

What's News

Business & Finance

◆ **E*Trade** considered barring meme-stock leader Keith Gill from its platform after growing concerned about potential stock manipulation around his recent purchases of GameStop options, according to people familiar with the matter. **A1**

◆ **U.S. stocks** ended mixed, with the S&P 500 eking out a 0.1% gain to start the month. The Nasdaq rose 0.6% and the Dow declined 0.3%. **B9**

◆ **Medical-technology** company Becton Dickinson agreed to acquire Edwards Lifesciences' Critical Care product group for \$4.2 billion, increasing its access to hospital customers. **B1**

◆ **Macquarie Group's** asset-management arm backed renewable-energy company Sol Systems with an \$85 million debt investment. **B3**

◆ **Shares of Chinese** electric-vehicle makers surged after some reported record sales in May, spurring hopes that more price cuts are imminent as companies race to grow market share. **B4**

◆ **GSK shares** dropped after a state court in Delaware said it would allow more than 70,000 cases that allege the company's Zantac heartburn drug causes cancer to go to trial. **B3**

◆ **Maersk** again raised its full-year guidance as disruptions in the Red Sea and strong shipping demand continue to buoy global freight rates. **B3**

◆ **Spotify** raised its prices for the second time this year as the music-streaming service aims to become more consistently profitable, sending shares higher. **B3**

World-Wide

◆ **Biden was expected** to sign an executive order banning migrants who cross the southern border illegally from claiming asylum, an effort meant to quell voter discontent with his handling of immigration ahead of the presidential election. **A1**

◆ **Claudia Sheinbaum** won a landslide victory to become Mexico's first female president and the nation's first Jewish head of state, in an election that paved the way for constitutional changes that risk weakening the country's democracy. **A1**

◆ **Dr. Anthony Fauci** defended the federal government's leadership during the Covid-19 pandemic in a congressional hearing and said he didn't influence research into Covid's origins. **A3**

◆ **Netanyahu** showed cautious support for an initiative by Biden to end the war in Gaza, saying he was open to a temporary cease-fire to release hostages but wanted a free hand to resume fighting Hamas. **A8**

◆ **A woman** sued prominent psychiatrist Henry Jarecki, accusing him of participating in the late Jeffrey Epstein's sex-trafficking operation. **A2**

◆ **New York** plans to prohibit social-media companies from using algorithms to steer content to children without parental consent under a tentative agreement reached by state lawmakers, people familiar with the matter said. **A3**

◆ **China** accused British intelligence of recruiting a Chinese couple as well-placed spies in key state agencies, amid a simmering fight with the West over espionage. **A18**

CONTENTS

Markets..... B9
Arts in Review... A13
Business News... B3,5
Crossword..... A13
Equities..... B6
From Page One... A10
Heard on Street... B10

Personal Journal A11-12
Sports..... B4
Technology..... A14
U.S. News..... A2-4,6
World News... A8-9,18

© 2024 Dow Jones & Company, Inc.
All Rights Reserved

Biden Seeks to Tighten Border

Order to limit asylum reflects worry over crossings ahead of November's elections

By MICHELLE HACKMAN AND TARINI PARTI

WASHINGTON—President Biden is expected to sign an executive order Tuesday that would ban migrants who cross the southern border illegally from claiming asylum, a last-resort effort meant to quell voter discontent with his handling of immigration ahead of the presidential election.

Biden, who is seeking reelection, decided to take the step despite warnings from legal and operational advisers that such an order would likely be struck down in court—and, even if it survived legal scrutiny, would prove tough to fully implement without a massive infusion of funds from Congress, according to people familiar with the discussions.

But the order got the backing of top political advisers, who argued the president needs to show voters he is doing what he can to address growing concerns about the border, the people said. Biden was also under pressure from

fellow Democrats, including major donors, to take some sort of action.

Polls this year have consistently shown that illegal immigration ranks as one of voters' top issues and the one on which they give Biden the lowest marks.

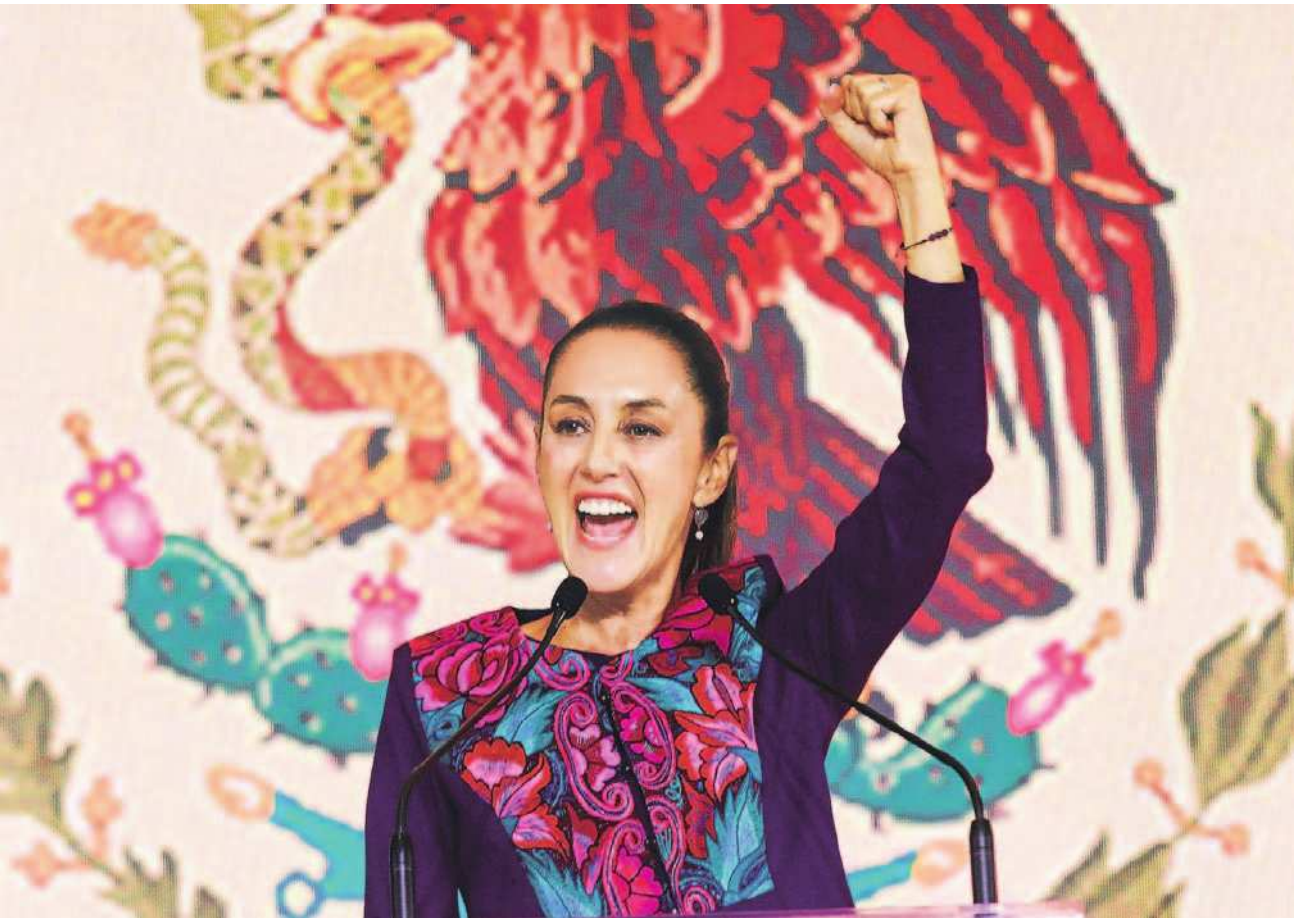
The order, which Biden plans to sign at the White House alongside several mayors from southern-border communities, cements the president's rightward shift on immigration since his 2020 campaign, when he released a liberal immigration proposal.

Biden has since presided over multiple years of record

illegal border crossings, and as the problem has grown more pronounced, he has shown an increasing willingness to embrace Trump-era immigration solutions that he campaigned against.

Biden opted to move ahead with the order following the collapse earlier this year of a bipartisan Senate agreement on the border that Republicans turned against after former President Donald Trump, the presumptive GOP presidential nominee, campaigned against it, saying it wasn't tough enough and that he didn't want to hand Biden and Demo-

Please turn to page A4



Claudia Sheinbaum, Mexico's president-elect, sought to address concerns of weakening checks and balances after her big win.

Mexico Elects First Female President

MEXICO CITY—Claudia Sheinbaum won a landslide victory to become Mexico's first female president and the nation's first Jewish head of state, in an election that paved the way for constitutional changes that risk weakening the country's democracy.

Mexico's peso slid more

than 4% on Monday to 17.72 against the dollar, its weakest level since November. The currency is one of the most widely traded in emerging markets and acts as a barometer of how investors view the country's economic health.

The peso began its retreat as results showed the ruling Morena party winning at least a two-thirds majority in the lower house—making it far easier to push through constitutional overhauls without opposition support.

Sheinbaum, a former Mexico City mayor and the candidate of the Morena party, won nearly 60% of the vote and has the strongest mandate of any recent Mexican leader. Her margin of about 30 points would be the largest in a presidential vote since the 1982 election, when Mexico still was a single-party state. Pre-election polls gave her a 20-point lead.

Sheinbaum, a 61-year-old energy engineer whose Jewish grandparents emigrated to Mexico fleeing persecution in

Eastern Europe before World War II, sought on Monday to address concerns of weakening checks and balances because of her crushing victory.

"We are democrats and out of conviction would never be an authoritarian or repressive government," she said, speaking to a cheering crowd in central Mexico City. In her victory speech, she said her administration

Please turn to page A9

◆ **New leader** faces economic hurdles..... **A9**

INSIDE

PERSONAL JOURNAL
Teens portrayed in AI nudes can be shamed even when everyone knows they're fake. **A11**

JASON GAY
Caitlin Clark's rookie WNBA season is off to a rough start, but it will get better. **A14**

The Investments Making OpenAI's Sam Altman Rich

Many companies backed by the CEO do business with the company behind ChatGPT, raising questions of conflicts

By BERBER JIN, TOM DOTAN AND KEACH HAGEY

Sam Altman has a day job and a side gig. Only one of them is making him rich.

As the chief executive and co-founder of OpenAI, the 39-year-old oversees an artificial-intelligence startup valued at \$86 billion that is spearheading a technological revolution. He owns no stake in the ChatGPT developer, saying he doesn't want the seductions of wealth to corrupt the safe development of artificial intelligence, and makes a yearly salary of just \$65,000.

Less publicly, Altman is one of Silicon Valley's most prolific and aggressive individual investors, managing a sprawling investment empire that is becoming a direct beneficiary of OpenAI's success. The holdings he controls were worth at least \$2.8 billion as of early this year, according to company filings and Wall Street Journal reporting.

Please turn to page A10

◆ **Climate startups** face challenge..... **B1**

Don't You Dare Call Me Without Texting First

* * *

'Extremely annoyed.' Unannounced phone calls divide friends, families, colleagues

By KATHERINE BINDLEY

For some people, there is nothing more delightful than the surprise ringing of a phone that signals someone is thinking about them. For others, there is nothing ruder, more intrusive or panic-inducing than an unannounced call. You are out of your mind—and possibly not in their life—if you're not sending them a text first.

Phone-call etiquette has never been more complicated. Family members, co-workers, spouses and friends can't agree on whether it's OK to call someone without first alerting them via text that you plan to call.

The debate is intensifying: the more entrenched texting has become, the more people

Please turn to page A10

Hunter Biden On Trial

The president's son, accompanied by his wife, Melissa Cohen Biden, arrived at federal court in Wilmington, Del., on Monday for jury selection in his trial on charges that he lied about his drug use when he bought a gun in 2018. Opening statements are set for Tuesday. **A3**

MATT ROURE/ASSOCIATED PRESS

U.S. NEWS

Epstein Accuser Sues Famed Psychiatrist

Woman alleges Jarecki raped her and threatened to revoke immigration status

By KHADEEJA SAFDAR

Henry Jarecki has won awards practicing psychiatry, made a fortune trading metals, produced Hollywood movies, dabbled in real estate and co-founded Moviefone. The 91-year-old has also now been accused of participating in Jeffrey Epstein’s sex-trafficking operation.

An unnamed woman filed a lawsuit in Manhattan federal court on Monday against Jarecki accusing him of raping her repeatedly from 2011 to 2014. She alleges that Epstein introduced her to Jarecki for mental-health treatment and instead of helping her, Jarecki sexually abused her.

The lawsuit alleges that Epstein sent many of his victims to Jarecki to treat depression and that the psychiatrist shielded Epstein from law enforcement, prescribed the women medication and discussed their confidential medical information with Epstein. It also alleges that Jarecki used his friendship with Epstein to obtain young females from him and sexually abused them himself.

Sarita Kedia, a lawyer for Jarecki, said, “the allegations will be shown to be entirely false and baseless. Dr. Jarecki never engaged in any abusive

conduct with the complainant or any other person.”

The psychiatrist was listed in Epstein’s now-public address book and in flight logs of Epstein’s private planes, but his dealings with the convicted sex offender, who died in 2019, weren’t previously public.

He is known as a wealthy commodities trader and entrepreneur as well as a longtime faculty member at Yale University, where he co-authored the book “Modern Psychiatric Treatment.” Last year, he was awarded the Pardes Humanitarian Prize in Mental Health.

Jarecki ran and sold several investment firms in the 1970s, ’80s and ’90s, including metals trader Mocatta and commodities brokerage Brody White. He also was chairman of Moviefone, which he co-founded with one of his sons, and sold to AOL in 1999 for \$388 million in stock.

Jarecki used his wealth to purchase an 850-acre private island in the British Virgin Islands and a historic five-floor townhouse in New York’s Gramercy Park, which was used to film scenes of the 2012 film “Arbitrage” directed by another of his sons.

In 2006, Epstein was publicly accused of sexually abusing girls in Florida who were as young as 14 years old. The Federal Bureau of Investigation and police investigated, and Epstein reached a deal with prosecutors in 2008. He pleaded guilty to soliciting and procuring a minor for prostitution.



Henry Jarecki, shown in 2010, co-wrote the book ‘Modern Psychiatric Treatment.’

A 2023 Journal investigation showed that Epstein’s sexual exploitation and abuse didn’t end with his 2008 conviction, but continued until his second arrest in 2019. He lured dozens of women, many of them Russian and Eastern European models, by promising to use his connections to powerful people to get them jobs or other opportunities. He then groomed most of the women for his personal sexual exploitation, and passed a select group to other men for sex.

Bradley Edwards, the lawyer who represents the Jarecki accuser and other Epstein accusers, previously told the

Journal more than 20 men participated in sexual exploitation or abuse of women who were trafficked by Epstein. At the time, he declined to name the men, citing client confidentiality.

Edwards said he is looking for more women to come forward. “If anyone was abused by Dr. Jarecki or knows any information, please call us,” he said. “Justice is only achieved through courage and the cooperation of survivors and witnesses.”

According to her lawsuit against Jarecki, the woman came to the U.S. around 2010 through a modeling agency and couldn’t legally model un-

til she received a work visa. Another model told her Epstein was a philanthropist who helped models with their careers and immigration troubles.

She met Epstein at his New York mansion, where he promised to help her with modeling and offered to pay for her to attend college. Epstein began sexually abusing the woman and started controlling aspects of her life, the suit says. When she suffered emotional distress, the suit says Epstein arranged for her to meet Jarecki at his home for psychological treatment.

She described her symptoms to Jarecki and instead of

helping her, Jarecki allegedly presented her with an expensive wristwatch and then offered a tour of his home. When they reached his bedroom, Jarecki—then in his 80s—raped her, according to the lawsuit.

The woman says she told Epstein what had happened, and Epstein told her that he had made a deal with Jarecki and she had to continue seeing him, the suit says. The psychiatrist then told her that she was to have a “commercial relationship” with him and no longer see Epstein, according to the suit.

The woman alleges that Jarecki housed her in an apartment in Gramercy Park near his home and controlled her life. He took testosterone pills to increase his sex drive, forced her to have sex with other men in front of him on numerous occasions and took her to his private island where he abused her as well, according to the suit.

The lawsuit alleges that Jarecki coerced and manipulated the woman into commercial sex acts by threatening to revoke her immigration status, threatening to send her back to Epstein, falsely promising to buy her an apartment and promising to pay her rent if she complied. She felt like she was under surveillance through cameras and staff. When her light was on past 10 p.m., Jarecki would call a landline and demand that she go to sleep, the suit says.

U.S. WATCH



HONORED: A wreath-laying ceremony was held at the statue of the Lone Sailor at the U.S. Navy Memorial in Washington on Monday, a day ahead of the 82nd anniversary of the Battle of Midway in the Pacific Theater of World War II.

ATLANTA
Court Blocks Grants For Black Women

A federal appeals court on Monday blocked investment firm Fearless Fund from continuing with a contest that grants awards to businesses owned by Black women.

The 11th U.S. Circuit Court of Appeals, in a 2-1 ruling, sided with a challenge to the grant program backed by affirmative-action opponent Edward Blum, who argued it violated a Reconstruction-era civil-rights law, known as Section 1981, that prohibits discrimination in contracts.

The Fearless Fund program awards \$20,000 as well as mentorship and training opportunities to Black women looking to expand their startups. The appeals court rejected the fund’s argument that the program was protected under the First Amendment because the grants were an expression of support for empowering Black women.

Fearless Fund lawyer Jason Schwartz said the ruling is the first decision to halt private charitable support for any racial or ethnic group.

—Erin Mulvaney

WASHINGTON, D.C.
Tax Dispute Settled For \$40 Million

Cryptocurrency investor and software company founder Michael Saylor agreed to pay Washington, D.C., \$40 million to settle an income-tax dispute, the D.C. Attorney General’s office said Monday.

D.C. officials joined a whistleblower’s lawsuit against Saylor in 2022, alleging that he lived in the District, not in Florida or Virginia as he claimed, and should have paid D.C. taxes. “No one in the District of Columbia, no matter how wealthy or powerful they may be, is above the law,” said Attorney General Brian Schwalb.

The settlement says that Saylor and D.C. officials wanted to avoid the time and expense of further litigation and that Saylor denies violating D.C. tax laws.

“In 2012 I moved to Florida and made Miami Beach my home,” Saylor said. “Florida remains my home today, and I continue to dispute the allegation that I was ever a resident of the District of Columbia. I have agreed to settle this matter to avoid the continued burdens of the litigation.”

—Richard Rubin

E*Trade May Boot Meme Guru

Continued from Page One
could be considered manipulation, one of these people said. It couldn’t be determined if the SEC was reviewing Gill specifically.

Separately, the Massachusetts securities division is looking into Gill’s activities, a spokeswoman said Monday.

Gill, who has described himself as a deep-value investor to The Wall Street Journal, has become the face of one of the biggest momentum trades

in recent memory, with many individuals piling into GameStop with no regard for its fundamentals.

He has long been eager to vocalize his love of GameStop. He studied the company and bought the shares in 2019 while telling his group of online followers about the stock in lengthy YouTube videos. He told his mom about the stock, and told her to tell her friends, too, she told the Journal in a 2021 interview.

Today, millions of people are watching. His followers on X have swelled to more than one million. Tom Bruni, head of market research at Stocktwits, said visits to the GameStop symbol page on the platform have surged more than 20-fold this year.

Gill isn’t solely an amateur

investor: He holds several securities-industry licenses and was previously a registered broker with a unit of Massachusetts Mutual Life Insurance, or MassMutual. MassMutual agreed to pay a \$4 million fine in 2021 to settle an inquiry by state regulators for failing to supervise Gill’s social-media and trading activity.

The debate about him as a client inside Morgan Stanley began about three weeks ago.

On Sunday, May 12, an X account associated with Gill posted a picture of a man leaning forward in his seat, the first post in three years.

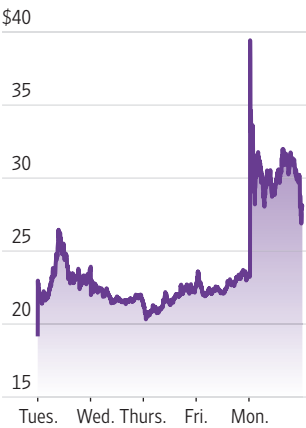
The following day, just as demand for GameStop and other meme stocks surged, E*Trade’s systems crashed. The trading platform was down for most customers for

several hours that day. During that time, E*Trade turned to “emergency trading procedures” that involved taking orders over the phone and writing them on paper or on email, according to people familiar with the matter. The platform experienced internal issues and the crash wasn’t related to surging volumes, one of the people said.

Morgan Stanley employees, knowing that Gill is a customer, looked at his E*Trade account, according to people familiar with the matter. That sort of monitoring of clients is routine.

The employees saw he had purchased call options before the tweet, the people said. A call option gives a trader the right to buy the stock by a certain date at a stated price. At least some of those options ex-

GameStop share price



pired that week, one of the people said. That meant Gill’s trades likely generated profits thanks to the stock move his tweet generated.

Morgan Stanley’s global financial-crimes unit and external counsel began discussing whether Gill’s actions were legal and whether the firm should cancel his E*Trade account, the people said.

Some Morgan Stanley employees have been concerned that closing Gill’s account could result in the firm losing E*Trade clients, the people said. Gill’s messages have been able to command a large following, one reason GameStop and other meme stocks have soared. Morgan Stanley employees have worried what would happen if Gill posted on social media that he had been ditched by E*Trade and

whether that might prompt many people to shut down their E*Trade accounts in solidarity, the people said.

On Sunday, Gill posted a screenshot showing that Gill owned five million shares of GameStop and 120,000 call options tied to the stock expiring this month. The positions, alongside roughly \$29 million in cash, were worth more than \$289 million after Monday’s close, he showed in another post.

That marks a mammoth jump from 2021, the last time the DeepF—Value account posted on Reddit. A screenshot from that period showed a roughly \$30 million position in GameStop.

Brokerages generally have wide latitude to shut down customers’ accounts at their discretion. Morgan Stanley can restrict or close a customer’s account at any time, according to E*Trade’s client agreement for self-directed accounts. When Morgan Stanley restricts or closes an account, the company may cancel all open orders and stop all services. The customer would instruct Morgan Stanley on what to do with the remaining assets.

If Morgan Stanley doesn’t receive instructions “after a reasonable period of time,” it may sell the remaining assets and send the customer the net proceeds or transfer any remaining securities or cash to the client.

—Gunjan Banerji, Alexander Osipovich and Hannah Miao contributed to this article.

THE WALL STREET JOURNAL

(USPS 664-880) (Eastern Edition ISSN 0099-9660)
(Central Edition ISSN 1092-0935) (Western Edition ISSN 0193-2241)

Editorial and publication headquarters: 1211 Avenue of the Americas, New York, N.Y. 10036

Published daily except Sundays and general legal holidays.
Periodicals postage paid at New York, N.Y., and other mailing offices.

Postmaster: Send address changes to The Wall Street Journal, 200 Burnett Rd., Chicopee, MA 01020.

All Advertising published in The Wall Street Journal is subject to the applicable rate card, copies of which are available from the Advertising Services Department, Dow Jones & Co. Inc., 1211 Avenue of the Americas, New York, N.Y. 10036. The Journal reserves the right not to accept an advertiser's order. Only publication of an advertisement shall constitute final acceptance of the advertiser's order.

Letters to the Editor: Fax: 212-416-2891; email: wsjltrs@wsj.com

Need assistance with your subscription?
By web: customercenter.wsj.com; By email: support@wsj.com
By phone: 1-800-JOURNAL (1-800-568-7625)

Reprints & licensing:
By email: customreprints@dowjones.com
By phone: 1-800-843-0008

WSJ back issues and framed pages: wsjshop.com

Our newspapers are 100% sourced from sustainably certified mills.

GOT A TIP FOR US? SUBMIT IT AT [WSJ.COM/TIPS](https://www.wsj.com/tips)

CORRECTIONS & AMPLIFICATIONS

William Cashore, winner of the 1954 Scripps National Spelling Bee, also competed in a spelling bee on the game show “I’ve Got a Secret.” A U.S. News article on Thursday about Cashore’s advice for this year’s champion incorrectly said the second bee was on the “Ed Sullivan Show,” another TV show on which he appeared. Also, Leo Durocher in 1954 was a baseball manager, and he previously had

been a baseball player. The article didn’t mention that he was a manager in 1954.

Thursday’s high for the Dow Jones Industrial Average was 38493.60. In some editions Friday, the high was given incorrectly as 38368.35 on the Markets Digest page in the Dow Jones Industrial Average graph and in the Major U.S. Stock-Market Indexes table.

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

U.S. NEWS

New York Pushes Bill On Social Media For Minors

By JIMMY VIELKIND

ALBANY, N.Y.—New York plans to prohibit social-media companies from using algorithms to steer content to children without parental consent under a tentative agreement reached by state lawmakers, people familiar with the matter said.

The legislation seeks to prevent social-media companies from serving automated feeds to minors. Critics say the feeds lead children to violent and sexually explicit content. The bill, still being completed but expected to be voted on this week, would also prohibit platforms from sending minors notifications during overnight hours without parental consent.

