about 40% of customers are travelers pulled in by its ubiquitous highway billboards—and the tendency for customers to make impulse purchases as they line up at the country store to settle their check.

The announcement in July that longtime Chief Executive Officer Sandra Cochran would be suc-



About 43% of guests are 55 or older, and a substantial part of revenue comes from the sale of tchotchkes.

ceeded by Taco Bell executive Julie Felts Masino is a sign of urgency to remake the formula and to appeal to a younger clientele.

The stock surged when the news came out but has since given back those gains and then some.

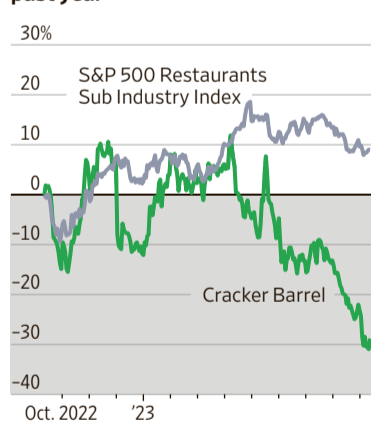
The most successful casual-dining companies in recent years have catered to younger diners with pandemic-boosted spending power and haven't hesitated to change the look and feel of their eateries and menus.

For example, about four-fifths of Applebee's customers are Generation X or younger and about a third are millennials.

That is easier said than done at a unique and historically successful chain, though.

No doubt feeling that pressure, Cracker Barrel took some of its prodigious cash flow and bought

Index and share price performance, past year



Source: FactSet

"eatertainment" chain Punch Bowl Social in a disastrously timed deal. Its failure gave longtime dissident

shareholder Sardar Biglari more fodder to criticize the company and a year ago to finally gain a board representative.

While it is unlikely that Biglari has the answer either, he will have to fume in private and hang onto his depreciating shares for now as the deal included a mutual nondisparagement clause and standstill agreement.

Ironically, Cracker Barrel had a good run during most of the years that Biglari tried and failed to gain a foothold, returning substantial cash to shareholders.

Pressure to get with the times could pay off eventually, but there is a not-insignificant chance that it could backfire by confusing the company's longtime customers and eroding a unique source of revenue.

—Spencer Jakob

Inflation Trade Deflates

A spike in energy prices won't necessarily lead the Federal Reserve to step on the gas of its interest-rate-hike program.

That, at least, seemed the bet among investors for most of Wednesday. The early-morning release of the latest consumer-price index data showed the key inflation gauge rising 0.6% in August from the prior month. That is the fastest pace of growth seen in more than a year. But more than half the increase was due to higher gasoline prices; core prices that exclude food and energy items rose by a relatively mild 0.3%.

That will likely keep Fed officials from raising rates again during their meeting next week, The Wall Street Journal reported, though the potential for rate increases later in the year remains on the table.

Investors spent most of the day taking the win, sending stocks mostly higher until late afternoon. But that trade fizzled somewhat by the end of the session. The S&P 500 closed up 0.1%, while the Nasdaq Composite rose 0.3%, thanks to a general upswing by tech stocks. The Dow Jones Industrial Average missed the upswing, weighed down by drops of about 6% by **Caterpillar** and **3M**. The Dow ended up closing the day down 70 points, or 0.2%.

Another weight on the blue-chip index came from **Apple**, which closed the day down 1%. It was the first full trading session since the company's unveiling of its new iPhone 15 family on Tuesday. While those phones were generally aligned with expectations, the company failed to deliver the sort of price increases that Wall Street had been counting on to help Apple's largest business grow revenue in the coming fiscal year.

—Justin Lahart

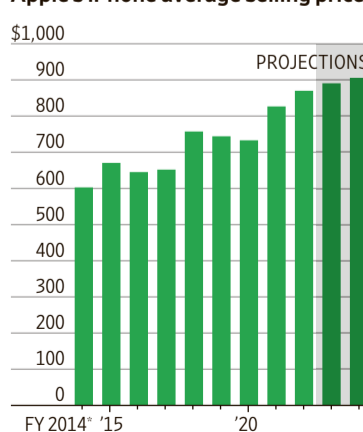
Apple Blinks on iPhone Pricing

Apple won't be jacking up the price on its faithful iPhone buyers. That could cost it.

The world's largest company by market value updated the key product line of its largest business on Tuesday. The new iPhone 15 family turned out to be mostly as expected, with enhanced camera features and USB-C charging ports on all models and titanium casing with a new central-processing chip on the Pro devices.

One surprise was Apple avoiding an across-the-board price increase. Prices on the different memory configurations of the iPhone 15 family are identical to last year's iPhone 14 lineup, with the only exception being the removal of a 128GB version of the Pro Max—the lowest priced phone in that lineup. That trick raised the average selling price of the Pro family by less than 2%. Numerous leaks ahead of the event

Apple's iPhone average selling price



*Fiscal year ended Sept. 28
Source: Visible Alpha

suggest Apple was planning a more significant bump, leading several analysts to project an increase of \$100 to \$200 across at least the new iPhone Pro family.

That would have resulted in the average selling price of that crucial lineup rising by at least 8%.

Apple shares closed down nearly 2% Tuesday. That alone isn't unusual; the stock fell after seven of the past 10 iPhone introductions. But the shares slid nearly 6% over the past week on growing worries about Apple's business in China, where the iPhone might be facing a ban among government workers as well as a resurgent local competitor in Huawei, which launched a new phone that is reportedly delivering performance specs close to Apple's premium devices.

The selloff continued on Wednesday, with the stock dropping 1.2% and bringing Apple's total decline to more than 8% since the potential for an iPhone ban in China was first reported last week. That has cost Apple more than \$246 billion in market capitalization.

Smartphone prices are already in nosebleed territory—especially for premium devices such as the iPhone Pro and foldable screen devices from companies such as Samsung and Google. So it is possible Apple determined that this year's rather incremental updates to the iPhone couldn't sustain a price increase. One of those updates—the USB-C charging port—could result in extra costs for some buyers since the port replaces the Lightning standard that the company used on its iPhones for more than a decade. That update came at the behest of new rules by the European Union. Apple is conveniently now selling an adapter to connect old lightning cables to the new iPhones—for \$29 a pop.

Apple might feel more of a need to keep its position strong in its core domestic market given the challenges in China. The segment for mainland China, Hong Kong

and Taiwan accounts for 19% of the company's revenue, and the iPhone has long ruled the premium portion of that country's smartphone market, even counting as a status symbol among the elite.

But the weakening Chinese economy and growing animosity with the U.S. is making life difficult for American brands and major tech players there.

The new Huawei phone is a wild card; Reuters reported Tuesday that the company boosted its shipment target for its new Mate 60 series phone by 20% for this year.

Keeping iPhone prices stable will likely appeal to consumers struggling with high inflation. It could end up crimping Apple's growth as analysts had expected higher prices to offset low single-digit percentage growth in iPhone unit shipments for the fiscal year ending next September. Those new titanium iPhones had better shine. —Dan Gallagher