Gov. Kathy Hochul, a Democrat, has said the measure would make social media less addictive, adding that heavy use by teens has contributed to higher instances of mental illness. Industry groups have raised questions about the constitutionality of the proposal and said media literacy would have a more immediate impact. They have successfully won court injunctions blocking regulations in other states.

New York would become the first state to restrict how content is delivered, though similar legislation is advancing in California. Lawmakers in Minnesota and South Carolina considered but didn't act on similar measures. Florida Gov. Ron DeSantis in March signed a law prohibiting people under 14 years of age from having social-media accounts, regardless of parental consent.

The issue is stalled in Congress. While federal lawmakers in both parties grilled tech CEOs earlier this year, they haven't coalesced around a specific legislative plan.

"It does call for a federal response," Hochul said during a Monday morning interview on National Public Radio. "I, as the leader of this state, cannot ignore the signs of distress and trauma among our young people. And it's definitely correlated to what is happening with these social-media feeds."

Lawmakers in New York and California said they hoped their approach would pass legal muster because it regulates how feeds are assembled but doesn't restrict content.

Under these proposals, underage users could choose to follow whatever account they wished, but feeds would be presented in chronological order. An executive at NetChoice, a trade group whose members include Facebook-parent Meta and X, said this would still violate the First Amendment because it restricts content organization.

"It is less unconstitutional. Unfortunately, when it comes to constitutionality, close doesn't count," said Carl Szabo, NetChoice's vice president and general counsel.

Before reaching an agreement Monday, aides to Hochul and Democrats who dominate the state legislature spent weeks tweaking the legislation as lobbyists working for tech companies pushed back.

Enforcement would be delegated to New York Attorney General Letitia James, a Democrat who has lobbied for the bill. Her office would also be tasked with issuing regulations about methods for platforms to determine whether a user is a minor.

Julie Samuels, president and chief executive of the trade group Tech:NYC, whose members include Google and Meta, said was concerned about implementing an age-verification system that is "effective, efficient and workable."

The Democratic-controlled New York state Senate and Assembly will vote on the measure before their scheduled adjournment this week, legislative officials said. Last month, the California state Senate approved a similar bill by a bipartisan 35-2 vote. It must now be taken up by the lower chamber before its scheduled August adjournment.



Dr. Anthony Fauci on Monday defended the federal government's leadership during the Covid-19 pandemic, which killed more than a million Americans.

In Covid Hearing, Fauci Pushes Back

By BETSY MCKAY

Dr. Anthony Fauci defended the federal government's leadership during the Covid-19 pandemic and said he didn't influence research into Covid's origins in a congressional hearing.

Fauci also denied that he conducted government business on private email, but acknowledged that a senior adviser, Dr. David Morens, had acted inappropriately.

The nation's former top infectious disease official said Monday before a House subcommittee that while he has an open mind about whether the virus originated in a lab or nature, the viruses used in research funded in China by the National Institutes of Health were too distant to have evolved into the pandemic virus, SARS-CoV-2.

"I feel the more likely explanation is a spillover from an animal reservoir," he said. But without definitive evidence either for a natural or lab leak, "we have to keep an open mind."

Fauci served as director of the National Institute of Allergy and Infectious Diseases for more than 38 years and helped lead the nation's re-

sponse to the Covid-19 pandemic under both Presidents Donald Trump and Biden. Fauci appeared often with Trump in the government's early messaging about the pandemic, but he later became vilified on the right for his support of safety precautions and for opposing unproven treatments such as the antimalaria drug hydroxychloroquine that was pushed by Trump and others.

At Monday's hearing, he defended social-distancing measures and other policies that the Trump administration took in the early months of the pandemic, which killed more than a million Americans. Stay-at-home orders, mask mandates for young children and other measures "were important when we were trying to stop the tsunami of deaths that were occurring early on," he said.

If the virus had been allowed to spread without measures to slow it, another million people might have died, he said.

Science evolves, he said. "When you're dealing with a new outbreak, things change," he said. "Covid was a moving target."

Grilled about comments he made in January about a protocol that people maintain a distance of 6 feet from one another, Fauci said that the policy had been developed by the Centers for Disease Control and Prevention, not his agency.

He said that when he said in January that he wasn't aware of studies supporting the 6-foot rule, he meant that he wasn't aware of formal clinical trials.

Responding to questions about Morens, who said in emails he had ways to get around Freedom of Information Act requirements by communicating on private emails, Fauci said, "It was a terrible thing, it was wrong, it was inappropriate." He said Morens wasn't a policy adviser, didn't have regular access to him, and that he was an "outlier" in his behavior. "There is no back channel" at his former agency, he said.

Fauci faced questions about measures the government took to reduce spread of Covid-19, the virus's origins and research his agency, NIAID, led into emerging and potentially dangerous viruses.

Fauci, who retired at the end of 2022, was also grilled on how he and his staff handled grants and controversies involving EcoHealth Alliance, a nonprofit that studies wildlife and the emergence of new diseases. EcoHealth has been at the center of controversy over NIAID grants that it used to study emerging coronaviruses, including a subcontract to the Wuhan Institute of Virology in the city in China where the spread of the new virus was first identified. The Biden administration last month suspended and proposed EcoHealth Alliance for debarment from federal grants.

EcoHealth Alliance said in a statement that it will provide evidence to refute the allegations and "demonstrate that EcoHealth Alliance is a good steward of federal funding."

The hearing grew testy at several points. Marjorie Taylor Greene (R., Ga.) was admonished by committee members when she refused to refer to Fauci as "Dr."

"You belong in prison," she said to Fauci.

Democratic attendees said that many of the Republicans' allegations hadn't been substantiated. "The investigation of Dr. Fauci shows he is an honorable public servant who has devoted his entire career to the public health in the public interest and he is not a comic book supervillain," said Jamie Raskin (D., Md.), ranking member of the Committee on Oversight and Accountability.

Fauci grew emotional when answering questions about threats and harassment, and said he continues to receive death threats. He said two people had been arrested in connection with threats made on his life.

He said his agency's main role in the pandemic was developing "safe and effective" vaccines. While durability of protection was more limited than researchers anticipated, vaccines saved lives, he said.

Watch a Video

Scan this code for a video on Fauci's defense of the response to Covid-19.

Hunter Biden Trial Comes With Political Peril

By C. RYAN BARBER AND ANNIE LINSKEY

WILMINGTON, Del.—On a Friday evening in October 2018, Hunter Biden rolled up in a black Cadillac to Star-Quest Shooters & Survival Supply in the Delaware city where he had been born and raised.

A salesman standing in the window didn't initially recognize him as the son of the state's longtime Democratic senator, now-President Biden, and would later recall declining a tip from the younger Biden as he purchased a .38-caliber Colt Cobra revolver.

There was no mistaking Hunter Biden on Monday when he appeared in federal court for his criminal trial on charges stemming from that 2018 purchase. He arrived in the courtroom of U.S. District Judge Maryellen Noreika for the start of jury selection.

For the younger Biden and his family, the proceeding comes with substantial legal and political peril. Hunter Biden, 54 years old, pleaded not guilty last year to charges he lied on a federal form about his drug use when he bought the revolver in 2018, at a time when he has acknowledged being addicted to crack cocaine. If convicted, he faces up to 25 years behind bars, although any prison term is likely to amount to a fraction of that maximum sentence.

But the proceeding itself is likely to delve into details of his addiction and thrust the Biden family's inner dynamics into public view as the president campaigns for re-election.



First lady Jill Biden attended the opening of Hunter Biden's criminal trial in Wilmington, Del.

The trial is expected to wrap up just weeks before Biden has his first debate with former President Donald Trump, the presumptive Republican nominee.

For hours Monday, the judge and lawyers questioned potential jurors, inquiring about their views on guns and their pre-existing knowledge of Hunter Biden's case. Several said they have bought guns or have family members who own firearms, and many discussed friends and family members who have struggled with addiction. A jury of six men and six women, along with four alternates, was impaneled late Monday afternoon. On Tuesday, federal prosecutors and Biden's law-

yers are slated to deliver their opening arguments to the jury.

The sitting president's son will be defending himself against the Justice Department of his own father's administration, just days after Trump was convicted on 34 charges related to paying hush money to a porn star.

"As the President, I don't and won't comment on pending federal cases, but as a Dad, I have boundless love for my son, confidence in him, and respect for his strength," President Biden said Monday morning. First lady Jill Biden was spotted walking into the courthouse Monday morning.

However, unlike Trump's trial, where leading Republicans rallied around the former

president and showed up to support him in court, Democrats aren't expected to emerge as a major force defending Hunter Biden in the public arena.

"We support rule of law taking place without political hectoring," said Rep. Jamie Raskin (D., Md.), the top Democrat on the House Committee on Oversight and Accountability.

Efforts to put together a legal-defense fund for Hunter Biden have gained little traction, said David Jolly, the onetime Republican congressman who has been involved in efforts to shore up public support for Hunter Biden. He said he presented a memo outlining options for a fund to some

Biden allies months ago, but his ideas remain on the drawing board.

The president's son once thought he had headed off a trial. Last summer, he reached an agreement with federal prosecutors to plead guilty to a pair of misdemeanor tax charges and avoid prosecution on a gun charge.

The plea deal carried the promise of resolving a five-year investigation and avoiding a trial that would air tawdry details of a troubled period in which he has acknowledged struggles with drugs and alcohol. But the deal disintegrated during a dramatic July hearing in which the younger Biden's lawyers and federal prosecutors disagreed in open court about the extent of the immunity the agreement granted the president's son from possible future charges.

Within weeks of the hearing, Attorney General Merrick Garland conferred special counsel status on the federal prosecutor overseeing the investigation, David Weiss, an appointment that formally gave him added autonomy within the Justice Department.

By the end of the year, Biden was indicted on the gun charges in Delaware and, later, on tax charges in Los Angeles. His trial on tax charges was recently delayed to early September.

In the gun case, federal prosecutors are planning to use the younger Biden's own words against him. They are expected to draw from excerpts of Biden's memoir from 2021 called "Beautiful Things."

U.S. NEWS

China’s Chaos Threat Worries NSA Chief

Gen. Timothy Haugh says concern is both what is targeted and how it is targeted

By Niharika Mandhana
and Gordon Fairclough

As the U.S. military’s new cyber chief and head of the nation’s main electronic spy agency, it is Gen. Timothy Haugh’s job to be concerned about China’s clandestine efforts to steal sensitive American data.

But he is also contending with an unusual Chinese threat, designed not to extract data but to lurk in the infrastructure that undergirds civilian life, as if for the right moment to unleash chaos.

“We see it as very unique and different—and concerning,” Haugh said in an interview with The Wall Street Journal on the sidelines of a security conference in Singapore. “And the concern is both in what is being targeted and then how it is being targeted.”

The U.S. believes the Chinese hacking network—known as Volt Typhoon among cybersecurity experts and U.S. officials—aims to “preposition” in critical infrastructure networks for future attacks.

“One of the reasons we believe it is prepositioning is—there are not tools being put down and there’s not data be-

ing extracted,” said Haugh, who took charge of the National Security Agency and the military’s Cyber Command in February. That isn’t typical for state-backed hackers.

U.S. officials worry that in a conflict over Taiwan, for instance, China could use its latent access to launch cyberattacks against key infrastructure in America or allied countries—disrupting lives and potentially injuring civilian populations. Especially concerning was the targeting of water systems, said Haugh. That was one of the networks Volt Typhoon infiltrated on Guam, a U.S. territory in the Western Pacific that is critical to military operations, particularly in the event of a fight with China.

“It is very difficult to come up with a scenario where targeting a water supply for a civilian population, even if part of that population is also military, is an appropriate target,” he said. “And so I think that’s an area that just brings pause.”

Asked if Volt Typhoon had penetrated U.S. military networks, Haugh said: “We know that those tactics have been tried and so those are areas that of course everyday we’re very vigilant.”

Microsoft revealed last year that the state-sponsored Chinese campaign went after a range of networks on Guam and elsewhere in the U.S., in-



Haugh says Chinese hackers seem to be ‘prepositioning,’ as if to prepare for a future attack.

cluding communication, transportation, maritime and other sectors. The company said the hackers were likely developing capabilities that could disrupt communications infrastructure between the U.S. and Asia during future crises.

In January, the U.S. government said it had disrupted the Chinese hacking operation, but officials have continued to warn that Beijing’s efforts are at a scale greater than they have seen before.

Asked whether China’s inroads may be more widespread than known so far, Haugh said: “I would suspect

that there will be additional areas that we’ll continue to discover but what we want to do is make the tradecraft widely known.”

Volt Typhoon uses tactics that make it harder to detect. If data were being taken out, cyber defenders would be able to see where the data went, how much and what was being targeted, Haugh said, adding: “In this case, we don’t see that.”

To gain access, he said, Chinese hackers subvert the identity of a user on the network, allowing them to then operate as a user and use tools inher-

ent in the system they are targeting—a tactic known as living off the land. To combat them, U.S. cyber defenders were monitoring user activity in addition to using traditional approaches, he said.

U.S. officials went public with details of the campaign to allow other countries and critical-infrastructure operators in America to understand what the threat looks like and how to fight it, Haugh said.

More broadly, Chinese cyberattacks against the U.S. are growing consistently in number and sophistication, he said. It is hard to quantify “be-

cause, of course, we don’t see everything all the time,” Haugh said. But he pointed to the operations of one private Chinese firm, I-Soon, which were revealed in leaked documents earlier this year, as a window into the scope and scale.

I-Soon claimed to have hacked into dozens of government targets, including ministries in Malaysia, Thailand and Mongolia, and universities in Hong Kong, Taiwan and France. The documents showed some of its biggest customers were local and provincial-level bureaus of China’s Ministry of State Security, the Ministry of Public Security and the People’s Liberation Army.

Beijing routinely denies accusations of cyberattacks and espionage linked to or backed by the Chinese state and has accused the U.S. of mounting its own cyberattacks. The U.S. has been gathering evidence against Beijing for years, charging Chinese hackers with stealing secrets.

Haugh said he is working especially closely with U.S. defense contractors to stop China from stealing sensitive information relating to American weapons.

“We know that there’s certainly been a consistent pursuit of that technology,” he said. “What we would think about is, ‘Where do we have an advantage?’ And likely it will be targeted.”

GOP Hawk Aims To Soothe Allies’ Trump Concerns

By Molly Ball

TAIPEI—Sen. Dan Sullivan stood beside the newly elected Taiwanese vice president, making a promise not wholly within his power to keep.

“You can count on the United States of America,” said the Alaska Republican, a silver-haired former Marine who made the trip last week with three Democratic senators.

The Chinese government, which views Taiwan as a renegade province, responded to the inauguration of President Lai Ching-te with military drills simulating a blockade. China’s Embassy in Washington accused the U.S. lawmakers of “interfering in China’s internal affairs.”

But if the senators’ trip was aimed at demonstrating America’s steadfast commitment, such assurances may ring hollow against the backdrop of a U.S. election that has the world on edge. The prospect of former President Donald Trump’s return to the White House has foreign leaders on tenterhooks. The ex-president has sent mixed signals about some of America’s foreign-policy challenges, including hinting that the U.S. might not defend Taiwan if China attacks the island.

news that broke at 4 a.m. Friday in Singapore—Sullivan called it a “gross abuse of our justice system” that “sets a dangerous precedent and pushes our great nation even further into banana republic territory.” On the other hand, some critics argue that Trump’s attacks on the justice system could erode the U.S. reputation as a stronghold for democracy around the world.

Uncertainty over America’s future course is urgent in Taiwan, where *yi mei lun*—roughly, “U.S. skepticism”—has become a staple of political discourse. From the whiplash of the Trump administration to recent American actions in Afghanistan, Ukraine and Israel, questions abound about whether the U.S. can be trusted to stand with its friends.

“Allies are worried about being thrown under the bus,” said Bonnie Glaser, managing director of the Indo-Pacific Program at the German Marshall Fund.

Asked about Taiwan in a Fox News interview last year, Trump wouldn’t commit to protecting the island from a hypothetical Chinese invasion, saying such a promise would “put me in a very bad negotiating position.” His administration was marked by divisions and infighting on China,



Sen. Dan Sullivan, top center, was part of a group of senators who met with Defense Secretary Lloyd Austin last week in Singapore.

as the president vacillated between tough talk and tariffs on the one hand and attempted dealmaking and admiration for Xi Jinping’s authoritarian control on the other, culminating in Trump’s seesaw response to the China-originated Covid-19 pandemic.

Trump’s equivocation in the Fox interview prompted fears that he might seek to use Taiwan as a bargaining chip. A top official on China in the first Trump administration said such fears aren’t wholly unfounded. “I think it’s

pretty obvious that he’s less concerned about Taiwan as an issue in and of itself,” the official said. “But he also knows that this is a point of deep contention with Beijing, and he’s not in the mood to give Beijing wins.” The official added that Trump blames Xi and the pandemic for his loss of the 2020 election.

Sullivan argues that Taiwan is “the 21st Century’s West Berlin,” and that a Chinese takeover “would deeply and adversely affect concrete American national security and economic interests.” A protégé of the late Sen. John McCain (R., Ariz.), he was deployed to the region as a young Marine in 1996, when the administration of then-President Bill Clinton sent ships in response to Chinese missile tests. He has written a bill that would create a trigger imposing devastating economic sanctions on China if it invades Taiwan.

In the Senate, Sullivan has become a leading voice on national security, particularly related to Asia. It was Sullivan who originally proposed adding billions for Taiwan to the funding bill that also included aid to Ukraine and Israel, according to multiple Senate sources. Biden signed the \$95 billion legislation in April after months of delay prompted by conflict between GOP defense hawks and the “America First” school loyal to Trump, largely over Ukraine.

Slipping an IPA in the rooftop lounge of his Taipei hotel, Sullivan pushed back against the isolationism of some in today’s GOP. “Some of my colleagues are like, ‘We can let Ukraine go, but we’re going to be really strong in the Taiwan Strait,’” he said. “Here’s the deal: The

world doesn’t work that way. Deterrence is not divisible.”

In meetings with Taiwan’s senior leaders, Sullivan pressed repeatedly for assurances that the island would rise up in its own defense if attacked.

A Harvard-educated lawyer, Sullivan worked for the National Security Council and in the State Department during the George W. Bush presidency. McCain, the feisty, hawkish Arizona maverick, took Sullivan under his wing soon after the Alaskan arrived in the Senate in 2015, seeing in his military and national-security background a potential kindred spirit.

Honest broker

They traveled the world together. As he lay dying in 2018, McCain summoned Sullivan to his Arizona ranch and asked him to serve as chairman of the International Republican Institute, a nonprofit that promotes freedom and democracy around the world. McCain had chaired the institute for 25 years.

Sullivan is a staunch conservative, but Democrats generally view him as serious and an honest broker. “Sometimes he says things that make me cringe,” said Sen. Tammy Duckworth (D., Ill.), an Army veteran who lost both legs while piloting a helicopter in Iraq in 2004. “Our politics are not generally similar.” But the two have frequently worked together in the Senate, where both serve on the Armed Services Committee.

McCain famously feuded with Trump—one of his dying wishes was that the then-president not be invited to his funeral. Sullivan has managed to stay in Trump’s good

graces. Articulating his worldview, Sullivan could hardly sound more different than Trump, who disdained multilateralism, snubbed traditional allies, praised dictators and spoke of foreign relations in transactional terms. Sullivan prefers to emphasize America’s “commitment to liberty and freedom,” which he sees as an important national-security asset.

“Xi Jinping and Putin, their greatest weakness is that they fear their own people,” he said in an interview in Singapore.

Asked whether Trump shares his commitment to those ideals, Sullivan squirms slightly but answers in the affirmative. “Maybe the rhetoric wasn’t so great, but let’s just look at the actions,” he said. Trump’s foreign policy, he argued, has “been way underrated,” accomplishing a much-needed reorientation of the U.S.-China relationship, making progress toward Middle East peace, boosting military spending and taking tougher action against Russia than his Democratic predecessor.

On Biden’s watch, he argues, the U.S. has projected weakness. Many Republicans’ opposition to the military-spending bill, Sullivan says, had more to do with what he said was the Biden administration’s partisan and equivocal approach than with a desire to abandon American commitments abroad.

Many American allies worry that if Trump is elected again, he would pull the U.S. out of the North Atlantic Treaty Organization and abandon Ukraine. Sullivan says he doesn’t lose any sleep over either prospect.

—Joyu Wang contributed to this article.

No. 1 topic

“Every head of state I’ve met this year, the election is the only thing they want to talk about,” said Sen. Chris Coons (D., Del.), a member of the bipartisan delegation and top foreign-policy adviser to President Biden.

The lawmakers continued to Singapore for the annual Shangri-La Dialogue national-security conference, where delegates buzzed about the Trump-Biden race, knowing its outcome will have a profound effect on an unsteady world. Defense Secretary Lloyd Austin met with his Chinese counterpart, Adm. Dong Jun, who later gave a fiery speech to the conference promising that “anyone who dares separate Taiwan from China will only end in self-destruction.”

Caught in the middle of these political and geopolitical currents is Sullivan, a leading voice in his party on national security who has sought to maintain the GOP’s Reaganite posture in the face of its rising isolationism.

But he is also a loyal Republican: Responding to Trump’s conviction in Manhattan on 34 felony counts—



Top, Sullivan with Taiwan’s newly inaugurated President Lai Ching-te last week; bottom, a screen in Beijing showing news coverage of China’s military exercises near the island.

WORLD NEWS

Netanyahu Signals Openness to Truce Plan

Israeli leader wants an option to resume fighting, but Hamas opposes this stance

Israel’s Prime Minister Benjamin Netanyahu showed cautious support for an initiative by President Biden to end the war in Gaza, with the Israeli

By Rory Jones, Dov Lieber, Summer Said and Anat Peled

leader saying on Monday that he is open to a temporary cease-fire to release hostages but wants a free hand to resume fighting Hamas.

Netanyahu’s position raises questions about whether an agreement can be reached. Hamas has said the two sides must agree to end the fighting now and is pushing for written guarantees that Israel won’t restart after an initial pause.

The Israeli leader told lawmakers in private remarks at the Israeli parliament that the wording in Israel’s current proposal for a temporary truce to free hostages allows it to renew hostilities should later-stage talks about a permanent cease-fire fail to progress, an Israeli official said.

The Israeli military said Monday that four hostages who were kidnapped alive during the Oct. 7 attacks that sparked the war died in Hamas captivity, citing new intelligence. The four hostages are Amiram Cooper, 85 years old; Yoram Metzger, 80; Chaim Peri, 80; and Nadav Popplewell, 51.

Hamas previously said three of the four men died as a result of Israeli airstrikes. Israeli military spokesman Daniel Hagari said Monday the hostages were killed while its forces “were operating in Khan Younis,” in southern Gaza. “We are examining the circumstances in depth and checking all the possibilities.”



Palestinian sisters search for their missing mother in the rubble of a house hit in an Israeli strike in Khan Younis.

Israel says that 120 people who were taken on Oct. 7 remain captive. That number includes 41 who were killed that day and taken to Gaza or subsequently died in the enclave, and whose remains Israel wants returned. Israel says the bodies of another 19 hostages have been brought back to Israel.

Netanyahu told the lawmakers that during later-stage talks for a permanent cease-fire he would insist on freeing all the hostages and destroying the military and governance capabilities of Hamas, the official said. Those demands are likely to be non-starters for Hamas, a U.S.-designated terrorist organization.

“The proposal allows Israel to preserve the right to renew fighting at any time Israel senses that the negotiations are

futile,” the Israeli official said.

Biden appealed publicly to both sides on Friday to reach a deal. In a call Monday with the emir of Qatar, a Persian Gulf state that has played a central role as a mediator in talks, Biden said Hamas is the only obstacle to a cease-fire, the White House said.

In a sign of regional support for Biden’s push, the foreign ministers from Jordan, the United Arab Emirates and Saudi Arabia backed the cease-fire efforts in a virtual meeting Monday with their counterparts from Qatar and Egypt, which has also been mediating negotiations.

Additionally, the Group of Seven advanced democracies “fully endorse and will stand behind the comprehensive” cease-fire and hostage release

deal outlined by Biden, the G-7 said in a statement.

Netanyahu must now navigate between the U.S. pressure to resume negotiations and the insistence of his right-wing coalition members that the war in Gaza must continue until Hamas is destroyed.

His office said over the weekend that Biden’s statement reflected an Israeli proposal, but suggested that the U.S. leader hadn’t fully reflected Israel’s position. Netanyahu’s office insisted Israel would continue to pursue both the release of Israeli hostages and the destruction of Hamas as a military and governing force.

National Security Council spokesman John Kirby on Monday said Biden characterized the Israeli plan accurately. Even before Netanyahu’s

comments on Monday, Hamas expressed skepticism that Israel’s proposal involved a permanent end to fighting. Hamas officials told mediators that they haven’t seen an Israeli plan that matches the potential deal described by Biden. While Hamas has said Biden’s ideas were serious, the group wants a detailed proposal in writing that reflects what he described and includes a comprehensive and lasting truce, Arab mediators said.

Hamas’s chief in Gaza, Yahya Sinwar, is in no hurry to end the war, believing it is drawing Israel into a quagmire that is turning the country into an international pariah and reviving the Palestinian national cause, according to messages Sinwar has sent to mediators from Arab states.

Biden Presses Israel, Hamas

The latest Israeli cease-fire proposal says that no later than 16 days into the first stage of the deal—during which hostages would be freed—Israel and Hamas would enter into indirect talks about a second stage, which would be an end to hostilities, according to a version of the proposal viewed by The Wall Street Journal.

That detail is at odds with the language used on Friday by President Biden, who indicated Israel was open to a more permanent deal, and described “a road map to an enduring cease-fire and the release of all hostages.”

Biden’s speech was designed to put pressure on Hamas to do a deal, said Mairav Zonszein, a senior Israel analyst for the International Crisis Group. But by announcing Israel’s proposal before Benjamin Netanyahu had done so publicly, Biden also was looking to prompt the Israeli prime minister to move forward despite opposition from Israel’s far-right, she added.

Hamas’s political leaders in exile, however, are eager to end the war provided that a deal guarantees the group’s survival and grants it a continued role in governing Gaza.

The indirect negotiations between Israel and Hamas, via mediators from Arab states, have stalled mainly because of disagreement about whether an initial, temporary truce and hostage release would lead to a permanent end to the war.



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

Denise, adopted 17-year-old Amina

LEARN ABOUT ADOPTING A TEEN
YOU CAN’T IMAGINE THE REWARD

ADOPTUSKIDS.ORG



WORLD NEWS

Shaped by Discipline, Modi Nears Third Term

Modest upbringing, secretive nationalist group guided India’s prime minister

VADNAGAR, India—If Prime Minister Narendra Modi wins a historic third term—as he is widely expected to do—when the votes of the nation’s general election are counted on

By *Tripti Lahiri, Rajesh Roy and Krishna Pokharel*

Tuesday, he will be poised to overwrite the legacy of India’s first leader and further his vision of turning India into an economic power that draws national pride from its Hindu past.

Modi’s projected win would give his right-wing Hindu nationalist Bharatiya Janata Party a sweeping mandate and pave the way for a further economic overhaul, after a campaign driven increasingly by religious-identity politics. The prime minister declared victory on Saturday night after the final phase of six weeks of voting—ahead of Tuesday’s ballot count.

Including wins by allies, a BJP-led bloc could capture a

two-thirds majority out of 543 seats in the lower house of Parliament, several polls indicated.

On Monday, markets surged in response to the exit polls, with a benchmark index closing at a record.

Over India’s lengthy national election, Modi has said he and the BJP are planning not for the next five years but for at least the next 20.

“These are the people who really thought that ‘this is my society, this is my country, I want to take it there,’” said Ashwini Vaishnaw, minister of railways in the Modi government. “And you start working—you start galvanizing everybody in that direction.”

For decades, Indians lived in a country that bore the imprint of its first prime minister, Jawaharlal Nehru, an English-speaking, Cambridge-educated member of India’s elite who forged newly independent India into a pluralistic democracy against extraordinary odds.

Reassured by the pledges of independence leaders Mahatma Gandhi and Nehru, millions of Muslims stayed in India in 1947, when two nations were created from British-ruled India, rather than leaving for Pakistan, where Islam

is the official religion.

Modi is from a different mold. One of six children, he grew up in more modest circumstances than Nehru, who was the son of an affluent lawyer. From his childhood, he was drawn to a secretive group that believes Hindu culture defines Indian identity, a principle it calls on India’s Muslims and Christians to accept. The focus of the Rashtriya Swayamsevak Sangh, or RSS, on discipline and obedience, shaped Modi’s worldview and ideas about leadership.

“He believes that a leader has to be a good follower in the first place,” said Urvish Kantharia, the author of a book on the prime minister, called “This Is Narendra Modi,” which Modi gave to visitors when he was a chief minister in Gujarat.

The group, which was founded in 1925 for “national reconstruction,” was banned briefly after a militant Hindu nationalist influenced by its ideology assassinated Mahatma Gandhi in 1948. Modi, born in 1950, encountered the organization when he was 8 years old, as many children in small towns across India have, and was drawn to its discipline.

In his early 20s, Modi ap-



BJP supporters held cutouts of Prime Minister Narendra Modi in Amritsar on May 30.

plied to become an RSS activist, and the group’s state headquarters in the city of Ahmedabad became his home.

“The RSS gave him a sense of identity,” said Nilanjan Mukhopadhyay, a journalist who first met Modi three decades ago, and later interviewed him as chief minister several times for a biography. “It was also a kind of family he was embracing, leaving behind the family he was born in.”

The group is deeply intertwined with Modi’s party. In 1987, RSS leaders tapped Modi to help build the relatively new BJP into a political force.

Modi quickly became known for a relentless work ethic. The defining political cri-

sis of his career came in 2002, when a fire on a train killed nearly 60 Hindu activists. The fire set off days of riots in Gujarat in which more than 1,000 people, most of them Muslim, were killed. Years later, courts in Gujarat found a group of Muslim men guilty of conspiring to start the fire.

In 2012, an investigative team answering to India’s Supreme Court said it found no evidence of wrongdoing by Modi in connection with the riots. Modi has faced calls to express regret or apologize over the 2002 violence, which he hasn’t done. For years, he faced a U.S. visa ban over the violence, but it was dropped once he was elected prime minister.

Modi has denied wrongdoing.

His office didn’t respond to questions or grant a request for an interview.

When Modi took the stage this April in the city of Agra, home of the Taj Mahal, his appearance injected fresh energy into a crowd that had been wilting in the heat. Many raised placards with the slogan: “I am Modi’s family.” They chanted: “One more time: Modi in power!”

The prime minister has encouraged Indians to embrace his journey as their own.

“For me, all of you are Modi,” he said in Agra.

—Shan Li and Vibhuti Agarwal contributed to this article.

New Mexican President Faces Economic Headwinds

By *Anthony Harrup and Santiago Pérez*

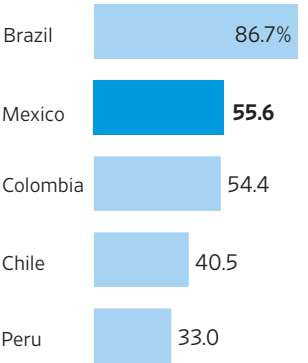
Mexico’s President-elect Claudia Sheinbaum is set to take office Oct. 1 from her predecessor and political mentor, nationalist President Andrés Manuel López Obrador. He leaves a stable economy reflected in a strong currency, and challenges including a security crisis and a widening budget gap.

López Obrador maintained free trade and respected central-bank autonomy, while redistributing wealth through higher wages. The peso rose to its strongest level in almost a decade, bolstered by high interest rates, record remittances and fiscal discipline. Against many expectations, Mexico kept its investment-grade ratings.

The peso weakened Monday as the ruling party appeared on track to win the two-thirds congressional majority needed to make changes in the constitution. “Market participants might find it hard to digest the constitutional legislative majority,” said Gabriel Casillas, chief Latin America economist at Barclays. “It will be key to hear what President López Obrador wants to do with the reforms he submitted to Congress in February.”

The most pressing task for the incoming president, economists say, will be to lower the fiscal deficit that her predecessor increased in his last year in office to complete in-

Debt as percentage of GDP for major Latin American economies*



*Gross general government debt, 2024 estimates
Sources: International Monetary Fund (debt); Bank of Mexico (foreign investment); Tullett Prebon (peso)

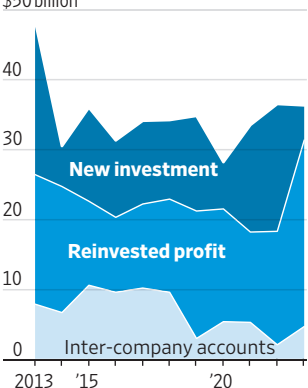
frastructure projects and boost welfare spending.

Cutting the deficit will be difficult given social spending, government support for state oil company Pemex, and the fact that the López Obrador administration used up much of the country’s rainy day funds, said Rafael de la Fuente, chief Latin America economist at UBS.

The López Obrador administration also created challenges, according to economists and political opponents, blocking private and foreign investment in oil and electricity to benefit state energy companies, while redirecting spending and welfare programs toward political goals.

Sheinbaum said she wants to attract billions of dollars in private investment. Mexico will

Mexico’s foreign direct investment



*Axis inverted to show the weakening of the peso

need to ensure a reliable energy supply and provide certainty that rules for investors won’t be changed if her leftist government is to take advantage of the relocation of manufacturing to North America, said Alberto Ramos, chief Latin America economist at Goldman Sachs Group.

Improving public security is necessary to bolster investment and economic growth, economists say.

The economy has shown resilience under López Obrador. While growth averaged less than 1% a year, affected by fallout from the pandemic, unemployment is near a low and consumer confidence near a high.

The increase in debt as a percentage of Mexico’s economic output in the past six years isn’t overly high com-

How many pesos \$1 can buy*



pared with previous administrations or the largest economies in Latin America. “But in his last year in office, López Obrador is assuming public-spending commitments such as pension and welfare programs that in the medium-term risk becoming unsustainable,” said Alejandro Werner, an economist who served at the International Monetary Fund and as Mexico’s deputy finance minister from 2006 to 2010.

Spending, particularly in welfare programs, will be difficult to curb without crushing the government’s popularity, said Malcolm Dorson, head of emerging-markets strategy at New York-based exchange-traded funds firm Global X. The other unpopular option is to raise taxes, he said. Sheinbaum

has said she has no plans for a tax overhaul to hike revenue.

Finance Minister Rogelio Ramírez de la O attributes the wider budget gap this year largely to the completion of key infrastructure works. “Once we complete the jobs, this is not going to be a current budget spending item,” he said.

Sheinbaum, who has pledged economic continuity and support for Lopez Obrador’s nationalist policies, said such infrastructure projects are strategic for the country. “It’s not like we’re going to load up that deficit in the coming years,” she told a gathering of Mexican bankers in April. “We have to lower the deficit and bring it back to 3%.”

State-run **Petróleos Mexicanos**, or Pemex, is the world’s most indebted oil company. It used to be the cash cow of Mexico’s federal government. Pemex has become a financial risk for the incoming administration. With more than \$101 billion in debt, Pemex has relied on tax breaks and government cash injections to meet its obligations.

Sheinbaum has said her government will continue the policies of her predecessor, who sought to bolster Pemex’s dominance of the oil industry, and spent billions of dollars to increase refining capacity with the goal of making Mexico self-sufficient in motor fuels. Sheinbaum, who has a degree in environmental science, has

stressed more commitment to renewable energy but hasn’t specified how she would continue supporting Pemex.

Mexico is expected to be the main beneficiary of the relocation and expansion of production close to the U.S. market, taking advantage of the U.S.-Mexico-Canada Agreement and Mexico’s proximity to the U.S. But it hasn’t seen broad-based economic and foreign-investment growth from nearshoring, as the trend is called.

Among the hurdles are improving Mexico’s infrastructure, including electricity, tackling widespread crime and corruption and cutting red tape, said Kimberley Sperfechter, an emerging-markets economist at London-based Capital Economics.

Security also was a top concern for Mexican voters. The six cities with the highest homicide rates in the world are in Mexico, security experts say. Gangs run U.S.-bound drug-trafficking routes and extort businesses, business groups say.

Insecurity could become an economic problem in the event of an external shock such as a slowdown in the U.S. economy, affecting consumption and investment, said Benito Berber, chief economist for the Americas at Natixis. Mexico would need the political will to dedicate enormous financial and human resources, something governments haven’t done in the past, he said.

Mexico Sees Landmark Victory

Continued from Page One

tration will respect private investment, keep fiscal discipline and central bank independence. The huge scale of the victory came as a surprise in a country that neighbors the U.S. and is a major economic partner—Mexico is the leading source of imports to the U.S.—but also a source of illegal immigration and drugs.

The U.S. will be looking to Sheinbaum for cooperation in stemming the flow of migrants and to tackle theentanyl crisis, said Duncan Wood, a senior adviser to the Wilson Center, a Washington think tank. After lowering homicide rates in Mexico City by half, Sheinbaum has pledged to replicate such results across Mexico, which is plagued by killings, forced disappearances and massive extortion by more than 200 organized-crime gangs.

President Biden called Sheinbaum to congratulate her on her victory, also lauding the Mexican people for the success of their free and fair electoral



Backers of Claudia Sheinbaum celebrate her election win at Mexico City’s Zócalo square.

process. The two leaders emphasized their commitment to their countries’ partnership, which they said would advance democracy, security and prosperity in both countries.

The results also transformed an election widely seen as a referendum on departing President Andrés Manuel López Obrador’s policies into an unexpected opportunity to pass a set of proposed constitutional changes that would spell the biggest overhaul to Mexico’s

political system since it became a democracy in 2000.

The proposed initiatives include allowing for the direct election of judges, slimming down Congress, and getting rid of the autonomous election agency. It would also boost the role of the government in the energy sector.

The stock market’s benchmark IPC index fell 6%, its biggest percentage drop since March 2020, the start of the pandemic. “This is evidence of

fear about Mexico and possible capital outflows,” said Gabriela Siller, head of analysis at Banco Base, a local bank.

Mexico’s ruling party could fall a few seats short of the two-thirds threshold in the Senate, but most analysts said it would come close enough to make it relatively easy to pass its agenda. The changes risk concentrating power in the ruling party, some analysts said.

With 91% of votes counted, Sheinbaum had some 59% of

votes, about twice as many as her nearest competitor Xóchitl Gálvez, who got around 28%.

“We’re now firmly in the territory of one-party rule in Mexico. Not just the presidency and Congress, but across the country. It’s an absolute tidal wave,” Wood said.

López Obrador and many others in Morena have argued that the proposed changes won’t hurt Mexico’s democracy but will improve how it works. The president has long accused judges, for instance, of responding to the interests of wealthy business leaders, and says giving people the power to vote for judges will make them more accountable.

The ruling Movement of National Regeneration, known as Morena, won seven of nine gubernatorial elections, including in the capital, Mexico City, and 253 of Mexico’s 300 directly elected congressional districts.

The scale of victory raised a prospect that had largely been dismissed before the vote: that López Obrador, who is legally barred from re-election, can pass his agenda before stepping down in October.

In the past few years, opposition lawmakers and the Supreme Court have blocked most of López Obrador’s deeper changes, frustrating the president, who blames Mexican elites for barring

overhauls that he said would help the country’s poor.

Now, the popular leader might get his chance. López Obrador will still be in power for just over a month after the new Congress takes office in late August, giving him a window to pass the changes that had been stalled or blocked. He submitted the initiatives to Congress this year, but legislators haven’t voted on the proposals because it seemed unlikely they would clear opposition objections. That appears set to change.

“September will be the most revolutionary month that Mexico has experienced in this century. López Obrador will still be president and he’ll have a Congress that owes him their jobs,” said Antonio Ocaranza, a Mexican political analyst.

Sheinbaum has enough of a mandate to try to prevent some of López Obrador’s more controversial changes even before she takes power, but it remains to be seen whether she will, Wood said.

—Santiago Pérez contributed to this article.

Watch a Video

Scan this code for a video on Sheinbaum’s landslide win in Mexico’s election.

FROM PAGE ONE

New Phone Etiquette: Text First

Continued from Page One
have come to find a phone call without warning unacceptable. Those who call without warning, in turn, find the phone-call-phobic rigid to the point of absurdity: calls aren't "unannounced"—the ringing is the announcement, with more than 100 years of precedent. "I just don't think calling is that big of a deal," says Aparna Paul, 41, of North Easton, Mass., director of communications for a nonprofit. She frequently calls friends and family out of the blue. Once when she needed to get

a work task done that required contacting a colleague, she dialed him up without texting or emailing first. "The co-worker was very annoyed that I called him," she says. "Extremely annoyed."
Paul is flummoxed by the shift toward some unwritten rule that a phone call must be a planned event: "To me it's a little bit narcissistic to think your time is so important that I have to pencil myself into your schedule for a two-minute call."
Expectations for communicating by phone tend to fall along generational lines, though outliers exist. Those who grew up with landlines and can remember having to pick up a phone to know who was on the other end often aren't as perturbed by an unannounced call.
People who've been texting away on cellphones since high

school expect a heads up.
Preference for text messaging is highest among those aged 18 to 24, followed by those 25 to 34, according to a December survey from YouGov. Among 2,000 white-collar professionals surveyed by recruiting firm Robert Walters in March, just 16% of those who are Gen Z thought the phone was a productive form of professional communication.
Merci Grace, 39, an investor in San Francisco, finds unannounced calls intrusive. She would just as soon not receive unscheduled calls—or calls of any kind—unless there is a specific reason. Her husband finds specific reasons to call her all the time.
While she was in Fresno with her sisters recently, he

Wait, what do I do?



called twice in quick succession: the first to tell her something the dogs had done. The second call prompted concern from one sister.
"I had to tell her, 'Oh, he's Gen X, he just calls me when he absolutely could have and should have texted me,'" says Grace. "I have found it's healthy for my marriage to not try to change his behavior."
Yanda Erlich, Grace's husband, considers phone calls among his love languages. "I like hearing her voice," says Erlich, 46, chief revenue officer of an AI startup.
Diana Fox, 38, of Miami Beach, Fla., finds calling more efficient than texting and then sitting around waiting to schedule the call. As the founder of Odyssey Gaming, which makes online games,

her work is often time-sensitive. She doesn't buy the argument that calls are intrusive and has found herself explaining to business partners that there's a decline button they're welcome to use.
Stevie Steinberg, 24, an electrical engineer in San Francisco, doesn't have an issue with unexpected calls because no one in his life would ever call him unless a call was agreed upon over text first. This includes his parents, brother and friends. The exception is if while making plans there have been so many texts that it's faster to get on the phone; even then there's an understanding that a call might be coming.
The three times Steinberg can think of when he received calls without first being notified by text, someone had died. He now associates unplanned calls with emergen-

cies and generally bad things.
"If I was driving and I got a call from, I don't know, someone who lives near me maybe, I'd think my apartment was on fire," he says.
Vanessa Lincoln, 24, often calls friends without texting first. "A lot of people in my generation have phone anxiety. They get freaked out by the idea of answering the phone," says Lincoln, who lives in New York City and works at a consulting firm. "I've never been like that."
Sometimes when Lincoln and her parents, in Washington state, are done talking over FaceTime, they stay on the call—spending time together but doing other things.
"I kind of like FaceTime because you don't have to be talking," says Lincoln. "You can kind of just hang out... I don't know if that is a normal thing to do."

Altman's Investment Empire

Continued from Page One
Altman and his venture funds have invested in more than 400 companies by Altman's own estimate, including Stripe, Airbnb and Reddit. The holdings are managed by his family office and rival the value and size of some full-blown venture firms.
Altman has added to his startup stakes by drawing on a debt line from JPMorgan Chase, his longtime personal bank, allowing him to pour hundreds of millions of dollars more into private companies. Altman's strategy is rare among venture capitalists given the volatile nature of startup investing. Taking on such personal levels of debt is a gamble.

Potential conflicts

A growing number of Altman's startups do business with OpenAI itself, either as customers or major business partners. The arrangement puts Altman on both sides of deals, creating a mounting list of potential conflicts in which he could personally benefit from OpenAI's work.
OpenAI is in talks for a deal with Helion, a nuclear-energy startup that is chaired by Altman, in which it would buy vast quantities of electricity to provide power for data centers.
The 11-year-old company is planning to build nuclear-fusion power plants, a technology that doesn't yet exist in a usable format. Altman invested \$375 million in Helion in 2021, his largest startup check ever written. The startup signed on Microsoft, its first customer and OpenAI's largest investor, last year.
Altman has recused himself from the deal talks between OpenAI and Helion, which haven't been previously reported.
Last month, OpenAI announced a partnership with Reddit in which it would pay to bring the site's content to ChatGPT and other AI products. Altman and entities he controls own 76% of Reddit, making him the third-largest outside shareholder, and he briefly served as its CEO in 2014. Reddit's stock shot up 10% after the announcement, boosting Altman's stake by \$69 million to \$754 million. Altman didn't lead the partnership talks, OpenAI said in a blog post.

Altman's more recent investments have focused on companies that aim to capitalize on the artificial intelligence boom being driven by OpenAI. Apex Security, in which Altman invested an undisclosed amount last summer, aims to sell cybersecurity software to companies using AI products such as ChatGPT. He also invested an undisclosed amount in Exowatt, a startup tackling the clean-energy needs of big data centers used by AI companies.
Through a spokesperson, Altman declined to comment on any potential conflicts of interest between OpenAI and his personal investments.
Altman has "consistently followed policies and been transparent about his investments," said Bret Taylor, the chairman of OpenAI's board. "Sam is fully focused on his role as CEO. We carefully manage any potential conflicts and always put OpenAI and our mission first," Taylor said. "Our fully independent audit



Clockwise from above left: OpenAI CEO Sam Altman; Steve Huffman, co-founder and CEO of Reddit, in which Altman had a stake worth \$413 when the startup went public in March; Reid Hoffman, who left the board of OpenAI last year.



committee reviews all potential conflicts involving directors and officers to ensure the best outcomes for OpenAI." (News Corp, owner of The Wall Street Journal, has a content-licensing partnership with OpenAI.)
Public company boards typically bar executives from taking large stakes in outside ventures. The worry is that executives will strike deals or favor partnerships that help the companies they own. Even if a CEO recuses him or herself, staff is put in the awkward position of negotiating against their boss' personal financial interests.

Limited information

In November, Altman was temporarily ousted by OpenAI's other board directors, who cited a lack of candor in his communications. Among the concerns were his mounting list of side projects and potential conflicts of interest. Altman was reinstated later that month, after prevailing in a leadership battle with the board. Three of the four board members who had voted to remove Altman left when the CEO returned. Taylor, the current board chairman, joined at that time.
Some of the directors who ousted Altman felt he was giving them so little information about the size and scope of his startup holdings that it was becoming impossible to understand how he might personally benefit from deals the company pursued, people familiar with their thinking said.
This article is based on interviews with dozens of founders, investors and friends who are close to Altman, as well as investment filings.
Altman began startup investing while running Loopt, the social-networking startup he founded shortly before drop-

ping out of Stanford University in 2005. While Altman didn't have deep sources of cash, he got access to up-and-coming startups thanks to his mentor Paul Graham, the co-founder of the influential venture firm Y Combinator, which had invested in Loopt.
Altman had luck with his second-ever startup investment. In 2009, Graham introduced him to John and Patrick Collison, two young Irish entrepreneurs who were dreaming

fuel. Hydrazine's largest outside investor was PayPal co-founder Peter Thiel, another mentor of Altman's.
In 2014, Altman became president of Y Combinator. By then he had already invested in 40 companies, he wrote in a blog post, adding that five of them increased in value by 100 times or more.
His personal wealth had also skyrocketed. These days, he has vacation homes in Napa Valley and Hawaii, and owns a collec-

Altman and his venture funds have invested in more than 400 companies.

tion of sports cars from luxury manufacturers such as Koenigsegg and McLaren.
Altman continued to run Hydrazine even while running Y Combinator—an unconventional setup in Silicon Valley, where venture fund leaders are typically barred from managing their own venture funds in order to stay focused on making money for their firms.
The arrangement fueled allegations of hypocrisy among other partners at Y Combinator, including its current president Garry Tan, who were banned by Altman from also



Engineers at fusion-energy startup Helion test equipment in Redmond, Wash. OpenAI is in talks for a deal with Helion, which is chaired by Altman.

managing their own venture funds, according to people familiar with the matter. Tan declined to comment.
Hydrazine bought out a portion of startup shares owned by Graham, a transaction that gave Altman stakes in some of the hottest companies backed by Y Combinator.
In September 2014, Hydrazine also made a \$28 million investment into Reddit, the messaging-board site Altman had grown obsessed with ever since meeting the company's founders in 2005 through Y Combinator. Altman assembled the rest of the funding round, bringing in investors including Thiel, rapper Snoop Dogg and venture firm Andreessen Horowitz.
Altman joined Reddit's board of directors and helped appoint its current chief executive, Steve Huffman, the following year. Altman built his position over the years through various funds and holding companies, giving him a stake worth \$413 million when the startup went public in March. Reddit announced in January 2022 that Altman had recently stepped down from the board.
Founders came to revere Altman's decisive style. He often made the decision to invest on the spot—sometimes before founders even finished pitching their companies. Altman recruited startups in energy and biotechnology into Y Combinator. He personally invested his own money as well, sometimes taking board seats in the most promising companies.
In 2014, he recruited Helion to join Y Combinator's incubator. He also put his own money into the nuclear-fusion startup, becoming its chairman the following year.
In the field of artificial intelligence, Altman invested in Y Combinator-backed startups such as the

chip makers Cerebras Systems and Rain AI. He also began spending more of his time overseeing OpenAI, the non-profit he co-founded in 2015 with Elon Musk.
In 2019, Altman was asked to resign from Y Combinator after partners alleged he had put personal projects ahead of his duties as president. Altman dialed up his startup investing in 2019, when he left to run OpenAI full-time.

Personal checks

That year, he negotiated the debt line with JPMorgan, pledging his growing portfolio of private startups as collateral through a limited liability company called Altman HoldCo.
The deal allowed Altman for the first time to write personal checks at the scale of a large venture firm, while reducing his reliance on Hydrazine, where he had to share profits with outside investors. In 2022, shortly after he poured hundreds of millions into Helion, Altman also invested \$180 million into the life-extension lab Retro.
Altman also used the debt line to back a new venture firm he co-founded in 2020 with his brother Max, called Apollo Projects.
Altman's arrangement—where much of his wealth is tied up in outside ventures but not OpenAI—pushes the boundaries of traditional corporate governance, according to tech lawyers. Most startup founders have their wealth tied to their companies, fueling motivation to make their companies succeed.
Beyond Helion, Altman has steered OpenAI's business to at least one other startup he backed. In 2019, OpenAI signed a letter of intent to buy \$51 million worth of AI chips from Rain AI, a startup he backed the prior year.
OpenAI operates a for-profit arm that has raised billions of dollars from Microsoft but remains governed by a nonprofit board of directors. Among the new provisions established following Altman's return was a strengthened conflicts policy and a new, independent audit committee that reviews potential conflicts involving directors and officers.
In March 2023, Reid Hoffman, who co-founded the rival AI company Inflection AI the previous fall, said he stepped down as a director of OpenAI's board to avoid the perception that he and his venture firm Greylock were profiting off the software sold by OpenAI.
The next month, Altman suggested to board members that Adam D'Angelo, the CEO of Quora, step down from the board after Quora began developing its own generative AI chatbot called Poe, which is also an OpenAI customer, people familiar with the discussions said. D'Angelo is the only director still on the board among those who temporarily ousted Altman in November.
While not publicly addressing his own outside interests, Altman discussed the issue of conflicts as it related to D'Angelo and his efforts developing Poe, in a November post on X.
"We expect that if OpenAI is as successful as we hope it will touch many parts of the economy and have complex relationships with many other entities in the world, resulting in various potential conflicts of interest," Altman said. "The way we plan to deal with this is with full disclosure and leaving decisions about how to manage situations like these up to the Board."

—Deepa Seetharaman and Jim Oberman contributed to this article



FAMILY & TECH
JULIE JARGON

Fake nude photos sparked an uproar in a New Jersey high school last year. Six months on, the images—created with artificial-intelligence apps that merge a classmate’s face with a naked body—are rippling through schools of all kinds.

For the people depicted in those images, often young women, the pictures set in motion feelings of shame, fear and a loss of control. Their parents are often totally unaware.

High-school girls in Westfield, N.J., where the images were shared in group chats, said they were humiliated by the experience. Subjects of these AI-generated images also bear judgment and bullying, according to interviews and surveys conducted by the Human Factor, a conflict-resolution strategy firm whose founders spent time with students.

“They would be looked at as dirty, despite their word that it was fake,” said one Las Vegas teen who participated in the research project. “No matter what, there would be people who don’t believe them.”

The researchers spent two days in Westfield, an affluent suburb, in February, interviewing students, parents and other community members. The company then surveyed more than 1,000 students, educators and parents nationwide in March and April, and came up with guidance for parents and educators. (More on that below.)

When students were asked who would be more affected by fake nudes, the person who created them or the victim appearing in them, 73% said the victim.

“Even if it was debunked as a fake image, the subject would still get bullied and made fun of,” a student in El-dorado, Ill., said.

“Their morals would be questioned,” a student in Seale, Ala., said.

“People will see them differently,” a student in Levittown, N.Y., said.

Until recently, few students knew that photos of themselves on social media could be rendered nude by other kids using AI. Dozens of “face swapping” and “clothes removing” tools are now available online at little or no cost. The situation is adding to teens’ stress levels.

Images have impact

Images are often remembered more than spoken or written words, because of a phenomenon called the picture superiority effect. Even when photos are deleted or disappear in messaging



Fake Nudes Created by AI Become a Reality for Teens

Girls portrayed in such images can feel shame, even when everyone knows the photos aren’t real



▲ Fake nude photos of female students at Westfield High School in New Jersey were circulated last year in group chats.

apps, the researchers found, classmates aren’t likely to forget them. And the images generated are so realistic it’s almost impossible to tell what’s fake.

Two-thirds of the students surveyed by Human Factor said it was likely they’d assume a photo was real if it looked real, espe-

cially if they thought the victim was the type of person who would share a nude photo. Only one-third said they would ask the person if it was real.

The researchers also found that the only people who can effectively report this to authorities are fellow students, because photos are either shared in private group chats or on disappearing-message platforms

such as Snapchat.

Parents rarely if ever see the images, unless they are aggressively monitoring their kids’ chats.

Without an adult authority in the mix, the fake nudes can spread with few speed bumps. Students in the survey said they wouldn’t report the images to school authorities if they saw them in a group chat for fear of getting in trouble. Students also said they would only confront someone who created the images if they knew the person well.

Incidents similar to that in Westfield have taken place at schools across the country.

Five students at a Beverly Hills, Calif., middle school were accused of creating AI-generated nudes of classmates and expelled, as was a student at a Washington state high school. Two teenage boys at a Miami middle school who allegedly created and shared fake nudes of classmates were arrested and charged with felonies. Several other schools have investigated reports of such images being shared.

In March, the Federal Bureau of Investigation issued a public advisory stating that it is illegal for anyone—even teens—to use AI to create child sexual-abuse material.

This might just be the beginning. Approximately 60% of the students the researchers surveyed said they believe their peers would use AI to generate fake nude images.

Kathleen Bond, a partner at Human Factor, grew up in Westfield and graduated from the high school in 2014. She and Rachel Moore Best, the firm’s founder, wanted to understand how students would react to such incidents, what would prompt them to report such images and what par-

ents and educators could do to prevent it from happening at other schools.

They funded the research themselves and plan to share their findings and recommendations with school districts, teacher organizations, the national PTA and youth groups.

What can be done

The researchers urge parents to talk to their kids about proper use of AI image-generating tools. They suggest schools do the following:

- Update student codes of conduct to include fake nudes, spelling out the consequences for creating and sharing generated nude images.
- Encourage and enable students to report when they see one of these images.
- Perform role-playing exercises with students to explore hypothetical scenarios. The researchers designed 45-minute exercises for schools to use.
- Run a campaign where students experiment with AI to generate images to raise awareness of appropriate and inappropriate use of generative AI.

Restaurants Ditch The QR Code Menu

By ALINA DIZIK

Not that long ago, QR code menus were the go-to fix for restaurants looking to speed up service without hiring more servers. Then diners staged a revolt.

Complaints over QR codes include customers who say they need to squint to figure out their order. Others are worried about privacy. And some people simply have trouble with the technology itself or feel it kills a restaurant’s upscale vibe.

At a recent Las Vegas brunch, Oz du Soleil walked out before ordering his usual mocha latte because of the QR code menu. Du Soleil says navigating the QR menu on his phone felt like work, and he worried about privacy.

“It’s like self-checkout or putting your own IKEA stuff together,” the 59-year-old software trainer says.

Faced with these complaints, many sit-down eateries are reverting—ditching the QRs for paper menus. Some restaurants are maintaining a variety of models in which QR codes play a secondary role. They might access anything from additional menu details to special events or ways to pay the bill.

“In the restaurant industry, the QR code menu is seen as a little bit tacky,” says Teddie King, director of operations at Zuma, a Japanese restaurant chain.

Zuma, known for swanky seafood

and high-end beef, stopped using QR codes on menus two years ago but still uses them for special events and catering menus. Many guests asked to have the print menus back.

No fan of the scan

The pushback sometimes falls along generational lines.

At Farm Bar, a Chicago restaurant with two locations, only one is discontinuing some QR code offerings. Customers at the other location, in the city’s Lakeview neighborhood, skew younger and enjoy the more efficient service they get by using a QR code, says Joshua Hampton, a server who works at both locations. The biggest hurdle can be telling customers to take out their phones.

“Getting started with the QR is the worst thing about it,” Hampton says.

At the location where the clientele skews older, he brings diners a restaurant tablet if they struggle to access the menu on their phones.

Menus accessed only by smartphone make swapping out menu items or adjusting prices easier, says Rich Fox, operating owner of Yes Parade Restaurant Group in Seattle.

But the codes have frustrated customers, the owners and employees at the company’s 12 restaurants, he says. Using QR code menus at the company’s chef-driven restau-



rants lowered check averages by 10% because diners often didn’t scroll through all of the offerings. That, in turn, lowered tips for servers.

Some of the group’s restaurants, including Sabine, have taken a hybrid approach. While diners receive printed menus during dinner, the restaurant uses a QR code for lunch visitors who initially order at the counter and want to reorder without getting up.

More niche uses

Flour + Water, an Italy-meets-California restaurant in San Francisco, still adds a QR code to the printed wine menu. Servers are taught to walk diners through the wine list. Those who want even more information can read some of beverage director Sam Bogue’s tasting notes and view a map of each wine region as well as details about individual

producers. Roughly 100 people click on the offering each month.

“It’s kind of the more granular stuff. It’s not meant to be a tool for every guest,” Bogue says.

Half of respondents to a January survey said having QR codes wouldn’t encourage them to visit a restaurant more often, according to data from Technomic, a market-research firm. In 2022, 88% of consumers preferred paper to QR code menus when dining at a sit-down restaurant, the company found.

It isn’t just older diners who resist using QR codes, says Nicolas Geeraerts, chief operating officer of New York-based John Fraser Restaurants. Even younger and typically tech-savvy consumers sometimes struggle to navigate what were sometimes clunky menu PDFs online.

“We found we were starting to alienate people,” he says.



Physical menus are being rolled out at Nami Nori in Brooklyn, left. Farm Bar is sticking with the use of QR codes at its two locations.

The restaurant group has switched entirely away from online menus in its fine-dining establishments while still using them in its more-casual spots.

In Seattle, Alex Sourov, 49 years old, says he prefers using the QR code to pay but wants to peruse a printed menu at the start of a meal. While taking out his phone early on can be annoying, the retired software professional wants the ability to check out without waiting for the server to run his credit card.

“You’re already done and want to get out,” he says.

Lisa Limb, managing partner of three Nami Nori Japanese restaurants in New York and New Jersey, has had “long discussions” about doing away with QR code menus. A few years after implementing QR codes, the restaurant is relaunching printed menus.

PERSONAL JOURNAL.

Estate Fights Tear Stepfamilies Apart

Lawyers say contested wills among blended families are becoming more common, and the damage can be irreparable

By Ashlea Ebeling

More American couples are coming together with children from prior relationships. It often goes well until it comes time to read the will.

When a parent dies, the typical order of operations for married couples with children is for everything to go to the surviving spouse, and then to their children. But this can be a disaster for blended families since a surviving spouse often has no obligation to leave assets to stepchildren.

Stepchildren have lost out on their inheritance, while stepsiblings got it all. Arguments have turned nasty. Some families stop speaking to each other without lawyers present as the bills mount. The damage can be irreparable.

“Once the tie that binds dies, there’s no longer a need to get along,” said Marya Robben, an estate lawyer with Lathrop GPM in Minneapolis.

In one case she handled, the children changed the locks and kicked their stepmom out of the house before the funeral. In other cases, adult children were shocked to discover they were passed over and their parent’s new spouse or partner got everything.

“Adult children do not have a right to an inheritance,” Robben said.

More than one in five opposite-sex couples in the U.S. who lived together in 2021 had at least one partner who had a child with a prior partner, according to the U.S. Census Bureau. Though there is no public data on the number of will contests among blended families, lawyers say it is becoming more common.

Hard decisions

For blended families, the key to staving off a crisis later is complex estate planning. When there are new spouses and children from previous unions involved, there are many confounding choices that will have to be made.

Barbara and James Kurtz established a joint trust in 1995 to provide their children with equal shares of what remained in the trust when the second parent died. But according to a lawsuit filed by Barbara’s children, after Barbara died in 2010, James effectively moved all the assets into a new trust. Then he named his son the sole beneficiary.

When James died in 2020, Barbara’s children weren’t beneficiaries. Their lawsuit argued that the assets should be clawed back and distributed under the terms of the joint trust.

Last year the Michigan Court of Appeals ruled that James wasn’t entitled to withdraw all of the assets from the original trust after their mother’s death. A trial



is scheduled this summer to identify what assets in the new trust are traceable to the joint trust that James attempted to terminate. The children declined to comment.

The risk of such scenarios can be reduced with better planning, estate lawyers said.

Using separate trusts outside the main estate plan works well to guarantee children get their inheritance, especially if the stepparent is close in age to the children, said Caroline McKay, a senior wealth strategist at CIBC Private Wealth.

Another option is giving the children money while you’re alive, or leaving them a specific dollar amount or percentage of the estate

upon your death. Other families will keep their biological children in the main plan and will fund a separate trust for the new spouse and stepchildren, McKay said.

Case for a ‘prenup’

In addition to a carefully drafted will or trust, a prenuptial agreement is often a crucial estate-planning document for blended families.

When Helen Pickle, a retired teacher and widowed mother of two, and Tom Normand, an estate planner and divorced father of three, got married, they wanted their separate property to go to their respective children when they died. So they signed a prenup.

Under Texas law, the default rule says that when one spouse dies, the surviving spouse keeps half of the community property and has no right in the deceased’s separate property. Most states allow a surviving spouse to claim what is called an elective share, typically one-third or one-half of the estate, unless waived.

Marriage automatically gives surviving spouses legal protections in addition to property rights that should be addressed before the wedding, Normand said. He waived his state homestead right to Pickle’s house where they live, because she wants it to go to her children.

Spouses typically get to make medical decisions and funeral arrangements for each other, which can cause rifts if children have different ideas than the surviving parent.

Normand’s ex-wife, the Rev. Ann Normand, went the prenup route when she remarried.

When she and Bishop Rayford High Jr., a widower with three adult children, were engaged in their 70s, they went to breakfast with a retired bishop friend. “He said, ‘You need a prenup.’ That was the only pre-

marital counseling he gave us,” said Ann, who has three adult children.

Separate inheritances

Patricia Schultz, a retiree in Sycamore, Ill., was in her 50s when she got remarried. She had three adult children and her husband, Donald, had five.

In their first estate plan, they left 100% to each other, with the remainder going to the children upon the second spouse’s death. But then Schultz’s father told her and her sister that he was leaving them a nest egg from the sale of his construction business, and he wanted it to be passed down through the bloodline.

“It was not an easy conversation to have with my husband,” Schultz said. With his acceptance, she set up a separate trust with the inheritance from her father, naming herself as trustee and her biological children as beneficiaries, to guarantee only they would benefit from it after her death.

Blended families should consider naming an outsider as executor or trustee instead of a relative, a biological child of one parent, or even one child from each side, said Paul Hood, a retired estate planner in Hazel Park, Mich.

Heather and Andy Hetchler of Cleveland brought a combined six children under 10 into their marriage 17 years ago. In their first round of estate planning, choosing guardians was the most important decision. In their latest plan, with their children now in their 20s, they named Heather’s brother as successor trustee, instead of one of their children.

“That would look like favoritism,” she said.



▲ Bishop Rayford High Jr. and the Rev. Ann Normand were counseled to have a prenup agreement.



◀ Helen Pickle and Tom Normand wanted their separate property to go to their respective children when they died.

Skip Giving Businesses Your Social Security Number

By Heidi Mitchell

It seems like every time we have to fill in a form, we get asked for nine very valuable numbers.

Looking for a gym membership? A certification? A loyalty card at the supermarket? Very often, the business will request our Social Security number—and very often, we provide it without a second thought.

But in doing so, we leave ourselves open to cybercriminals. Thieves who get access to our Social Security numbers can use it to commit serious fraud, such as applying for credit cards, loans and government benefits in our names.

In many cases, there’s a simple solution: Just say no. According to privacy and security experts, in many situations we shouldn’t have to turn over our number. And if we refuse to give it, organizations often will back down.

“Skip it if you’re filling out some-

thing that isn’t a legal document, related to a loan or opening a financial account,” says Rachel Tobac, chief executive of SocialProof Security, which helps companies protect themselves from malicious hackers. “If somebody then comes up to you and says, ‘Unfortunately, it stinks, but we really need to get your Social Security number to verify you,’ you can simply ask them to access your records with some other form of ID and see what happens. Sometimes, they should be able to.”

Numbers at risk

Businesses and other organizations are allowed to ask for your number. “Businesses, banks, schools, private agencies, etc., are free to request someone’s number and use it for any purpose that does not violate a federal or state law,” the Social Security Administration says on its website.

In some important or official situations, of course, you can’t get around it. You must supply the number to anyone running a credit check, for instance, or to government agencies that provide benefits such as student loans and veterans’ assistance.

Then there are businesses and groups that don’t technically need the numbers—which are designed to track workers’ wages and benefits—but they are now used as a convenient identifier and even as a password or login mechanism. “Social Security numbers have migrated

into bureaucratic systems, hospitals, educational institutions and eventually into private record-keeping,” says Sarah Igo, a professor of history at Vanderbilt University. “These numbers are not secure, yet they have become a sort of proxy national identification number.”

No single federal law regulates the collection and privacy protection of Social Security numbers for all agencies, according to experts, and at the state level, laws can vary widely—when there are laws.

What’s more, you don’t have a ton of recourse if someone asks for your number. “The decision is theirs,” says Social Security Administration spokesperson Nilsa Henriquez. “However, they should know that refusing to give the number

might mean doing without the purchase or service for which the number was requested.”

No sweat

But in practice, experts say, if you refuse to provide a number, requesters will sometimes agree to drop the matter. They don’t want to sour a relationship with a customer, and very often they are asking for it out of inertia—they don’t care about the numbers but already have forms printed up with a space for them. The businesses often don’t even know why they ask for the information.

Eva Velasquez found herself in that situation when she took her son to a new dentist. The office asked her to supply not only his So-

cial Security number, but also her own. “I wasn’t comfortable putting them on the form, so I politely asked if it was necessary,” says Velasquez, the president and CEO of the Identity Theft Resource Center, a nonprofit that helps victims of identity crimes. They told her she could leave the numbers off.

In many cases, your driver’s license or passport should be enough to verify that you are who you say you are, according to experts. “I would simply politely explain how Social Security numbers are often used for identity theft, and seeing as a customer is not required to provide them, could they please offer an alternative?” says Chester Wisniewski, director and global field chief technology officer at Sophos, a cybersecurity company.

Alan Butler, executive director and president of the Electronic Privacy Information Center, an advocacy group that defends privacy online, urges people to ask plenty of questions to show their concerns.

“Ask them, where will it be stored? For how long? Will it be encrypted? Who will have access to it? These are legitimate questions,” he says.

Answers to these questions will help determine whether their practices and procedures are adequate enough to earn your trust. It is difficult to evaluate what constitutes a true red flag, says Wisniewski, so go with your gut. “But if they ask you to send your number by email, that’s not a good sign,” he adds.



CLOCKWISE FROM TOP: DANNY KOPPIES/ISTOCK (6); HELEN PICKLE; ANN NORMAND

JON KRAUSE

ARTS IN REVIEW

By **PETER PLAGENS**

Chicago
At 6-foot-1, the Chicago artist Christina Ramberg (1946-1995) found it hard to find clothes that fit, so early on she turned to making them herself. Sewing taught her about patterns and methods of garment construction, which show up in her paintings as mechanized silhouettes painted with brushstrokes as precise as the stitching in a bespoke collar. Added to these ingredients were an intense appreciation for the shapes in Ernie Bushmiller’s comic-strip “Nancy,” a subtle sense of muted color, and more than a hint of S&M. This arresting mix, highlighted in “Christina Ramberg: A Retrospective” (at the Art Institute of Chicago through Aug. 11, before traveling to the Hammer Museum in Los Angeles and the Philadelphia Museum of Art), yields one of the best exhibitions of contemporary art in recent memory.

Although Ramberg fits chronologically and stylistically into Imagism (the Chicago style of odd-ball figuration from the 1950s and ’60s—of such artists as Jim Nutt and Roger Brown—that was inspired by surrealism and “outsider” art), her version is literally and metaphorically darker—an open and disarmingly honest pursuit of something profound about individual human existence that, strange as the comparison may seem, brings to mind the transcendence in a Rembrandt self-portrait.

The daughter of a piano-teacher mother and a father who was a high-ranking officer in the U.S. Army, as a child Ramberg moved around the world to the bases where he was stationed. The family finally landed permanently in Highwood, Ill., a northside Chicago suburb. While in high school, Ramberg took a summer class at

Patterned Provocations

A show displays the sly, crisply executed works of Christina Ramberg



A panel from Ramberg’s ‘Hair’ (1968), above; ‘Untitled (Hand)’ (1971), above right.

the School of the Art Institute of Chicago, and enrolled as a full-time student the following year. Eventually, she became part of SAIC’s faculty, as well as chair of the painting department. (The school is known for what some there call the “ingrown toenail” of its alumni-heavy teaching staff, but Ramberg and a few other exceptional teachers make that look like a reasonable practice.)

Ramberg’s breakthrough moment was “Hair” (1968), a work that constituted her undergraduate thesis show. She used small, square Masonite panels (the cheapest painting formats available in the student store) to lovingly render “portraits” of women’s heads as seen from the back—namely, hairdos with hands helping keep them

in place. The pictures are slightly cartoonish (that is, flat with no modelling), gently satirical, and—as is true with almost every painting in the exhibition—deceptively subversive on matters of sex, style and femininity.

From 1969 to 1980, Ramberg kept a diary where she mused upon her desire to have affairs (she had married the artist Philip Hanson in 1968, the same year she both finished her bachelor’s degree and was in her first exhibition); her fascination with the imagery of sadomasochism, especially bondage; and her guilt



over both her attraction to S&M and attempted denial of it. In October 1973, Ramberg gave birth, but the baby was premature and died shortly thereafter; the event and its troubling aftermath constituted one of the diary’s longer entries. (She later had a son, Alexander.) Whatever Ramberg’s inner turmoil regarding sex, she made several illustrations, in her almost instantly recognizable style, for Playboy (headquartered in Chicago at the time).

While Ramberg’s paintings are executed crisply and cleanly—almost obsessively so—“neat divisions of Ramberg’s archival material are artificial,” says co-curator Thea Liberty Nichols in the exhibition’s excellent and superbly designed catalog. (The show’s other curator is Mark Pascale.) “Her diary contains sketches, her sketchbooks contain long diaristic passages, and within her studio, she kept all of these items within arm’s reach.” Ramberg also took and saved any number of 35mm

slides of strange objects and advertising signs, and collected hundreds of dolls—from handmade and folksy to commercial souvenirs—that she hung as an overflowing wall installation in her apartment.

Although Ramberg was a remarkably consistent artist, four paintings from 1980-81—each about 50 inches high by 40 inches wide—are exceptional. They are “Sedimentary Disturbance,” “Hearing,” “Black ’N’ Blue Jacket” and “Simultaneous Emergence.” Schematically, each is of a headless female body depicted from shoulders to midhigh. The paintings draw us into a surreal world where in place of sexual organs there are tiny, partial human figures. Because of the formal aesthetics—designs that rely on compact shapes with subtle variations in the background color of each—things are haunting but not the least bit grotesque. “Haunting,” in fact, is the adjective that best applies to all of Ramberg’s art save for the textile works she produced throughout the 1980s that are at the end of the show. (Although these are technically impressive, they are rather an anticlimax to her paintings.)

In 1989, while chair of the painting department at SAIC, Ramberg was diagnosed with Pick’s disease, a form of dementia. She spent the last years of her life in an assisted-living facility where she was regularly visited by Mr. Hanson, from whom she was separated, and artist-friends who would take her for walks on the grounds. Ramberg died on Dec. 10, 1995, not yet 50 years old.

Christina Ramberg: A Retrospective
Art Institute of Chicago, through Aug. 11

Mr. Plagens is an artist and writer in Connecticut.

ARTS CALENDAR

HAPPENINGS FOR THE WEEK OF JUNE 4

By **WSJ ARTS IN REVIEW STAFF**

Film
“**The Watchers**” (*June 7*)
An artist, played by Dakota Fanning, finds herself trapped in an Irish forest with strangers and pursued nightly by mysterious creatures. If this debut feature sounds Shyamalanesque, that’s no shock—its director, Ishana Night Shyamalan, is the daughter of M. Night, the famed twist-master.



Dakota Fanning in Ishana Night Shyamalan’s ‘The Watchers.’

with Daniel Brühl playing the title role.

“**Fantasmas**” (*HBO, June 7*)
Comedian and actor Julio Torres (“Los Espookys”) portrays a fictionalized version of himself searching for a golden earring in a dreamlike New York and encountering strange characters along the way. Guest appearances are made by Steve Buscemi, Emma Stone, Aidy Bryant, Bowen Yang, Ziwe, Paul Dano and more.

A wedding is interrupted with a startling revelation about a decade-old shooting in Kaija Saariaho’s opera, which receives its U.S. premiere.

Art
“**What, Me Worry? The Art and Humor of MAD Magazine**” (*Norman Rockwell Museum, Stockbridge, Mass. June 8-Oct. 27*)
Alfred E. Neuman may have been the face of MAD Magazine, but its heart and soul were the many artists and writers who contributed to it from its humble beginnings in the 1950s to its rise to become a satirical American icon. This show collects more than 150 original works to tell the publication’s side-splitting story.

“**David Medalla: In Conversation With the Cosmos**” (*Hammer Museum, Los Angeles, June 9-Sept. 15*)
The Filipino multidisciplinary artist receives his first U.S. survey, tracing his career from early paintings and drawings made in the late 1950s to the participatory, multimedia pieces created just before his death in 2020.

Last Call
Jaap van Zweden at the New York Philharmonic (*David Geffen Hall, through June 8*)
The music director of the storied institution departs his post after six years, leaving behind a legacy of advocacy for new music and a particular adroitness with 19th-century works. When it comes to the core repertory, our writer noted that “Mr. van Zweden is among the era’s most compelling exponents, injecting often searing energy and freshness into works that many concertgoers may love but have heard countless times.”

For additional Arts Calendar listings visit [wsj.com](https://www.wsj.com). Write to brian.kelly@wsj.com.

The WSJ Daily Crossword | Edited by Mike Shenk

	1	2	3		4	5	6	7		8	9	10	11
12					13					14			
15				16					17				
18				19					20				
21			22					23				24	25
27						28	29						
		30			31		32			33			
34	35			36		37				38		39	
40				41		42			43	44			
45				46				47		48		49	50
51								52	53				
				54				55				56	
57	58	59				60				61			
62						63				64			
65						66				67			

BACKFIELD | By Josh Goodman

Across	28 Armstrong and Aldrin collected about 47 pounds of them	52 At the plate	5 Like Red Dead Redemption 2
1 House work		54 “Chandelier” singer	6 Cavern effect
4 Stew		55 Vicinity	7 Placekicker’s aid
8 Arrived		56 Buckeyes of the NCAA	8 Time personified, in ancient times
12 Feeling after doing squat?	30 Sorrows	57 Contrary to what’s expected, or how the circled letters are flowing	9 Compass trace
13 Dash, e.g.	32 Charlemagne ruled it: Abbr.	62 Bad basketball shot, in slang	10 Brooks of “High Anxiety”
14 Winner of the first Oscar for Best Animated Feature	33 Butter in moisturizers	63 Omani money	11 Squeeze (out)
15 Do an impossible geometry feat	34 “Abbott Elementary” principal	64 Places to visit on Safari?	12 Safe havens
18 ____! Brands (parent of KFC and Taco Bell)	36 “Let You Love Me” singer	65 Sport of heavyweights	14 Indian lute
19 Cookie that’s been vegan since 1998	39 Henley Regatta tool	66 Bread boxes?	16 Salon item
20 Ear-related prefix	40 Like a wet noodle	67 Ice cream mogul Joseph	17 Bodega locations, often
21 Smeared in ink?	42 Be off the mark	Down	
23 Movement of riders	43 Highest part of many a farmstead	1 Let off, in a way	
27 To any extent	45 Site of a famous London “zebra crossing”	2 “Tubthumping” band	
	48 Romeo and Juliet, e.g.	3 Lapsang souchong, e.g.	
	51 Liner stop	4 Brother, in Bretagne	
► Solve this puzzle online and discuss it at WSJ.com/Puzzles .			

Previous Puzzle’s Solution


GUILT	EBBS	APPS
INDIA	TRUE	FIRE
BRIDGE	HAND	FOES
BIO	URN	AEONS
OPT	PRISON	BREAK
NEST	CAB	ODELL
	AMP	TITO
	CHOCOLATE	KIS
ALA	KEEN	LS
BOISE	AIL	SCAM
CURTAIN	CALL	ONO
SWANN	SEA	RID
MEAT	GIVE	IT
RAVE	ODOR	TUNAS
SUES	TOWS	EXALT

SPORTS

JASON GAY

Caitlin Clark Gets Knocked Down. She’s Going to Get Back Up.

The Iowa sensation’s rookie WNBA campaign is off to a rough start. Here’s why it will get better.

 A cheap shot, indefensible. Not that big of a deal. She could have been hurt. She may have had it coming. The league can’t let it slide. The league can’t coddle one player. She’s the most important star in the sport. She’s a known trash talker. This is going to alienate viewers. This has fans talking. That wasn’t a basketball move. Have you ever watched the Bad Boy Detroit Pistons?

Versions of all of these comments—and more—have been made in the wake of the dubious body check the fourth-year Chicago Sky guard Chennedy Carter delivered upon celebrated rookie Caitlin Clark in Saturday’s WNBA game between the Sky and Clark’s Indiana Fever.

It’s the Knockdown Heard Around Women’s Basketball, and beyond. The takes are flying—interpretations through a sports prism, a social prism, a gender prism, a racial prism. Indiana Fever coach Christie Sides is furious that Clark’s getting knocked about. The WNBA retroactively upgraded Carter’s foul to a flagrant 1 status. Even Draymond Green’s jumping on, suggesting the Fever need an enforcer—their own Draymond, if you will.

It’s the latest thump in a tumultuous rookie season for the 22-year-old ex-college basketball sensation drafted first out of Iowa in mid-April.

Hailed as a change agent in the WNBA before she launched her first 3-pointer, bequeathed a signature Nike shoe without a signature pro performance, Clark has struggled on a weak team against a veteran-stuffed league that appears eager to give the rookie a rude reality check.

On Sunday night Clark had her lowest-scoring game as a pro, reg-

istering only three points as the 2-9 Fever were trampled by the New York Liberty 104-68.

Three points! We’re not in Iowa anymore.

With the opinion machine burning into hyperbolic overdrive, I’d like to fly the spaceship down to planet earth and offer a few quick thoughts:

■ **Carter’s hit on Clark was indeed a cheap shot, and the refs blew it.** I don’t care if the two players were engaged in some previous kerfuffle—burying a shoulder into a player looking the other way is unacceptable at any level, from pre-K to the NBA. I’m not sure what the officials were thinking, ruling it a modest away-from-the-play foul, and obviously the league felt they botched it, hence its upgrade to flagrant. Anyone trying to justify it as normal physical basketball back-and-forth is being willfully absurd.

■ **This drama is a crummy look for the WNBA.** I’ve seen the arguments that this kind of dust-up can build a rivalry, and rivalries are good for sports, but there’s a difference between hard-nosed competitiveness and decking someone with purpose. Clark is a gateway vehicle for new fans—witness the Fever sellouts at home and on the road—and seeing their Hawkeye heroine crumpled on the ground isn’t what they’re turning up to watch. I guess there’s potential for tantalizing future showdowns with Chicago—and for goosing Clark’s long rivalry with LSU star turned Sky rookie Angel Reese, who appeared to indecorously celebrate Carter’s body check—but the league should be beyond wanting that sort of cheap heat.

Indiana Fever guard Caitlin Clark



■ **Clark is a change agent, it’s undeniable.** Look at her impact on the game already—the record ratings for Iowa’s run to the Final Four, where the women’s weekend crushed the men’s, and even the 300% uptick for Clark’s selection on WNBA draft night. Clark is in more commercials than Pat Mahomes, she arrives at a breakthrough moment of rising investment in women’s sports (the WNBA just started allowing teams to take charter flights), and she’s pushing more games into prime-time TV, where every player gets to be seen, not just her. If the numbers surge, the whole league stands to benefit financially. To be clear: The women’s game owes a great deal to players before Clark, many of them overlooked and underappreciated. But Clark is the straw stirring the drink now, and if it works, everyone can win.

■ **Competitiveness is hard to tamp down.** That’s probably the most compelling part of this whole discussion. I don’t think WNBA players are at a loss about Clark’s impact—they see her following, the attention she’s already delivered. And yet they’re also Grade-A competitors, and sports (*all* sports) are full of veteran professionals who see it as their sworn duty to make life as miserable as possible for any highly-touted rookie. (Clark’s not the only one here—Reese took a rough clothesline in May.) Even players who don’t have anything extra for Clark are high-level talents, far better than what Clark faced in school. Veteran WNBA players

flagged this before Clark was drafted—remember Diana Taurasi declaring that “reality is coming” when Clark joined the league? “There is going to be a transition period when you’re going to have to give yourself some grace as a rookie.” Fact check: totally true! You could make a case that the most self-interested thing WNBA players could do is to let Caitlin Clark score 40 points a game...but they’re never going to do it, because they’re competitors first.

■ **Clark’s struggle is extremely normal.** Almost every celebrated newbie goes through harsh trials early in a professional career, often because they’re situated on a lousy team. Look at the French NBA phenom Victor Wembanyama, who looked wobbly on a threadbare San Antonio club until brilliantly elevating his game as the season progressed. Hall of Famer Dirk Nowitzki averaged just over eight points in his rookie year. Teenaged Kobe Bryant: 7.6. Clark’s Fever stats (16.9 points, 5.4 rebounds, 6.5 assists) may pale to her cartoonish Iowa numbers, but they’re hardly terrible, and they’re likely to improve as she and her team find their way. Clark is the fastest WNBA rookie to ever record 150 points, 50 assists, and 50 rebounds, and lost in Saturday’s drama: the Fever won.

■ **I have no idea what this means for the Olympics.** If you’re looking at it from a visibility standpoint, putting Clark on Team USA in Paris is an absolute no-brainer: She would be the biggest name on the team, and someone who would bring in a new audience. From a basketball standpoint, however, she faces a ton of seasoned competition, and Clark surely doesn’t want to make the team for any reasons other than her play. There’s also this: If she makes it, there will be pressure to give her minutes—that new audience for Olympic basketball doesn’t want to see Clark on the Paris pine.

■ **She’s going to get better.** Being a rookie is hard. It’s probably going to get harder. But we’ve seen this story before. Caitlin Clark is too good.

WENDELL CRUZ/REUTERS

This Legendary Volleyball Coach Didn’t Want a Raise. He Wanted a Horse.

By JARED DIAMOND AND ROBERT O’CONNELL

John Cook, the longtime coach of the University of Nebraska’s vaunted women’s volleyball team, had a peculiar request when he was negotiating his latest contract.

He wasn’t asking for more money, more vacation time or the use of a private jet. He wanted a horse. And not just any horse. Cook had his heart set on what he described as a “once-in-a-lifetime performance horse” called No. 415, named for the number branded on his body as a colt.

So on a recent telephone call with his boss, Cook laid out his conditions: He would forgo the annual raises that are customary for someone in his position, if the school would facilitate the purchase of the horse he coveted.

Last week, Nebraska agreed. Cook will now remain at the helm of the Cornhuskers for at least the next five seasons—and No. 415 will soon be a part of his family.

Cook had thought about negotiating a standard pay bump—“you know, what football and basketball coaches do,” he said. But then,

scanning the farms and ranches that make up the American West, he considered what he really desired: “What I’d really like to buy is that 415 horse.”

In the volleyball world, Cook is a thoroughbred. Since arriving in Lincoln in 2000, he has led Nebraska to four national championships and won coach of the year honors three times. Last August, more than 92,000 fans packed Nebraska’s 100-year-old football stadium to watch a Huskers volleyball match, the highest-attended women’s sporting event in history.

Over the past few years, Cook has developed a passion for a more niche pursuit: team roping, a rodeo competition in which two cowboys on horseback attempt to rope a steer as quickly as possible. He practices with the family of Mark Wray—the trainer who raised No. 415—and at Pitzer Ranch in Ericson, where the horse was born.

“I think people are craving the old world, you know, getting dirty,” Cook said. “And that’s something I really enjoy. I love doing the chores, taking care of these animals.”

More than that, though, Cook’s horsemanship has started to inform how he approaches his day job:

coaching the volleyball team that has set the standard in the sport for decades. Working with Wray on his own riding and roping technique, Cook says, has put him in the rare position of *being* coached. It has let him consider what sort of advice resonates, and what falls flat.

On the other side, riding makes him think about trust, developing a connection that lets you respond in real time to fast-moving challenges. “It’s helped me figure out that yelling at my players isn’t going to get it done,” said Cook, who actually taught his team how to rope at a ranch last May. “You can’t yell at a horse; they don’t understand you.”

When Cook first rode No. 415 this spring, on Wray’s ranch, the bond between horse and rider was immediate. Even Wray noticed it—to the point that, when bidding rose on No. 415 in a recent auction, he called the sale off, saving the horse for Cook.

The only problem was that the price of No. 415, an American Quarter Horse who is 9 this year, was past Cook’s usual horse budget. That’s when he told Troy Dannen, Nebraska’s athletic director, about his unusual idea. Dannen told him

he wasn’t able to directly include a horse in the contract. Instead, the pact includes a \$70,000 retention bonus that he will receive on July 1, which Cook will use to buy No. 415 from Wray. (His salary of \$825,000 probably doesn’t hurt, either.)

“What I enjoy most about him is he has an appreciation for our way of life, our cowboy lifestyle, our agricultural lifestyle,” Wray said of Cook. “He gets to take it back to the city with him.”

Nebraska’s volleyball team advanced to the championship game last season, ultimately falling to Texas. The Huskers will begin their pursuit of their first title since 2017 on Aug. 30.

Before then, however, Cook will serve as the grand marshal for the Nebraska’s Big Rodeo in Burwell, a local tradition that stretches back over a century. He will be riding 415. He says his goal is to feel confident enough in his roping skills to compete for the first time next winter—if he can find enough time to practice.

“The problem,” Cook said, “is coaching—it cuts into my roping time.”



Tucupita Marcano has been accused of betting on games last season.

Player Faces Lifetime Ban For Betting on Baseball

By JARED DIAMOND AND LINDSEY ADLER

MAJOR LEAGUE BASEBALL is investigating San Diego Padres infielder Tucupita Marcano for violating the sport’s gambling policy, and he faces the possibility of a lifetime ban, people familiar with the matter said.

Marcano, 24 years old, has been accused of betting on games involving the Pittsburgh Pirates last season while he was on the injured list for that team.

Marcano’s ultimate punishment hasn’t been finalized, pending ongoing negotiations between MLB and the MLB Players Association. He would become the most prominent person to be permanently banned for betting on baseball since Pete Rose in 1989.

In addition to Marcano, four other players face potential discipline for betting on baseball while in the minor leagues, people familiar with the matter said. There is no evidence of games being manipulated at this time, people familiar with the matter said.

Through a representative, Marcano declined to comment. MLB and the MLBPA declined to comment.

Brian Warecki, the Pirates senior vice president of communications, said, “We are aware of the matter that’s under investigation and are fully cooperating. We will refrain from further comment at this time.” The Padres said that they are aware of an investigation “regarding a matter that occurred when the player in question was a member of another organization” and declined further comment.

The news of Marcano’s banishment comes amid a rapidly widening net of gambling scandals that have enveloped American sports,

six years after the Supreme Court opened the door for legal sports betting. In April, the National Basketball Association banned Toronto Raptors forward Jontay Porter for violating the league’s gambling policy, including providing confidential information to bettors and limiting his own participation for betting purposes.

The specter of gambling has loomed over baseball all season as well.

Federal prosecutors have charged the longtime interpreter for Los Angeles Dodgers superstar Shohei Ohtani with stealing more than \$16 million from Ohtani to pay off debts for an illegal bookmaker. Ipppei Mizuhara reached an agreement to plead guilty last month. Meanwhile, MLB is also investigating David Fletcher, Ohtani’s teammate on the Los Angeles Angels from 2018 through 2023, for allegedly betting on sports with the same illegal bookmaker.

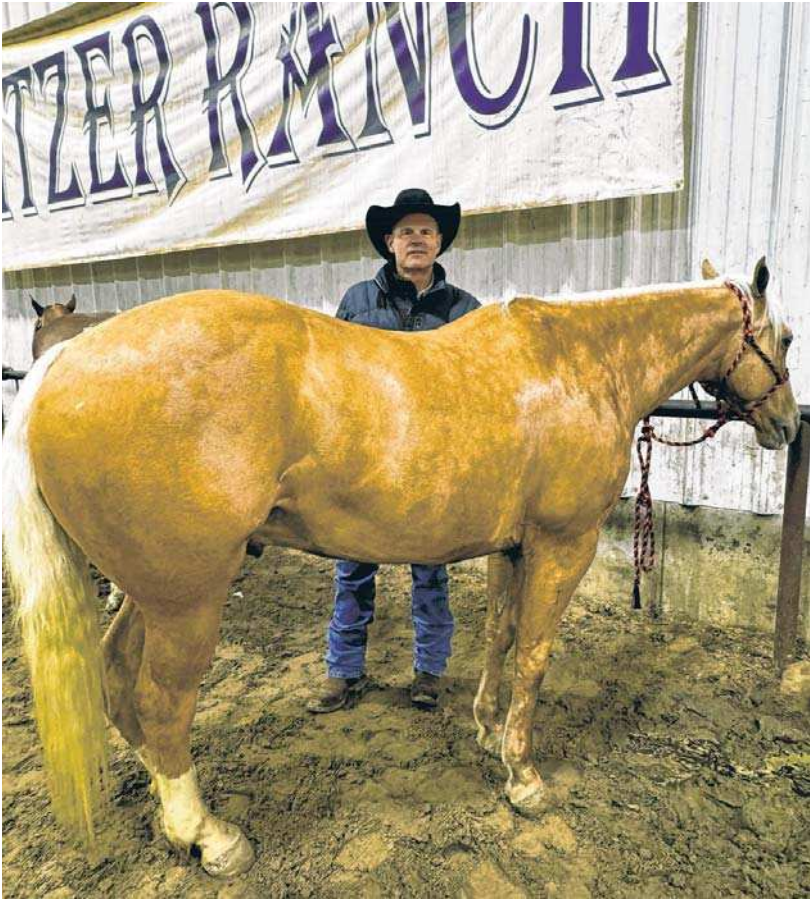
The language of Rule 21, which outlines MLB’s gambling policy, is posted prominently in every clubhouse. Players are allowed to bet legally on sports other than baseball. A player betting on a baseball game involving teams other than his own results in a one-year suspension. Betting on a game involving your own team comes with a lifetime ban.

Marcano last played on July 24, 2023, when he started at second base for the Pirates. He exited the game in the fifth inning after tearing the anterior cruciate ligament in his right knee while running the bases.

The Padres claimed him off waivers in November of last year.

In 149 MLB games, Marcano has hit .217 with five home runs.

CHARLES LECLAIRE/USA TODAY SPORTS



Nebraska women’s volleyball coach John Cook with No. 415.

COURTESY OF JOHN COOK

OPINION

AI and the Art of War in Ukraine



GLOBAL VIEW
By Walter Russell Mead

serious hits as missiles and glide bombs struck the city from nearby Russian territory. “Double tap” attacks, by which Russians strike a civilian target and wait for first responders to rush to the scene before launching a second strike, were becoming more common. I watched rescue workers dig through the wreckage of a big-box hardware store searching for body fragments to identify in a nearby forensic lab. After a second attack, I spoke with stunned office and factory workers waiting to have their injuries treated in a local hospital ward. As bulldozers tore up fields north of the city so workers could prepare trenches against possible Russian advances, Kharkiv was experiencing its tensest days since Moscow’s first assault fell short in 2022.

Things should improve. Russian advances have slowed as reinforcements bolster Ukraine’s defense farther north. With the flow of air-defense weapons resuming, and Western countries easing restrictions on Ukraine’s use of

Kharkiv, Ukraine

This wasn’t the easiest time to visit Ukraine’s second-largest city. The local power grid and infrastructure were taking

defensive weapons against immediate cross-border targets, there is reason to hope the city’s residents can soon live with more security and less fear.

But the fighting isn’t stopping, and the Washington policy establishment needs to think harder about the largest, ugliest and most dangerous land war in Europe since World War II. From a tactical and geopolitical perspective, Vladimir Putin’s war is changing the global balance of power in ways that the U.S. can’t afford to neglect.

Some of the news is encouraging. American and Taiwanese military planners can take heart from Ukraine’s success in bottling up Russia’s Black Sea fleet. It turns out that the new era of naval warfare favors the defensive party. Russia hasn’t been able to use its superior fleet to deliver land forces on Ukraine’s coast or even to block Ukraine’s commerce. Strategists in Beijing will note that it’s significantly harder to move invading armies across open water than before the Ukrainians humbled Russia’s fleet.

A visit to the battlefields north of Kharkiv revealed one consequence of the evolving state of the art of war. Increasingly one hears soldiers speak of “dead zones” between the opposing forces. Drones, which can now pursue individual soldiers through trenches, make it difficult for

either side to conduct operations within 2 or 3 miles of the opposing battle line. For now, this may make new offensive operations on the scale of last summer’s ill-fated Ukrainian counteroffensive impossible. As soon as next year, “drone swarms” could create more formidable killing zones between armies, making offensive operations even more challenging.

Both sides are using revolutionary means to wage battles on land and in the air.

Land and air warfare are rapidly changing, with both Ukrainians and Russians constantly updating technology. Along the battlefield, soldiers and engineers are introducing innovations large and small that can make old weapons systems obsolete overnight. As the Russians deploy new forms of jamming techniques or equip their drones and missiles with new stealth capabilities, the Ukrainians must match them and, where possible, out-compete.

With increasingly sophisticated weapons routing more-detailed performance information back to manufacturers, the tempo of weapons redesign and production is accelerating beyond anything seen in past wars. Ukraine is build-

ing a new kind of military-industrial complex, in which decentralized teams of hackers and tinkers in small to medium-size firms continuously reimagine and re-engineer the tools of war. I visited camouflage workshops where, among other things, I saw Ukrainian engineers converting children’s toys into land drones that could place mines before oncoming tanks. Something as simple as a swivel-mounted platform for a gun turret may receive dozens of software and hardware upgrades based on real-time information from the battlefield.

Past wars have seen cycles of tech competition, but this is the first peer-to-peer war fought in the age of artificial intelligence. Just as the Spanish Civil War in the 1930s saw the development of the tactics and techniques that shaped World War II, Ukraine today is witnessing the birth of a new kind of conflict. The combination of real-time feedback from continuously monitored weapons with the data-handling and design capabilities of flexible, highly trained and motivated battle engineers is introducing a new dynamic of military tech competition.

Weapons that were irresistible a few weeks ago can be easily neutralized today. New threats appear overnight. The Pentagon and the American defense industry need to keep up. The old ways of doing business will soon be obsolete.

Hunter Biden’s Laptop Returns



MAIN STREET
By William McGurn

Democrats eager for a guilty ruling that would allow them to call Donald Trump a “convicted felon” for the remainder of the 2024 campaign got their wish Thursday in a New York court. Mr. Trump became the first former president convicted of a crime.

They should enjoy it while they can. Hunter Biden’s trial on federal gun charges began on Monday in Delaware. It will feature evidence drawn from his infamous laptop,

Hunter Biden, the story line is that the laptop stocked with damning evidence of his overseas business dealings and drug use is really a product of Moscow.

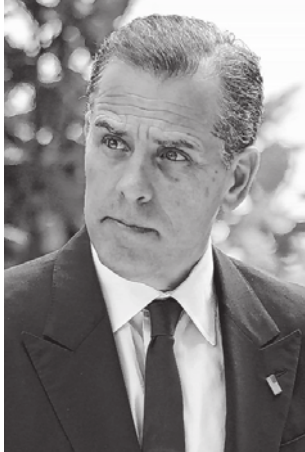
Though there’s no hard evidence proving Joe Biden personally profited from his son’s deals, the laptop still haunts him. In defending Hunter during the 2020 presidential debates, Mr. Biden made two public and phony claims to the American people. The first was that Hunter never took money from China.

The truth came out, but only after Mr. Biden had safely won the election. In federal court last July, Hunter Biden admitted he’d earned \$664,000 from a Chinese energy company backed by the Communist Party.

The other debate whopper was about the laptop, which Hunter had dropped off in a computer shop and never reclaimed. When Mr. Trump brought it up, Mr. Biden dismissed it as fake.

“Look, there are 50 former national intelligence folks who said that what this, he’s accusing me of, is a Russian plant,” Mr. Biden said. “They have said that this has all the characteristics—four, five former heads of the CIA, both parties, say what he’s saying is a bunch of garbage. Nobody believes it except him and his good friend Rudy Giuliani.”

Not quite. As it turns out, the Biden Justice Department believes it too. Since the last election, we’ve learned from testimony by former CIA Deputy Director Mike Morell that the intelligence officials’



Hunter Biden

statement was done at Antony Blinken’s impetus to “help Vice President Biden.” Mr. Blinken was then senior adviser to the Biden campaign. He is now secretary of state.

The Steele dossier was similarly bogus. Today we know the truth: The Hillary Clinton campaign paid for the document and fed the information to intelligence and law-enforcement agencies. It’s discredited now, but only after Foreign Intelligence Surveillance Act warrants on a Trump adviser were issued, Pulitzer Prizes were won, and the Trump administration was roiled by the charges.

The larger point is that truth takes a back seat on such efforts. The New York Post broke the story of Hunter’s laptop three weeks before Election Day. The statement by the former intelligence officials implying it was all Russian disinformation—along with a press that helped bury the story—served its

purpose by giving Mr. Biden a way to kill the story until the election was over.

Likewise, it doesn’t really matter to Democrats if Mr. Trump’s conviction is tossed next year on appeal, or if the Supreme Court eventually overturns the decision. Truth may come out in the end, but the end will be too late.

A few weeks ago the safe bet was that a felony conviction would cost Mr. Trump votes. In a tight election, that loss could prove fatal. But after the voters’ experience with the Steele dossier and the Hunter Biden laptop, the third time around may not be the charm.

Eric Trump on Sunday reported that his father’s campaign had raised \$200 million since his conviction last week. And MAGA-world isn’t alone in thinking Mr. Biden can’t count on his rival’s conviction to overcome voter doubts on issues such as inflation and the border.

New York Times columnist Maureen Dowd wrote that the former president’s conviction has led her sister, who voted for Barack Obama, to say she’s going with Mr. Trump in November. Rep. Dean Phillips (D., Minn.), who ran against Mr. Biden in this year’s Democratic primary, is even calling on New York Gov. Kathy Hochul to pardon Mr. Trump because the conviction is only energizing his campaign.

We live in the era of the narrative. But by trying to lock up their political opponent, the Democrats may have finally overplayed their hand.

Write to mcgurn@wsj.com.

Trump’s conviction reminds us of how truth took a back seat to narrative in 2020.

which even his father’s Justice Department now recognizes as authentic. If convicted, Hunter would make history too: He’d be the first child of a sitting president found guilty of a felony.

The two cases have one crucial fact in common. The law and the truth are incidental. They are important only for the Biden family story lines each case represents.

For Mr. Trump, this story line is that the former president is unfit to serve. This was the reason for the mad race among state and federal prosecutors to indict him. For

Liberate the D-Day ‘Swimming Tank’

By Alan M. Douglas

History is shaped by the victors, but also by the diligent work of historians. As we commemorate the 80th anniversary of D-Day, June 6, 1944, consider the latest example: a priceless relic, a Sherman Duplex Drive Swimming Tank.

Winston Churchill’s Hobart’s Funnies initiative created tanks to traverse beaches and swamps, shoot flamethrowers, clear minefields and swim. Dwight D. Eisenhower selected only the swimming tanks. On D-Day the Funnies performed well, on other beaches, but the American tanks and their crews were launched too far out, in rough seas, and sank. U.S. soldiers on Omaha Beach went without armored support. Private citizens created plaques to honor the swimming tanks and men of the American 741st Tank Battalion.

I began researching the

tanks in the early 1980s. At the 1984 reunion of the 741st, I was the first to tell the veterans that the Army had concluded Eisenhower should have adopted the other, more functional, less exciting tanks from Hobart’s Funnies. I also ended a blood

It’s languished in an Army storehouse in Alabama but belongs in a museum.

feud by explaining that their own Army captains, not the Navy, had launched the tanks too far out.

The sunken tanks, including their remains and equipment, were looted for years. President Reagan undertook a salvage effort in 1987, but the U.S. government declined to acquire this historical treasure trove, so investors purchased it. That led to the dis-

persal of vital clues that could have helped identify the tanks and their crew members. The U.S. later changed its mind and bought what was left.

One tank and related artifacts were put into storage in limbo. A military historian read my article on the subject in these pages five years ago and alerted me that the U.S. had acquired the tank. I tracked it to an Army facility in Alabama, confirming it sat there wrapped in plastic, and the Army had no plans for it.

I asked the National D-Day Memorial staff in Bedford, Va., to give the tank a home. I provided supporting information, and we brainstormed a campaign to liberate the tank. I drafted a letter of intent for Bedford to sign to start the campaign.

Having Bedford on board, I recruited another team member to liberate the tank—Sen. Tim Kaine of Virginia, who serves on the Armed Services and Budget committees. My

plan hit a snag when an initiative to reduce the inventory of historical artifacts warehoused by the federal government demanded \$500,000 for the tank. I pivoted, and we approached another channel in the Army, which dropped the demand for payment.

Bedford is mounting a Capital Campaign for the tank. I sighed with relief when one of our teleconferences ended with an Army official saying: “Please make sure Sen. Kaine knows how helpful we have been.” I never had a conversation with Mr. Kaine, dealing only with staff. In Washington, the appearance of clout can be as effective as having it.

What will become of the last surviving D-Day swimming tank? Artifacts shouldn’t sit in plastic wrap, unloved and out of reach.

Mr. Douglas is a retired media executive, attorney and professor.

BOOKSHELF | By John J. Miller

The Broker Who Broke Bad

Hot Dog Money

By Guy Lawson
Little A, 332 pages, \$28.99

On Dec. 12, 2016, Marty Blazer stuffed \$12,000 into a hairdryer bag and stashed it beneath the bathroom sink of a Hilton hotel near New York’s Madison Square Garden. The cash was for Chuck Person, a former NBA star who was then an assistant basketball coach at Auburn University—and a man on the take, Guy Lawson writes, ready to accept a bribe for the ostensible purpose of directing college players with bright futures in the pros to Blazer, a financial adviser.

Person and others were arrested within a year as a part of what was called Operation Ballerz, “one of the biggest prosecutions and investigations of corruption in college athletics,” according to a federal lawyer involved in the case. Blazer, who died this year at the age of 53, made it possible, and Mr. Lawson, a veteran journalist, aims to tell his story in “Hot Dog Money.”

Mr. Lawson, whose previous true-crime book covered dodgy gunrunners in Afghanistan and became the feature film “War Dogs” (2016), promises to describe “the corrupt and corrupting reality of the NCAA’s code of amateurism.” Relying heavily on interviews with Blazer as well as court documents and Blazer’s diaries, he achieves this goal, but his book may be more valuable as an account of

how a suburban dad can become a criminal and then, in the parlance of the FBI, a “cooperating witness”—or what others might dub a “snitch.”

Years before Marty Blazer embroiled himself in college corruption, he was a Pittsburgh-based stock broker who had played football at Carnegie Mellon. “He had an easy familiarity with jocks,” writes Mr. Lawson. A chance encounter with a cornerback for the Pittsburgh Steelers led Blazer to sign him as a client. Then he started to pursue other athletes.

Blazer soon learned that the best way to earn the business of NFL players was to win it when they were still in college. His first target was Kevan Barlow of the University of Pittsburgh, who would become a third-round draft pick of the San Francisco 49ers in 2001. After Blazer explained his services in Barlow’s decrepit apartment, Mr. Lawson reports, the running back asked a fateful question: “Hey, Blaze, you got any hot dog money for me?”

In violation of NCAA rules, Blazer gave Barlow a couple hundred dollars—and entered a shadowy world of favors, payoffs and greed. By 2006 the broker had relationships with more than a dozen NFL players as well as prospects in the pipeline. His services extended beyond stock tips, according to Mr. Lawson: “From obtaining the drug Valtrex for sexually transmitted diseases to conducting what he called his ‘CSI cleanings’ of apartments after a player had hooked up with a woman he wanted to hide from his regular girlfriend or wife, Blazer would do anything for his guys.” In return, they paid him to manage their money.

Though Blazer accommodated debauchery, he behaved with personal discretion around players. He didn’t smoke joints with them or cheat on his wife. “If he was dishonest or unreliable in any way,” Mr. Lawson observes, “they could think he’d do the same to them.”

Then he was dishonest. To cover up a bad investment in a low-budget mobster movie, Blazer stole from his guys, even forging signatures on bank documents. At this point, he swapped one SEC for another: Instead of trying to recruit from the ranks of the NCAA’s powerful Southeastern Conference, he drew the attention of the Securities and Exchange Commission. It investigated his fraud and referred the case to the Justice Department in 2014, at which point a desperate Blazer confessed and offered to work with law enforcement “to expose crimes at the biggest colleges in the country,” as Mr. Lawson puts it.

Caught committing fraud, he agreed to gather evidence on people who, for a bribe, connected college players with agents and advisers.

By this time, Blazer had moved into basketball, which became the focus of his work with the FBI. With button cameras on his shirts and apps on his phone that allowed agents to eavesdrop on conversations, Blazer gathered evidence on the people who took bribes to connect college players with agents and advisers. Assistant coaches did much of the dirty work. They pocketed payments but also used the money to attract talent to their teams through their own disbursements to parents and others.

Many of the FBI agents are portrayed poorly. Mr. Lawson depicts them renting luxurious vehicles and eating “Flintstone-size steaks” at top restaurants simply because they could bill their expenses. Following a sting in Las Vegas, one agent went on a drunken bender and lost \$13,500 in government money at blackjack.

There is a subgenre of crime fiction called a “police procedural,” which provides a detailed account of how cops solve cases. Much of “Hot Dog Money” reads like a “witness procedural”: a true-crime story that follows Blazer in his efforts to cooperate with the feds and stay out of prison. Although Mr. Lawson admits that Blazer “was not always admirable or even entirely likeable,” he portrays his subject with sympathy, as a man “trying to atone for his crimes.” Blazer holds his marriage and family together even as he misses youth soccer games and agonizes over his eventual sentencing.

In the end, Operation Ballerz delivered 10 convictions in a case that involved coaches at Arizona, Auburn, Oklahoma State, South Carolina and USC. Blazer escaped prison, receiving “the kind of consideration provided to only the most exclusive class of cooperators.” With the help of Mr. Lawson, he also leaves behind a cautionary tale for college sports.

Mr. Miller is director of the Dow Journalism Program at Hillsdale College and the author of “The Big Scrum: How Teddy Roosevelt Saved Football.”

Naismith on Basketball

“The aim of the game is to develop the man and not to make money or even to draw a crowd, and while the latter objects are good, yet I feel that the other ought to be a chief purpose for which the game should be played.”

—James Naismith

OPINION

REVIEW & OUTLOOK

Mexico Hands More Power to the Left

Who says democratic landslides aren't possible anymore? Mexico on Sunday delivered one for the ruling left-wing Morena party and its presidential candidate Claudia Sheinbaum. The question is whether this democratic sweep will create an opening for anti-democratic constitutional changes.

Ms. Sheinbaum is a protégé of current President Andrés Manuel López Obrador. Mexican presidents can't run for re-election, but AMLO remains popular. Real wages have grown and the peso has strengthened as the country has become a mecca for manufacturing aimed at the North American market. AMLO has also spent lavishly on entitlements for the poor and middle class.

With 99% of the vote counted, the former mayor of Mexico City had won 60% against former National Action Party senator Xochitl Gálvez with 28%. The sweeping victory also appears to have given Morena close to two-thirds majorities in the legislature.

This means Morena has the votes to pass AMLO's constitutional amendments designed to consolidate the party's power at the Supreme Court and eliminate independent regulatory bodies. Because the new Congress takes its seats a month before AMLO leaves office on Oct. 1, he could push for passage before the end of his term. That prospect explains the peso's 4% decline on Monday, while the Mexican stock market was down some 5.7%.

Markets will be looking to see which Claudia Sheinbaum emerges in office—the ideologue or a more pragmatic deal-maker. Mr. López Obrador and Ms. Sheinbaum are left-wing populists who want to put the state at the center of the economy. She has a doctorate in energy engineering, and during the early 1990s lived in the San Francisco area.

In her acceptance speech, Ms. Sheinbaum

took a conciliatory tone, promising to “respect business freedom and facilitate with honesty private investment, national and foreign.”

While charting her own course, Ms. Sheinbaum will face problems left behind by AMLO. The public-health system is broke and there's a large fiscal deficit. Pemex, the state-owned oil company, has some \$103 billion in debt outstanding and owes suppliers more than \$20 billion.

Ms. Sheinbaum has promised to put the poor first, but that means Mexico's economy will need to keep growing. Her challenge will be to square her socialist bona fides, and her history of climate activism on the United Nations climate panel, with policies that attract foreign capital to expand prosperity.

An early test will be whether Ms. Sheinbaum continues AMLO's campaign to have government control electricity generation and oil exploration. Shutting out private investors violates the U.S.-Mexico-Canada Agreement, the revised free-trade pact signed in 2018. President Biden has failed to enforce the new agreement's energy chapter, but a second Trump Administration probably would.

She will also have to address the collapse of internal security. Cartels control large parts of the country, and extortion is routine. Human smugglers run the caravans that bring migrants by the millions to the U.S. border. Recovering the authority of the state won't be easy. But a closer relationship with U.S. law enforcement could help.

The U.S. has a huge stake in a stable, prospering Mexico that continues to expand its middle class. The drug trade won't subside as long as demand in the U.S. stays high, but neither country can afford to let trans-national cartels dominate the border and murder with impunity. Americans wish the new President well for the sake of her country and our own.

President-elect Claudia Sheinbaum and her Morena party win big.

The Man Who Made the Futures Markets

Chicago isn't a beacon for free markets these days, but the city has been home to some of the visionaries of today's financial system. The Chicago History Museum this month is saluting one of those creators, 92-year-old Leo Melamed, whose journey is a reminder of an era when financial innovation changed the world for the better.

Mr. Melamed was born in Poland, and his Jewish family fled the Nazis on the last train to Lithuania. They made their way through Siberia to Vladivostok and then Japan. They were among the few families to get U.S. visas and arrived in 1941 after a two-year journey.

The family settled in a Chicago neighborhood that Mr. Melamed remembers as full of Irish, Italian and Jewish immigrants. He knew no English but made his way through public schools and John Marshall Law School. Looking for work, he saw a classified ad for Merrill Lynch, Pierce, Fenner & Beane, which he assumed was a law firm. The mistake led him to the Chicago Mercantile Exchange, where he changed the future of trading futures.

The Merc in the 1950s and '60s was a small exchange, trading primarily in agricultural products. Mr. Melamed foresaw the application of futures to currencies and financial instruments. “Everyone laughed me out of the room when I suggested it,” Mr. Melamed says. So he got up his courage and called economist Milton Friedman, who was then at the University of Chicago.

Friedman told him it was a wonderful idea, and the rest is history. Mr. Melamed became chairman of the Merc and created the International Monetary Market to trade in financial futures. In May 1972, he began trading futures for financial currencies, including the British pound, the Deutschmark, Swiss Franc and Japanese yen.

According to the Futures Industry Association, by 2023 the futures market included 29.1 billion contracts. Futures markets aren't the gambling dens of populist caricature. They let farmers and businesses hedge risk. They let small investors protect themselves against market volatility, and multinational companies grow by providing insurance against currency fluctuation.

In 1987 Mr. Melamed launched electronic trading with the Globex system. The change directly threatened the open-outcry system that had dominated the exchanges since their inception. Think of the movie “Trading Places.” Many traders were furious, but the change drove financial markets into the future and preserved the Merc's prominence in global finance. “Competition is the key,” Mr. Melamed says. “It makes growth happen.”

Free markets are out of political fashion these days, though they have lifted billions from poverty. Good for the Chicago museum for recognizing a native son's contribution to American freedom and prosperity.

The Chicago History Museum will honor Leo Melamed. Hear, hear.

A Climate Case for the Supreme Court

Can a single state or locality dictate energy policy for the rest of the U.S.? Some are trying, and the Supreme Court has an opportunity to stop these un-constitutional coups.

The city and county of Honolulu are suing oil and gas companies (*Sunoco v. City & County of Honolulu*) for creating a public nuisance. They say greenhouse gas emissions from fossil fuels contribute to climate change and thus harm Hawaiians. They also say the companies misled the public about such dangers.

In 2011 the Supreme Court unanimously dismissed similar claims by states in federal court (*AEP v. Connecticut*), ruling that the Clean Air Act pre-empted such federal torts. As Justice Ruth Bader Ginsburg explained in the ruling, “it is primarily the office of Congress, not the federal courts, to prescribe national policy in areas of special federal interest.”

But now states and localities are trying to end-run the High Court's ruling by bringing lawsuits in state court. They want oil and gas companies to pay billions of dollars for alleged and speculative future damage from climate change. They also want judges to decree that companies stop their emissions.

The Clean Air Act permits states to regulate emissions within their borders, but not beyond. Yet the Honolulu lawsuit aims to control emissions globally. Honolulu says “it is not possible to determine the source of any particular individual molecule of CO2.” So the only way for companies to avoid potential liability is to stop producing and selling products everywhere.

Letting state courts dictate nationwide energy policy would usurp constitutional federalism, as a Second Circuit Court of Appeals panel explained

in dismissing New York City's version of this lawsuit in 2021. “Global warming is a uniquely international concern that touches upon issues of federalism and foreign policy,” Judge Richard Sullivan wrote. “As a result, it calls for the application of federal common law, not state law. Second, the Clean Air Act grants the Environmental Protection Agency—not federal courts—the authority to regulate domestic greenhouse gas emissions.”

The Hawaii Supreme Court came to a different conclusion, ruling that the Honolulu lawsuit could proceed in state court because it supposedly only “seeks to challenge the promotion and sale of fossil-fuel products without warning.”

This is a rhetorical distinction without a substantive difference, as the Second Circuit noted: It is “precisely because fossil fuels emit greenhouse gases” that “the City is seeking damages.” In any case, Honolulu isn't merely seeking damages for companies' alleged failure to warn citizens about climate change, but for such disclosure lapses everywhere.

The division between the Second Circuit and Hawaiian court on such a consequential issue calls out for U.S. Supreme Court review. Localities are increasingly suing businesses such as opioid manufacturers, gun makers and social-media sites in state court to make them pay for social ills allegedly caused by their products. But the climate-change lawsuits raise larger constitutional implications because of their extraterritorial impact.

The U.S. Justices on Thursday will consider a petition by oil and gas companies to review the Hawaii decision. If the Justices don't intervene now, they will have a bigger constitutional mess to fix down the road.

State lawsuits are an attempt to end-run federal pre-emption.

LETTERS TO THE EDITOR

Love for America Should Mature Into Service

Peggy Noonan's “Teach Your Children to Love America” (Declarations, May 25) is terrific but lacks one ingredient. Her common-sense suggestion to incorporate pageantry and parades into developing an appreciation and love for America is solid advice for parents and teachers. But as children grow, their appreciation and love should also grow—into service for America. Not only military service, but also volunteerism in one of the scores of organizations that serve the country and its citizens.

Mandatory service would inculcate American values and beliefs and offer young people opportunities to serve our flag and our country.

COL. MIKE MCKEEMAN (RET.), USA
Colorado Springs, Colo.

I have spent years working to solve the youth mental-health crisis. In her column, Ms. Noonan hits the nail on the head, which is something that has felt rather elusive. In my work with young people, I have heard a resounding “We don't feel hope for our future.” We keep giving them pills, sending them to therapy and teaching them social and emotional learning, but it isn't helping.

“What does this atmosphere of un-love for America do to kids?” Ms. Noonan asks. “To kids from difficult circumstances it means there is no hope; you won't escape a violent or unhappy family into a better place, the world outside, because it isn't better.” She continues, “To kids from easier circumstances it does nothing

good and carries a subtle bad effect. It means the thing you're part of is, at its heart, corrupt, so you might as well be corrupt.”

More than anything, kids need to have something solid that we all understand and believe in, something that is larger than ourselves. They need to know that we individuals can make all the difference as a collective force.

Spend a morning in middle school, where most kids aren't even required to engage in the Pledge of Allegiance, and this may bring you to the same conclusion. If we could reignite our love of America and the delicious freedoms that come with that, I believe we can solve the youth mental-health crisis.

BARBIE COLLINS YOUNG
Kirkland, Wash.

Ms. Noonan's column evokes a quote, which I have framed, from a gentleman whom she knew well:

“Freedom is never more than one generation away from extinction. We didn't pass it to our children in the bloodstream. It must be fought for, protected, and handed on for them to do the same, or one day we will spend our sunset years telling our children and our children's children what it was once like in the United States where men were free.”

—Ronald Reagan

I will be hanging her article in my office as well.

SEAN P. EVANS
Katonah, N.Y.

What Would a Palestinian State Look Like?

Spain, Ireland and Norway are ready to recognize an independent Palestinian state without any long-term framework for regional peace, Israeli security or credible internal Palestinian governance—or any alignment with the values that European nations claim to hold dear (“Norway, Spain, Ireland Move to Recognize Palestinian State,” Page One, May 23).

Who do they expect will lead this state? Hamas, the perpetrators of the Oct. 7 massacre? The Palestinian Authority, which gives financial rewards to terrorists? Neither group has allowed Palestinian elections in years. Neither protects free expression, supports LGBTQ rights or adheres to the fundamental values of the European Union: human dignity, freedom, democracy, equality, rule of law and human rights.

Recognition of a Palestinian state without a viable government is a victory for the terrorists who realize they literally can get away with murder. It is a shameful defeat for the principles that Western Europe has claimed to uphold for three generations.

AVIVA KLOMPAS
Waltham, Mass.

The prime minister of Norway stated, “We must keep alive the only

alternative that offers a political solution for Israelis and Palestinians alike: Two states, living side by side, in peace and security.” Amen.

If his concept of one of the states is Israel as it is now, a homeland for the Jewish people with a non-Jewish minority whose rights are respected, he should be aware that no Palestinian leader is willing to accept that—not Mahmoud Abbas, not Fatah and certainly not Hamas. They seek the return of all descendants of Palestinian refugees from 1948, entirely changing the character of Israel and, in the case of Hamas, wiping Israel off the map.

EDWARD DIENER
Vienna, Va.

This recognition doesn't promote peace. It only weakens Israel and America politically, while giving carte blanche to beefing up Iran and its proxies for the next assault on Israel in their drive for regional dominance.

ROBERT S. APRIL
New York

If the leaders of Spain, Ireland and Norway want peace, why didn't they make recognition of a Palestinian state conditional on release of the hostages?

ELLIOTT KATZ
Toronto

A Losing Strategy and a ‘Victimless’ Crime

Prof. Walter Block channels William F. Buckley Jr. when he advises libertarians to vote for the most libertarian candidate who can win (“Libertarians Should Vote for Trump,” op-ed, May 29). But following this advice requires that libertarians sell their principles at an increasingly cheap price. For Mr. Block, that price is merely a promise to pardon Ross Ulbricht, who ran the darknet website Silk Road.

When the “most libertarian” candidate wants to impose a 10% tariff across the board, plans to deport 15 million illegal aliens and proposes the death penalty for drug dealers, it might be time to stand athwart history and yell “Stop.” I will vote for a third-party candidate in November and retain my self-respect. I urge all libertarians to do the same.

JONATHAN COBURN
Apex, N.C.

The daily cartoon is excellent, but I miss having a humor column, particularly satire. Mr. Block's op-ed argues, among other very funny things, that

drug sales are “capitalist acts between consenting adults,” quoting Robert Nozick. I had barely stopped laughing when I read Mr. Block's next claim, that drug pushers are “victimless” criminals.

MARTIN GREENSTEIN
Sudbury, Mass.

College Athletes and Parents

In “The College-Parent Trap” (Wonder Land, May 30), Daniel Henninger rightly makes reference to the remarkable level of effort and endeavor exhibited by college athletes. They aren't highly paid stars afraid of injury and loss of reputation. As a result, we are regularly privy to exhilarating performances.

He also mentions President Biden's attempt to forgive college loans. It has me wondering whether those of us who paid for our children's tuition might be eligible for reparations.

LYNN OLDACH-ENGLE
Winchester, Mass.

Pepper ... And Salt

THE WALL STREET JOURNAL



“In local news, ‘Hapless Husband Trapped in Loveless Marriage.’”

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

OPINION

In America, Anyone Can Be a Felon

By Richard Dooling

To paraphrase Orwell, insincerity is the enemy of clarity. When there is a gap between one's real and declared aims, one often turns to clichés like a cuttlefish spurting ink. At the moment no bromide spurts insincerity like “no one is above the law.” The slogan manages to be both meaningless and inspirational, but it says nothing useful about people or the law. Anyone uttering it should be forced to submit his laptop and smartphone to the authorities to search for evidence of crimes. What crimes? Take your pick. According to a study from the Heritage Foundation, 1,510 federal statutes created at least one crime as of 2019. They contain sections and subsections so complex that the authors had to develop an algorithm to count the estimated 5,199 crimes then in the U.S. Code. According to the legal scholar Douglas Husak, another 300,000 or so regulations

People who mouth the cliché that ‘no one is above the law’ should be careful what they wish for.

may be enforceable by way of criminal punishment at the discretion of an administrative agency. That's only federal law. Each state has its own penal code. New York's describes at least 575 crimes, from abandonment of a child to welfare fraud in the third degree. Many of these crimes apply to conduct no rational person would expect to be a crime.

Many cuttlefish commentators spurting that “no one is above the law” would insist their laptops and smartphones contain no evidence of serious crimes like falsifying business records. Really? How about felony drug diversion for borrowing a Valium from somebody else? How about the overly high estimate provided to the Internal Revenue Service on the clothes and furniture donated to Goodwill? Tax fraud anyone? Let's hope none of those laptops contain an application for a home-equity loan in which the borrower overstated the value of his residence. That's bank fraud. If the loan application was emailed to the bank, that's mail fraud. If the back-and-forth between the borrower and loan officers amounts to 34 emails, that's 34 counts of mail fraud.

With state and federal criminal laws as limitless as the stars in the heavens, about the worst thing a prosecutor can do, other than taking bribes, is prosecute people instead of crimes. In states like New York where prosecutors are elected, they are supposed to run for office by promising to stop carjackings or put meth dealers in prison. When a prosecutor instead says, “Vote for me, I'll find a way to get Mr. X,” he's abusing his power. It means vote for me and I'll examine every email or statement Mr. X has ever made. I'll subpoena his laptop and smartphone and I'll have a team of lawyers and algorithms search the criminal codes until I find a way to get him. Who wants to live under such a regime?

Before the 2016 election, FBI Director James Comey held a press conference explaining why his office was recommending that prosecutors not bring charges against Hillary Clinton for mishandling classified information. “Although there is evidence of potential violations regarding the handling of classified information,” Mr. Comey said, “our judgment is that no reasonable prosecutor would bring such a case.”

These days we are forced to ask: Yes, but what about unreasonable prosecutors?

Mr. Dooling is a novelist and retired lawyer.

By Paul H. Tice

Barring a last-minute court ruling blocking the plan, New York state, working through the Metropolitan Transportation Authority, on June 30 will start charging a “congestion” tax on every vehicle entering Manhattan south of 60th Street.

The proceeds from the new toll—the first of its kind in the U.S.—are earmarked for upgrades to the city subway system and other public-transportation projects. Estimated to bring in \$15 billion over five years, congestion pricing represents the single largest funding source for the MTA's current \$55 billion capital spending program.

Most of the legal challenges to the new vehicle charge that have been filed to date—mainly by the state of New Jersey and plaintiffs from adversely affected city neighborhoods—have been aimed at getting a piece of the new tax pie.

But for all the fiscal fighting, not enough attention is being paid to the climate goals driving the scheme and their effect on the broader city economy. Despite the MTA's spin, the primary objective isn't to raise revenue but to reduce vehicle traffic in the city and, with it, the Big Apple's carbon footprint.

Since 2005, New York City has been a member of the C40 Cities Climate Leadership Group, a global network of nearly 100 mayors whose cities are “united in action to confront the climate crisis.” The C40 initiative, which is funded by the personal charity of former New York Mayor Michael Bloomberg, commits each of its member cities to aligning with the United Nations' Paris Agreement and 2030 Sustainable Development Goals. This means cutting each city's greenhouse-gas emissions roughly in half by 2030, on the way to achieving net zero emissions by 2050.



Gov. Kathy Hochul speaks at a rally in support of congestion pricing.

In 2019, New York City released its OneNYC 2050 strategy, which aims to make the city carbon-neutral by 2050. By 2030 the goal is to reduce total city emissions by 40% from 2005, with congestion pricing a key means to this end. Transportation-related emissions—which are largely variable and mostly generated by private passenger cars—accounted for 28% of the city's total in 2021.

The purpose isn't to raise revenue but to keep cars out of Manhattan. That will constrain growth.

As MTA Chairman Janno Lieber and other Democratic supporters have stated, the purpose of congestion pricing is to remove an estimated 100,000 vehicles from city streets each day—no matter the cost and disruption to interstate commerce and business activity.

To achieve this environmental goal, the new congestion toll (\$15 a car and \$24 to \$36 a truck on weekdays) is meant to be punitive by de-

sign. When the MTA's rosy revenue forecasts inevitably fall short due to unit volume loss, the toll rate will be increased, further discouraging drivers from venturing into Manhattan, creating a vicious circle—or a virtuous one if you think motor vehicles are bad.

Given that economic activity is inextricably intertwined with fossil-fuel consumption and therefore with carbon emissions, it shouldn't surprise us that climate alarmists seek to ring-fence New York's Central Business District. In 2022 nearly one-third of the Empire State's nominal gross domestic product was generated in the southern half of Manhattan, home to the financial, shopping, garment and theater districts.

The timing couldn't be worse. Four years after the Covid pandemic, the city economy is still struggling to recover, with Manhattan hit especially hard. Since early 2020, Manhattan's office vacancy rate has more than doubled, from 8% to 16%, with no sign of peaking. In its latest return-to-work weekly survey, Kastle Systems found that workplace occupancy rates in the New York City metro area ranged from 26% to 64% of pre-pandemic levels, depending on

Trump Is a Target of Blind-Leading-the-Blind Justice



FREE EXPRESSION
By Gerard Baker

The idea of blind justice, handed down equally without fear or favor, untempered by ideological sentiment or the dictates of a ruling political authority, is an enduring one. It is ancient and modern, inherited by us from the Greek *demos*, by way of the baronial struggles of medieval England, enshrined in our constitutional arrangements, and firmly embedded in our consciousness as a people. It is also a myth.

Does anyone think O.J. Simpson was innocent? Or the men acquitted of the murder of Emmett Till? Was Rubin Carter justly convicted? What about Leo Frank?

You'd have to have a touching faith in the majesty of the legal system—or be extraordinarily naïve—to think these cases were decided on a neutral interpretation of the facts and the law and not by the swirling political and cultural passions, fanned by unscrupulous prosecutors or defense lawyers, that consumed the minds of jurors.

But let's not confine ourselves to the decisions of a jury, those fleeting coalitions of unconnected men and women with no legal expertise, easily swayed by a charismatic lawyer or an intimidating judge, often incapable of seeing a case through anything other than their own prejudices.

How about judges themselves, or justices of the highest court in the land? Was the majority opinion in *Roe v. Wade* a model of jurisprudential purity, divorced from the ideological biases of its authors or the political currents of the day? Was *Dred Scott*?

The use and abuse of justice by clever lawyers and judges for their own ulterior purposes is a rich tradition—older than America itself. In an ironic twist, the iconography we have used for centuries to connote impartial administration of law—the image of the blindfolded woman holding in her hand the scales of justice—is a modern reinterpretation of the exact

opposite idea. It began as a sardonic comment on the injustices of the operation of the law. In Albrecht Dürer's woodcut that accompanied the 15th-century German satirical classic “Ship of Fools,” a helpless Lady Justice is being blindfolded by a fool so she can't see the horrors taking place in her name.

So in one sense the shock and fury that has erupted following the verdict in the trial of *The People of the State New York v. Donald J. Trump* is strange. It merely joins the long list of criminal cases through history in which the administration of law has been polluted by political and ideological considerations.

But we are still right to be especially alarmed by this case and its implications—because the principal victim is not so much the wronged defendant but the American system itself.

There is no need by now to rehearse in detail how Alvin Bragg, the Manhattan district attorney, through an exercise of legal alchemy turned the base metal of a New York state bookkeeping misdemeanor into the Democratic gold of a criminal felony for the man the party likes to think of as Al Capone and Jack the Ripper rolled into one. It was a highly selective prosecution by a partisan dis-

trict attorney who has been content to let muggers and thieves walk free on the streets of his city, but who, with the help of a complaisant judge, brought down the full force of the law on the perpetrator of an accounting deception.

The legal system was never purely impartial, but this case is also an assault on American democracy.

The case would surely never have been brought if Mr. Trump weren't the accused. Yet the former president himself is no innocent victim. Despite the colorful efforts of some his more unhinged supporters to use the verdict to enshrine him in the martyrology of subjects of state oppression, alongside Nelson Mandela, Alexander Solzenhitsyn and, yes, Jesus Christ, we should acknowledge that it is his own behavior that has enabled his enemies and weaponized their efforts. Throughout his long business and shorter political career he has skirted the blurry edges of norms and rules of fairness, decency and even legality. He is where he is now

The Fed Is Too Cautious on QT

By Darrell Duffie

Inflation remains stubbornly high. That's why the Federal Reserve, as a part of its monetary tightening, has been reducing the size of its balance sheet, which still has more than \$7 trillion in assets left over from its last round of quantitative easing. So why has the Fed now decided to slow the pace of quantitative tightening by \$35 billion a month when inflation is still too high?

The Federal Open Market Committee's decision to slow QT comes from a desire to be sure that banks have “ample” reserve balances (deposits held by banks at the Fed) to meet daily cash needs. Every dollar of these deposits at the Fed must be backed by Fed assets. If the size of the Fed's balance sheet is brought down too much and too quickly, that creates a risk of cash hoarding by banks—which could cause overnight interest rates to soar, wreaking havoc on wholesale funding markets. This happened in September 2019, during a previous round of QT. This time around, the Fed is dropping the size of its balance sheet more cautiously.

This isn't a bad idea, but the Fed doesn't need to be so tentative. There are clear warning signals the Fed could use to monitor the risk of a liquidity crunch before it happens.

Each business day, on average, banks use a payment system called Fedwire to transfer more than \$4 trillion from their Fed deposit ac-

counts to one another. Keeping these payments flowing smoothly each day is crucial to the effectiveness of the financial system, since they cover payrolls, vendor payments, trade settlements and many other applications.

The largest banks send far more cash out of their Fed accounts each day than their opening balances, which is why they rely heavily on incoming payments from other banks in the middle of each day. Although banks are in principle able to overdraft their Fed accounts in the middle of the day, globally important banks are strongly discouraged from overdrafting by a battery of regulations and tests that were introduced after the 2008-09 financial crisis.

Using Fedwire data, my new research with Adam Copeland and Yilin Yang shows that whenever banks are running low on reserve balances, they send their payments to the largest dealer banks (which buy and sell securities) later in the day. In reaction, these dealer banks conserve cash by raising the interest rates they offer to their customers on wholesale funding transactions, sometimes very sharply.

On Sept. 17, 2019, reserve balances were so low that the 10 largest dealer banks active in the Treasury repo markets received the first half of their incoming payments around 150 minutes later than normal, a record high delay. On that day, rates on Treasury repos jumped by hundreds of basis points, a huge anomaly that shocked market participants. In re-

the day of the week.

Manhattan also has the highest retail vacancy rate across the five boroughs, averaging 15% in fiscal 2023. Since 2020 the number of empty storefronts below 60th Street has nearly doubled, with the vacancy rate in Community District 1—the lower tip of Manhattan—at a staggering 22%. Broadway attendance during the 2023-24 season was roughly 16% below its 2018-19 peak. Based on estimates by the Office of the New York State Comptroller, the number of tourists visiting the city isn't expected to recover to 2019 levels until at least 2025. Layer into the mix elevated levels of city crime, homelessness, illegal immigration, the secular shift to telecommuting and the growing allure of tax-friendly red states (for both employers and employees).

It's a fragile economic ecosystem into which congestion pricing is now being introduced. Nonetheless, the joint environmental assessment report released in 2023 by the MTA and various federal, state and city transportation agencies found that the new toll wouldn't adversely affect local economic conditions, including any particular industry or occupational category or the operations or viability of any business located in Manhattan's Central Business District.

This is a dangerous experiment—one that almost certainly will have unintended economic consequences. Opponents of New York City's congestion pricing will argue about how to divvy up the windfall money. But the real focus should be on how the wheels of the New York City economy may soon be coming off.

Mr. Tice is a senior fellow at the National Center for Energy Analytics, an adjunct professor of finance at New York University's Stern School of Business and author of “The Race to Zero: How ESG Investing Will Crater the Global Financial System.”

because he did something sordid and then a jury found he misrepresented in legally binding documents his efforts to prevent it becoming known in a way that might hurt his political prospects. Given his astonishing record of good fortune, he may gain more in political benefit than he loses from the cost of bearing the label of felon, a label likely to be erased by future appeals.

But it doesn't matter that Mr. Trump is an imperfect object of our pity. The greater damage wrought by this frivolous trial and conviction is to the nation itself. It marks a further steep step down in the march toward the annihilation of the legitimacy of the vital institutions of this country.

Through all the many miscarriages of justice, flawed decisions and corrupt jurists in their history, Americans have managed to retain a basic faith that ultimately justice can still be administered independent of political control. Democrats should understand that when it is abused like this, that faith is dissolved and the rules abandoned. They may be rejoicing now, but the whirlwind they will reap by reducing the law to the status of a weapon in the hands of the dominant political power is fatal for them too—and for the American system of government.

WORLD NEWS

Beijing Faces Familiar Blowback

Global fallout over current actions tops what followed 1989 Tiananmen massacre

By James T. Aredy

China's 1989 crackdown on pro-democracy activists sparked a seminal crisis in Beijing's relationship with the West. On the massacre's 35th anniversary, China's leaders face familiar international blowback over their conduct. Instead of gunfire, today's sources of discomfort about China are a mix of its aggressive industrial policy and militarization toward neighbors, plus a national-security agenda from Chinese leader Xi Jinping that has curtailed personal freedoms at home and shaped affairs abroad. A poor and relatively backward nation in 1989, China is now an economic powerhouse backed by a formidable military and diplomatic corps vying to reset the global order and impose its will internationally. Beijing's image is undergoing "a systematic, progressive, long-term falloff, not a one-time shock" like the one triggered in 1989, said David Shambaugh, a distinguished

visiting fellow at California's Hoover Institution who has studied China for four decades and who sees parallels and differences with the post-Tiananmen situation. While Beijing is now in a far stronger position to resist the pressures, today's international disquiet about China is wider spread than it was after Tiananmen and not confined to the West, Shambaugh said. Foreign investment into China is declining, many governments are rethinking trade ties, and Beijing's human-rights record has moved back toward the center of international attention, a confluence of negative forces China hasn't experienced since 1989. The headwinds are apparent in a long-running Gallup poll of American attitudes about China—a 20% favorability rating today, far below 34% shortly after the June 4, 1989, massacre and evidence that many sense a new Cold War. Strikingly, Gallup numbers show the Soviet Union had a far higher favorability rating—62%—in 1989, as the Cold War was petering out and a self-assured U.S. faced no serious rival. Chinese growth has also sagged closer than ever to post-Tiananmen lows, 3.9% in 1990, in an interruption of sometimes double-digit rates



Student protesters faced police in Tiananmen Square in 1989.

in years before. The economic malaise speaks to man-on-the-street pessimism about central policymaking and it is augmented by faint hints of Tiananmen-like public disorder. After Tiananmen, China tightened domestic security with an eye to eliminating chances for future mass anti-government protests. Its carrot was the simultaneous pursuit of liberalizing economic policies that swelled wealth and advanced modernization. In particular, authorities doubled down on an implied pact with the population: economic improvements in exchange for unquestioned party power.

A key step came in early 1992, when then-leader Deng Xiaoping toured Guangdong province, beckoning foreign investors back. China did more than just rejoin the international community. It became the world's biggest trading nation and a top recipient of foreign investment, rocketing into the No. 2 spot among global economies, up from 11th in 1989. After the crackdown, Deng had famously instructed cadres to adopt a nonconfrontational response to international condemnation: China would hide its strengths and bide its time. Xi has gone the

opposite direction, unleashing "wolf warrior diplomats" who angrily rebut China critics and assert territorial claims. Leverage against China is limited these days, given its power and trade links, even if more of the world—swaths of Asia and the global South—demonstrates misgivings about Chinese militarism, mercantilism and influence. "We're dealing with a different country today," Shambaugh said. Plus, "today it's the West, and the United States in particular, with doubt about who it is and where it's going," he said. The average household can't help but notice that China is losing dynamism. Confidence is slumping, tugged by a real-estate crisis that seems to defy solutions. China's youth are disillusioned as job prospects narrow. Women are forgoing motherhood, worsening a troubling population slide. Over the past 35 years, Beijing has poured enormous resources into ensuring Tiananmen isn't repeated. But the party's implicit deal with China's people is stressed. "The political piece of the puzzle is still there," Shambaugh said, but a vanquished sense of opportunity shows "the basic compact is not what it was."

China Says Britain Recruited A Couple As Spies

By Chun Han Wong

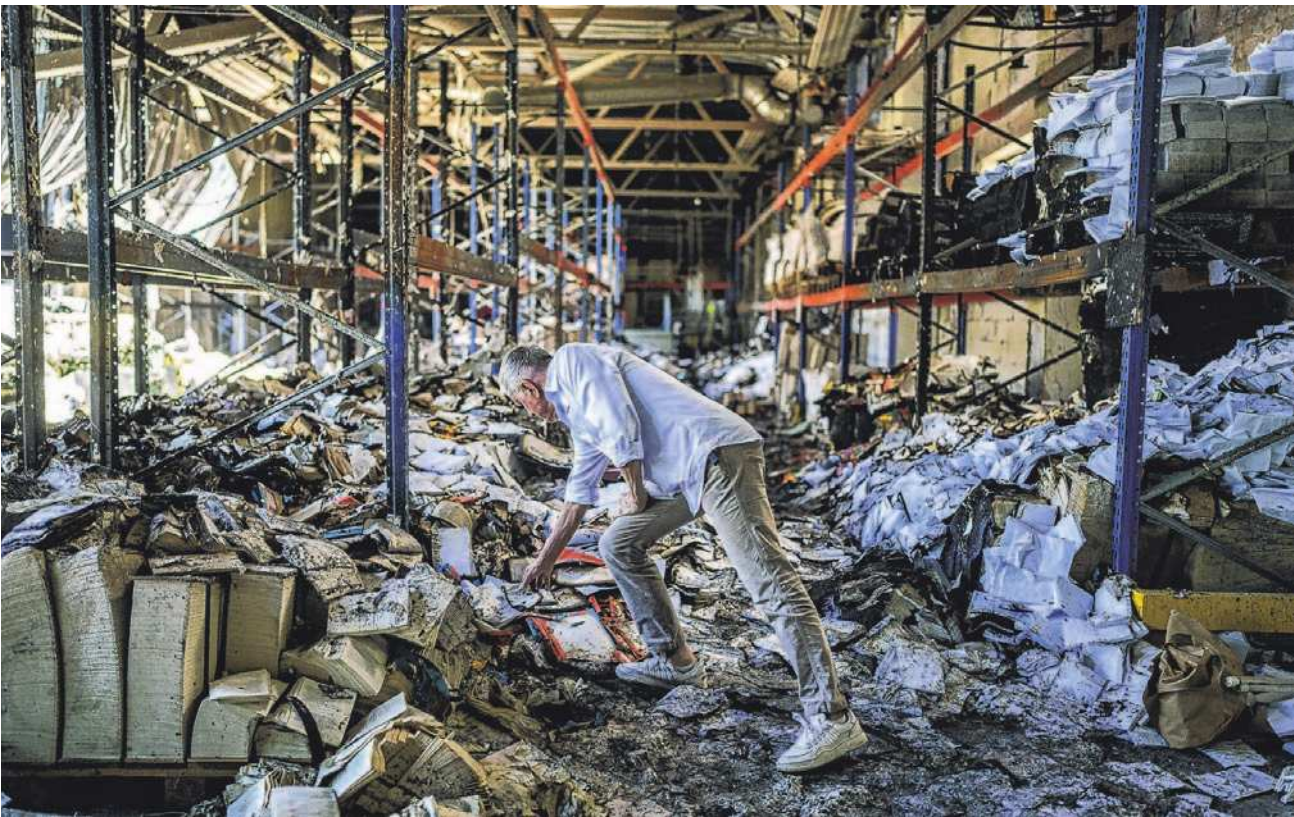
SINGAPORE—China accused British intelligence of recruiting a Chinese couple as well-placed spies in key state agencies, delivering Beijing's latest response in a simmering fight with the West over espionage. In a social-media post published Monday, China's Ministry of State Security said authorities are investigating the couple, a man surnamed Wang and a woman surnamed Zhou, for allegedly gathering sensitive information on behalf of MI6, the U.K. foreign-intelligence agency. The allegation marked the latest in a series of MSS disclosures of espionage probes involving Western-intelligence services. China's main civilian spy agency started using social media last year to raise public awareness about national security and warn against foreign spying. According to the MSS, MI6 approached Wang after he applied to study in the U.K. in 2015 because he was working at a central-level government agency in a role with access to secrets. The British recruited Wang to gather intelligence in China and had him persuade his wife—who was working at what the MSS called a "critical unit"—into spying for MI6 as well. The probe against Wang and Zhou meant "uprooting a major 'nail' that the British had implanted within" the Chinese government, the MSS said. It didn't provide additional information. U.K. authorities declined to comment on the allegations. The disclosure comes amid rising rancor between China and the West over alleged espionage. Such tensions have manifested themselves in public warnings about cyberattacks, spying and other forms of intelligence gathering, as well as high-profile arrests of alleged spies. In April, Germany arrested four people, including a far-right politician's parliamentary assistant, on suspicion of spying for China. U.K. authorities also charged two men with allegedly spying for Beijing, including a former parliamentary researcher. In May, British police charged three more men—including a U.K. Border Force official and a former Royal Marines commando—with allegedly helping Hong Kong's intelligence services spy on U.K.-based dissidents. The former marine was later found dead in a park. Washington also has stepped up warnings against Chinese espionage, describing Beijing as a major source of spying and cyber threats against the U.S. In February, Federal Bureau of Investigation Director Christopher Wray said Beijing's efforts to covertly plant offensive malware inside critical-infrastructure networks is at "a scale greater than we'd seen before." Beijing has waged a publicity campaign to urge citizens to stay vigilant against efforts to steal state secrets. —Max Colchester contributed to this article.

Russia Aims to Make Life Unlivable in Kharkiv

Kharkiv, Ukraine—When Russian forces overran a stretch of Ukraine's northeastern border in May, Vitalina Honcharova packed her bags and prepared to flee this city with her family once more.

By Isabel Coles, Alan Cullison and Ievgeniia Sivorka

Three weeks on, Ukrainian forces have halted Russia's advance north of Kharkiv, and Honcharova is staying put. But as Russia pounds the city with bombs and missiles, her bags remain ready by the door. "We are living with our suitcases packed," the 48-year-old said while at the park with her son during a rare break in the air-raid alert that now sounds for as much as 16 hours a day. Although the danger of a rapid advance on the city has receded, Russia has Kharkiv back in its sights. Ukrainian and Western officials say Moscow appears to be planning a grinding war of attrition to empty it of its population by making life there untenable. The Kremlin has long coveted Kharkiv, which was once the capital of Soviet Ukraine. Moscow tried to foment a revolt in the predominantly Russian-speaking city in 2014 and reached its outskirts in 2022, in the early days of its full-blown invasion, before being pushed back by Ukrainian forces. Now, with the war in its third year, Russia is targeting Kharkiv's energy infrastructure and battering the city with missiles and guided bombs, while trying to push its artillery back in range. "Of course, Putin still wants Kharkiv," Oleh Synehubov, the head of the military administration for the region—which is also called Kharkiv—said of Russian President Vladimir Putin. Synehubov said Russia has deployed only a fraction of



Serhiy Polituchy, owner of Faktor Druk, which prints about 40% of Ukraine's books, inspects damage from Russian missiles.

the troops needed to storm the city, which he estimated could require up to half a million soldiers. But Russia has girded for a long war. At worst, the Kremlin could replicate the strategy it used against Aleppo, Syria, in 2016, when the Russian air force—supporting the Syrian government—destroyed electricity and water supplies and bombed hospitals and schools, said Oleksandr Lytvynenko, the secretary of Ukraine's National Security and Defense Council. The population of Aleppo fell to one-third of its prewar levels before the Assad regime retook the city from opposition forces. "They simply forced the people out. This is what they want to practice around Kharkiv," Lytvynenko said in

an interview. In the past week alone, Russian missiles and guided bombs have targeted a printing house and a home-improvement store, killing more than 25 people. City authorities say there is no need to evacuate, but have advised residents not to ignore air-raid alerts, and to avoid public places. Billboards along the city's freshly swept streets proclaim Kharkiv unbreakable. But the growing danger has prompted some parents with young children to leave. Those who remain face the growing dangers with an attitude somewhere between defiance and fatalism. Moscow's strategy of taking cities could be evolving as the war progresses, Lytvynenko said, noting that Russian

forces had razed the southern port city of Mariupol in the early weeks of the war in part because of a miscalculation over how difficult it would be to seize it. Russian military planners had envisaged a relatively lightly armed maneuverable army rapidly advancing into Ukraine and demoralizing and destroying Ukrainian resistance. After encountering fierce opposition, the Russian army reverted to timeworn habits of Soviet military planners, using massed artillery and armor to progress, he said. Secretary of State Antony Blinken said Russia's incursion in Kharkiv had sought to capitalize on a delay in Western military aid, which is now reaching the front line after months of deadlock in Congress.

"We're seeing that have a real effect, including in stabilizing the front and in clearly denying Putin what he was after, which is to try to take Kharkiv, to create at the very least a massive flight from the city," he said. To counter the Russian moves, the Biden administration on Thursday said for the first time it would allow Ukrainian forces to use artillery and fire short-range rockets against command posts, arms depots and other assets on Russian territory that are being used in the attack on Kharkiv. Elena Tetarenko, who sells hair and beauty products, said she and her husband have no intention of leaving Kharkiv unless Russia were to occupy the city. "We will be here until the end" she said.

NIGERIA
Strikes Cut Power And Close Airports
Africa's most populous country ground to a halt on Monday as Nigeria's largest labor unions began striking for a salary increase. President Bola Tinubu's economic overhaul—including devaluing the currency and ending fuel subsidies—has sent inflation to a 28-year record. In this strike, the fourth since Tinubu came to power a year ago, workers shut down the national electricity grid and drove away operators at a key transmission station, said the Transmission Company of Nigeria. Elsewhere, government workers either failed to show up or shut down entrances to offices, including at airports in the capital of Abuja and the economic hub of Lagos. Hundreds of passengers were stranded. —Associated Press

UNITED KINGDOM
Farage to Pursue Seat in Parliament
Pro-Brexit, anti-immigration campaigner Nigel Farage returned to front-line British politics on Monday, saying he will lead the right-wing party Reform U.K. and run for Parliament in the July 4 election. Farage said he'll run in Clacton-on-Sea, his eighth attempt at a seat in the House of Commons. His seven previous tries failed. Days earlier, Farage had said he wouldn't be a candidate because it was more important to support Donald Trump in the U.S. election in November. While Farage stands some chance of defeating Clacton's Conservative incumbent and being elected, he said his larger goal is to lead the "real" opposition to a Labour Party government if the Conservatives lose, as many expect. —Associated Press

CHINA
Chang'e-6 Probe Departs for Earth
China says a spacecraft carrying rock and soil samples from the far side of the moon has lifted off from the lunar surface to start its journey back to Earth. The ascender of the Chang'e-6 probe lifted off Tuesday morning Beijing time and entered a preset orbit around the moon, the China National Space Administration said. The Chang'e-6 probe was launched last month and its lander touched down on the far side of the moon Sunday. The container will be transferred to a re-entry capsule that is due to return to Earth in China's Inner Mongolia region about June 25. The mission is the sixth in the Chang'e moon exploration program. —Associated Press

WORLD WATCH



GEARING UP: Retired First Lt. Edward Berthold, age 104, joined children and fellow World War II veterans in Normandy on Monday, three days before the 80th anniversary of the D-Day landings.

China Chip Giant Aims to Cut U.S. Reliance

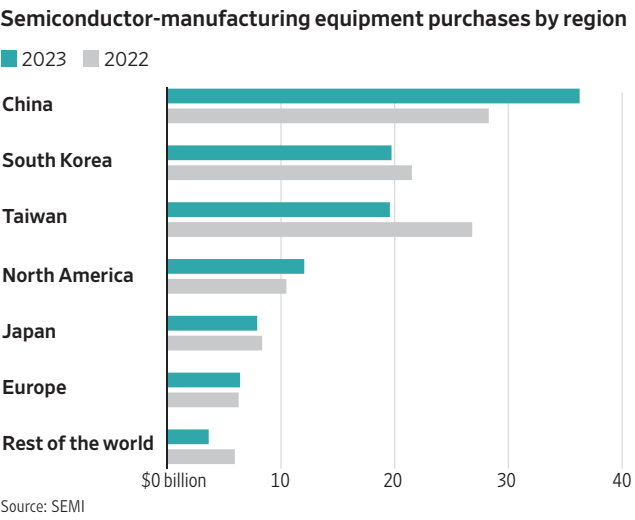
Hit by export curbs, company leads way in aggressive quest for self-sufficiency

By Yoko Kubota

BEIJING—At an industrial site with gray factory buildings surrounded by young trees, China’s chip champion is operating a new production line key to Chinese leader Xi Jinping’s goal to eliminate reliance on U.S. technology.

By today’s standards, the operations done here by **Semiconductor Manufacturing International Corp.**, or SMIC, are retrograde, several generations behind the likes of industry leaders **Taiwan Semiconductor Manufacturing Co.**, commonly known as TSMC, or **Samsung Electronics**.

But SMIC, at the company’s



new Jingcheng facility on the industrial outskirts of Beijing, is aggressively incorporating homegrown semiconductor-production equipment into its manufacturing line. Meanwhile, it is cutting back on its long-

time reliance on industry-leading American tools, a person familiar with the matter said.

The line represents one of China’s most advanced efforts to date to commercially create chips with domestic tools—a

technological survival tactic that would help inoculate Beijing from U.S. sanctions.

It is a part of a broader campaign to eradicate American technology in China, dubbed “Delete A” or “Decouple From A,” which has accelerated in recent years as the world’s two biggest economies intensify their battle to dominate in next-generation technology.

The Biden administration, and some U.S. allies such as Japan and the Netherlands, have introduced targeted export curbs that have undercut China’s ability to make high-end chips. But those measures also have served as a rallying call for China’s homegrown industry to develop more quickly, leading to big spending, experimentation and even some breakthroughs.

China, defying the global drop in semiconductor-equipment purchases, went on a

spending spree in 2023 and represented one-third of worldwide sales, according to industry association SEMI. This year, the country will add more new semiconductor production capacity than the rest of the world combined, all for mature technology chips, according to an estimate by analytics firm Gavekal Research. In May, China established a third round of its national semiconductor fund worth roughly \$48 billion—coming on top of the previous two iterations that totaled nearly \$50 billion.

The SMIC project, for now, remains largely aspirational. The production line still features some U.S. tools as well as other equipment from outside of China. China has a long way to go to shed its reliance on foreign technology, especially for those needed to produce higher-end chips, semiconductor executives and

industry experts say.

Still, SMIC is on a path to commercialization. It is now capable of producing chips as advanced as 28-nanometer circuits at this line, and recent output volume there is already beyond the pilot production level, a person familiar with the matter said.

“By blocking everything, you force the sleeping lion to wake up,” said Konrad Kwang-Lee Young, a former executive at TSMC who served as an independent SMIC board member until 2021, referring to the state of China’s semiconductor industry.

SMIC, a contract-chip manufacturer founded in 2000 in Shanghai, currently represents China’s best shot at one day churning out the world’s most-advanced chips.

SMIC, which isn’t a directly government-run enterprise, *Please turn to page B4*

Climate Startups Face Challenge in ‘Valley of Death’

By Ed Ballard
And Amrith Ramkumar

There is something more important going on in the Welsh city of Wrexham than two Hollywood stars making a feel-good TV show about a little-known soccer team.

At a swampy site just outside of town, **Material Evolution** is building a factory to make a low-carbon alternative to cement, a big contributor to global emissions. It is facing a tougher climb than the local soccer team’s highly publicized effort to get promoted.

Hundreds of young climate companies like Material Evolution are burning through cash and racing to turn new technologies into big businesses. The transition period is called the “valley of death” because so few startups survive it.

The success of at least some of these startups is crucial to the world’s efforts to limit climate change. But companies in their early stages are often derailed by blown budgets, engineering failures and any number of unexpected hazards.

“Everybody says there’s a playbook,” said Liz Gilligan, chief executive of Material Evolution. “There’s no playbook.” Had she known how hard it would be to develop industrial technology, she would have started a software company, Gilligan jokes.

At stake are tens of billions

of investor dollars and technologies aimed at reshaping swaths of the economy, such as cleaner fuels for ships and planes and longer-lasting batteries for electric cars. That is all while executives navigate uncertainty about interest rates, trade policy and government subsidies.

A previous funding boom for clean technology ended badly. After pouring \$25 billion into the sector between 2006 and 2011, venture capitalists lost more than half that by 2015 after many startups failed.

More recently, a wave of clean-energy startups that went public during a fundraising peak in 2020 and 2021 collapsed. Electric-vehicle startups Fisker and Lordstown Motors are among those that filed for bankruptcy or are teetering on the edge.

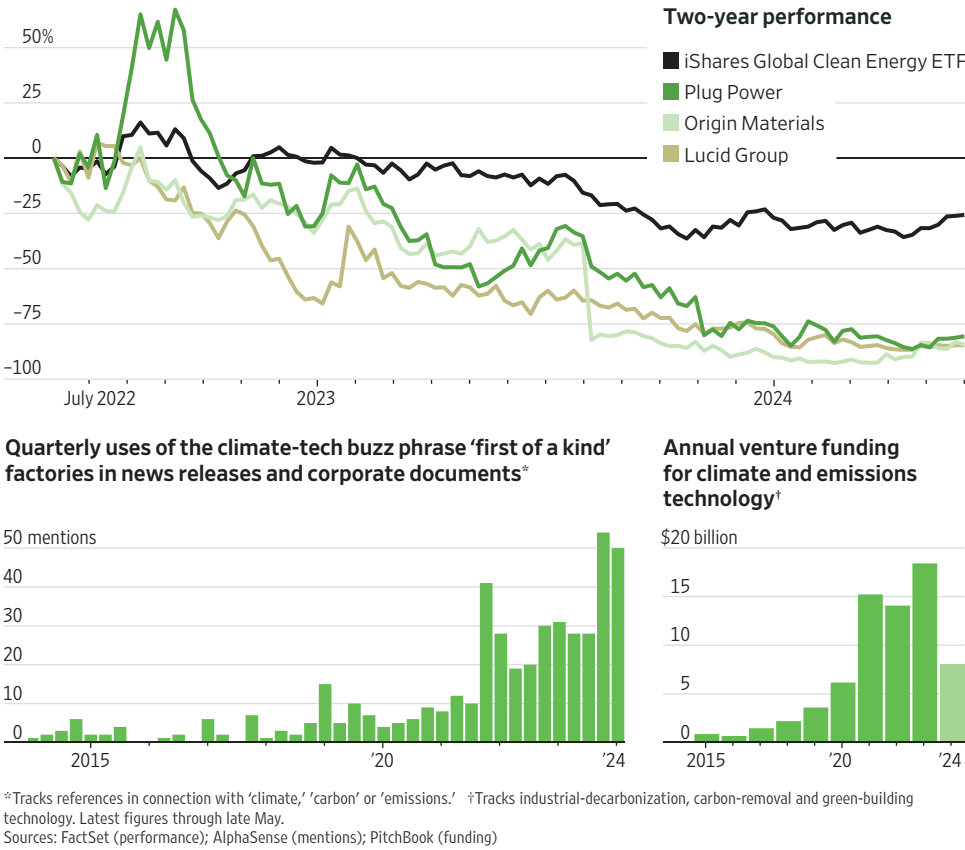
Building any startup is “one long valley of death with occasional breaks,” said David Yeh, a climate-technology investor and former adviser in President Obama’s White House. For many companies, he said the most treacherous time is building the first factory.

In Wales, Material Evolution plans to produce its cement alternative by processing waste materials from steelmaking at the site of a customer’s concrete-products factory.

The process uses a reactor that Gilligan likens to a giant *Please turn to page B2*



Plug Power ran into problems trying to build a Georgia project to make green hydrogen.



Becton To Acquire Unit of Edwards

By Denny Jacob

Becton Dickinson & Co. agreed to acquire an **Edwards Lifesciences** unit for \$4.2 billion, in one of the company’s largest of many transactions.

Becton Dickinson will acquire Edwards’s Critical Care product group, which focuses on advanced patient monitoring with artificial-intelligence algorithms. The unit is known for inventing the category of hemodynamic monitoring—the assessment of a patient’s circulatory status through various testing methods.

Becton Dickinson Chief Executive Tom Polen said the acquisition increases its access to new and existing hospital customers and noted the transaction is expected to have a positive effect on all key financial measures.

Edwards Lifesciences Chief Executive Bernard Zovighian said selling Critical Care allows the company to pursue a strategy centered on structural heart disease.

Becton Dickinson expects to fund the deal in a combination of \$1 billion in cash and \$3.2 billion of new debt.

Critical Care will operate as a separate business unit within Becton Dickinson’s medical segment after the deal is completed, which is expected before the year’s end.

Critical Care has about 4,500 employees and generated more than \$900 million in revenue in 2023.

Logistics Firms Look To Break IPO Logjam

By Paul Berger

Transport-and-logistics operators are looking to break a logjam in public stock offerings, with bankers saying some companies are exploring listings following a fallow period marked by tight funding and weak freight demand.

“This year we’ve seen more IPO pitches in the transport space than the last few years combined,” said Dan Howard, a managing director and head of North America transport at Goldman Sachs.

Bankers and logistics executives say the IPO pipeline is being primed by companies owned by founders, families and private-equity firms that put sale and public-listing plans on pause in recent years because of the roller-coaster freight cycle.

They say buyers weren’t willing to pay a multiple on revenue that was inflated during the Covid pandemic, when logistics-sector earnings soared because of strong freight demand.

Owners more recently have been reluctant to sell because freight volumes and earnings have been in decline, deflating company valuations.

Refrigerated-warehousing company **Lineage Logistics**, which along with rival **Americold Realty Trust** is the one of the largest cold storage operators in North America in terms of capacity, is the biggest on the docket. Lineage could target a valuation of \$30 billion or more in an IPO led by Morgan Stanley and Goldman Sachs later this year, according to people familiar with the process. At that valuation, the deal would make the Michigan-based company one of the biggest IPOs of the year.

Ohio-based tank truck transporter **Kenan Advantage Group** is exploring an IPO at a valuation of \$3.5 billion, Bloomberg reported. A spokesman for Kenan’s owners, **Omers Private Equity**, declined to comment.

Rachel Gerring, who ad*Please turn to page B2*

INSIDE



BUSINESS NEWS

Spotify is raising prices for the second time this year.

B3



HEARD ON THE STREET

Saudi Aramco stock is a tough sell to investors.

B10

Grocer’s Chocolate Sales Soar After It Vows Fair Pay to Farms

By H. Claire Brown

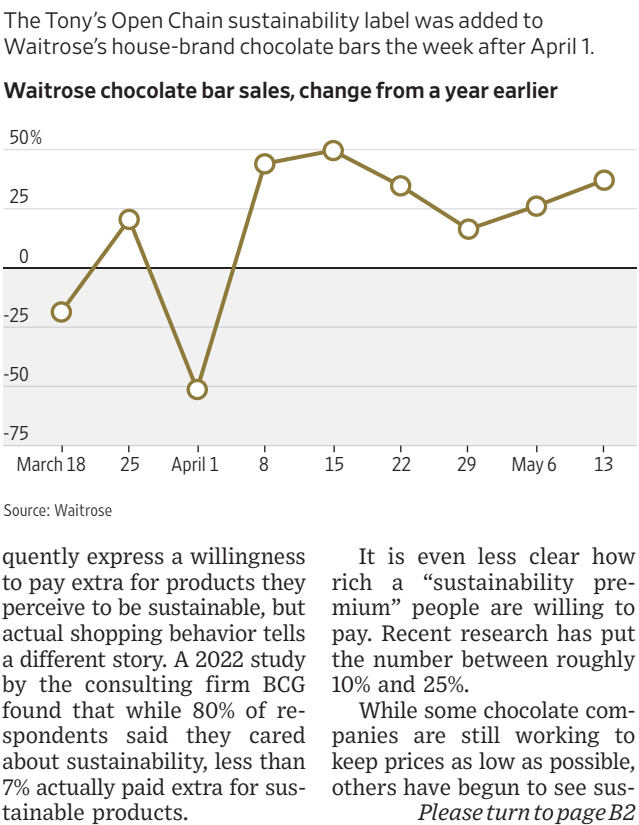
In April, the British grocery chain Waitrose added a small yellow label to nine of its store-brand chocolate bars. “Tony’s Open Chain: Together, we’ll end exploitation in cocoa,” it read.

The rollout wasn’t accompanied by in-store advertising, and news coverage was relatively quiet. The price of the bars rose from £2, or about \$2.50, to £2.20. Still, sales shot up by 43% year over year in the week after the launch, and averaged 34% in the first six weeks.

It can sometimes be hard to see a return on investments in the supply chain, said Marija Rompani, director of ethics and sustainability at **John Lewis Partnership**, which runs the Waitrose chain.

“But in this one, we have seen that the customers are more inclined to buy the chocolate because it has ethical standards,” she said.

In surveys, consumers fre-



INDEX TO BUSINESSES

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

A	H	
Advanced Micro Devices.B4	Hertz Global.....B5	Origin Materials.....B2
Advanced Micro-Fabrication Equipment..B4	Huawei Technologies.....B4	P
AMC Entertainment.....B9	J	Plug Power.....B2
AmeriCold Realty Trust...B1	John Lewis Partnership...B1	Proficient Auto Logistics.B2
A.P. Moller-Maersk.....B3	K	S
Armlogi.....B2	Kenan Advantage.....B1	Samsung Electronics.....B1
Arthur J. Gallagher.....B10	KKR.....B3	Semiconductor Manufacturing International.....B1
Atos.....B5	L	Seres.....B4
B	Li Auto.....B4	Spirit Airlines.....B5
Bank of Montreal.....B9	Lineage Logistics.....B1	Spotify.....B3,B10
Barrick Gold.....B9	Lynrock Lake.....B4	Structure Therapeutics..B10
Becton Dickinson.....B1	M	T
Berkshire Hathaway.....B9	Macquarie.....B3	Taiwan Semiconductor Manufacturing.....B1
BYD.....B4	Material Evolution.....B1	Tesla.....B4
C	Morgan Stanley.....A1	Toyota Motor.....B3
CalAmp.....B4	N	Transfix.....B2
E	Nestlé.....B2	W
Econocom.....B5	News Corp.....B4	WuXi AppTec.....B5
Edwards Lifesciences.....B1	NIO.....B4	X
Eli Lilly.....B10	Novo Nordisk.....B10	Xiaomi.....B4
G	NuScale Power.....B9	Z
GameStop.....A1,B9	Nvidia.....B4,B9	Zeekr Intelligent Technology.....B4
Geely Automobile.....B4	O	
GenScript Biotech.....B5	Omers Private Equity.....B1	
GSK.....B3	OpenAI.....B4	

INDEX TO PEOPLE		
A	Flandro, David.....B10	McMenamy, Brian.....B5
Adams, Chris.....B4	Fuente, Rafael de la.....A9	Monnier, Jean-Louis.....B10
Altman, Sam.....A1	Geeraerts, Nicolas.....A11	Musk, Elon.....A10
Arora, Sanjay.....B2	Gill, Keith.....A1,B9	Parikh, Hardik.....B10
B	Gilligan, Liz.....B1	Polen, Tom.....B1
Berber, Benito.....A9	Globmicki, Gerry.....B10	Prusek, Keith.....B2
Beveridge, Neil.....B10	Goltermann, John.....B9	R
Bissel, John.....B2	H	Ramos, Alberto.....A9
Borck, Belinda.....B2	Haralson, Scott.....B5	Rompani, Marija.....B1
Bottenfield, Jason.....B9	Howard, Dan.....B1	S
Brooks, Alexandra.....B5	Huffman, Steve.....A10	Sperrfechter, Kimberley..A9
Bruni, Tom.....A2	K	Stevens, Raymond.....B10
C	Kaminski, Kathryn.....B9	Su, Lisa.....B4
Chan, Angus.....B4	Kim, Jikun.....B4	T - Z
Cherniak, Harlan.....B3	Krane, Jim.....B10	Thiel, Peter.....A10
D - G	Kretinsky, Daniel.....B5	Toyoda, Akio.....B3
D'Angelo, Adam.....A10	L - P	Yeh, David.....B1
Dorson, Malcolm.....A9	Layani, David.....B5	Ying, Joel.....B4
Dubinsky, Bill.....B10	Mahaney, Mark.....B10	Young, Konrad Kwang-Lee.....B1
Ek, Daniel.....B10	Marsh, Andy.....B2	Zovighian, Bernard.....B1
	McKay, Caroline.....A12	



Material Evolution is building a green cement plant in Wales.

Climate Startups Struggle

Continued from page B1

blender. It runs on electricity at low temperatures, slashing the pollution generated when making regular cement by heating limestone with fossil fuels.

Construction has delivered many curveballs for the company's first factory near Wrexham, which became famous when actor Ryan Reynolds and Rob McElhenney bought the soccer team in 2020.

There were worries the boggy ground wouldn't support the factory, and that an amphibian—the great crested newt, known for foiling British building plans—would delay the project. The lowest moment came early this year, when Material Evolution wasn't sure how to get enough electricity to the site.

"You feel really stupid, because everyone tells you you should have checked," Gilligan said.

In the U.S., another climate startup ran into snarls trying to build one of the country's first projects to make green hydrogen, a potential replacement for fossil fuels in steel-making and chemical production.

Plug Power CEO Andy Marsh said the biggest headache with the facility in southeast Georgia was installing the freezer-like chiller and liquefier system that is needed to transport and store liquid hydrogen. The system is bigger than a football field and keeps hydrogen at negative 423 degrees Fahrenheit.

Plug Power thought preparation and installation would take a few weeks. It ended up taking five months to ensure the system wouldn't be vulnerable to contamination. The delay escalated pressure on

Plug Power, which was burning through cash. "It was much, much more painful than I ever thought it could be," Marsh said.

After repeated delays, production began in January, helping Plug Power secure a \$1.66 billion federal loan commitment to build bigger plants. The program is part of the Biden administration's billions of dollars in subsidies for earlier-stage climate technologies.

Winning government support doesn't guarantee success, and meeting the conditions for funds can take years.

Meanwhile, some startups are shifting strategies to survive. **Origin Materials**, which aims to make plastics and other materials out of plants, went public in 2021 hoping to fund its own factories. But after the pandemic snarled supply chains, construction costs for its first commercial plant in Ontario, Canada, rose more than 10% and the factory's completion was delayed for months before production began last year.

The speed bumps forced Origin to slash 30% of its roughly 200 employees.

Origin has postponed its goal of producing large amounts of plant-based chemicals at its own factories. Instead, it is finding partners that can help it build plants and products that can be mass-produced quickly, such as a recycled-plastic bottle cap. Its shares are down about 90% since its listing.

"It's already difficult building first-of-a-kind plants and plants in general," said John Bissell, Origin's co-CEO. "You layer all of these other global shenanigans on top of everything else, and it just gets really difficult and really expensive."

For Gilligan, the green-cement CEO, risks remain. There is always a chance, for example, that something causes the cement mixture to clog. Still, Gilligan expects the factory in Wales to start up on time and on budget this summer.

BUSINESS & FINANCE



ISSOUF SANOGO/AGENCE FRANCE PRESSE/GETTY IMAGES

Cocoa is produced by millions of small-scale farmers, with most of it grown in West Africa. Drying cocoa beans in Ivory Coast.

Grocer's Chocolate Sales Soar

Continued from page B1

tainability as a "differentiator," says Helen Carter, a supply chain expert at consulting firm Action Sustainability.

"There are definitely customers that are now prepared to pay a premium for chocolate to make sure that it's good quality and that it's fair," she said. "Those are the companies that we're starting to see grow more and more."

In the broader food industry, the success of the rapidly growing organic certification label offers some hint that the sustainability premium may translate to other products, though research has shown that health benefits may be a greater factor than environmental concerns.

At Waitrose, customers appeared willing to pay extra for ethical cocoa sourcing—though it is also possible shoppers didn't notice the difference. Inflation, and an attendant preference for store brands, might have played a role.

Regardless of whether it was the cause, Waitrose's use of the small yellow label marked the beginning of the chocolate rush. Tony's Open Chain, an industry-led initiative, was started by Dutch company Tony's Chocolonely with the aim of ending child

labor and slavery in cocoa farming. With enough buy-in from retailers and food brands, the thinking goes, the chocolate industry can move the needle on farmer income and gain full visibility into farm-level operations, ensuring the cocoa they buy actually meets social and environmental standards. Ben & Jerry's and Aldi, among others, have signed on.

Companies that join Tony's Open Chain make several commitments, but the core of the initiative rests on a simple promise: They will pay more for cocoa.

Cocoa is produced by millions of small-scale farmers, and more than half of the world's supply is grown in Ivory Coast and Ghana. In Ghana, where a living income is considered around \$1.96 per person a day, farming families make about \$1.42 per household member, according to Tony's Open Chain. The companies that join the initiative commit to bridge the 54-cent gap by paying more for cocoa.

The Ghanaian government sets the price of cocoa, and for the 2022-2023 growing season fixed it at €1,250 a metric ton. Buyers that participated in the Fairtrade certification program, a separate set of sustainability standards, paid an additional €245 premium per ton. On top of the Fairtrade

premium, Tony's Open Chain participants paid another €669 a ton in living income premium to ensure the farmers in their network earned \$1.96 a day. (All of the cocoa sourced through the Open Chain is also Fairtrade.)

Higher pay for workers could help in many ways, but the impact hasn't always been easy to track.

"The cocoa industry has got a problem because cocoa is seen as a commodity and therefore traded on price," said Carter. "Tony's Chocolonely are looking at getting closer to the bean, closer to the cocoa, and therefore have much more control and say on fair wages and better working conditions." **Nestlé**, she said, also has made efforts to improve certain labor and farming practices.

According to the Tony's Open Chain audited impact statement, cocoa sourced through its network is 100% deforestation-free—in compliance with a European law taking effect in December—and the prevalence of child labor was 10.5% at its partner cooperatives in 2022-2023, well below an industry average of nearly 50%.

Even so, initiative purchases right now represent a tiny fraction of overall cocoa sales in West Africa. The goal is to purchase 5% of the beans from the region, a small pro-

portion that would nonetheless represent a 10-fold increase in today's volume.

And Tony's Chocolonely has had its own reputational difficulties. A few years ago, it was removed from a list of "ethical chocolate companies" by the U.S.-based Slave Free Chocolate due in part to its continuing business with Barry Callebaut, a Swiss-Belgian processor and manufacturer that was named as a defendant in a 2021 class-action suit filed by eight former child slaves from Mali. The suit was later dismissed.

"It is a reality that all other chocolate companies—nearly all, I would say—work with them as a processor," said Belinda Borck, senior credible scaling specialist at Tony's Open Chain, referring to Barry Callebaut. "Ignoring them would be like not sourcing from Ghana, and that would make no sense because it wouldn't solve the industry's issues."

Borck also said the processor is committed to keeping Open Chain beans entirely separate from the rest of its cocoa supply, and that Tony's Chocolonely now works with other processors as well. Today, Tony's Chocolonely ranks highly on other chocolate scorecards.

Tony's Open Chain is an industry attempt at self-regulation, but real change may ultimately come from outside. Recent legislation in Europe to fight deforestation as well as some highly public legal actions on slave labor have tainted the industry—and are driving reform, Carter said.

Logistics Operators Eye IPOs

Continued from page B1

vises on IPOs at consulting firm EY Americas, said there is pent-up demand, especially among private-equity-backed companies under pressure from investors to sell or list publicly.

"There is a pipeline of companies that potentially need to come to market," said Sanjay Arora, a partner at ATL Partners, a New York-based private-equity firm that specializes in transportation and logistics.

Logistics companies are exploring public listings amid a broader resurgence in IPOs following a slowdown in 2022 and 2023. This year has seen a parade of traditional listings, including digital-rewards company Ibotta, social-media platform Reddit and AI-focused Astera Labs.

Two logistics companies have listed so far this year in relatively small listings. An IPO of car carrier **Proficient Auto Logistics** in April, which raised \$215 million, was a roll-up of five trucking companies rather than a traditional pub-

lic listing. Last month's IPO of California-based warehousing and logistics service **Armlogi Holding** was a minnow, raising just \$8 million.

The IPO-listings slowdown began after the Federal Reserve started raising interest rates in early 2022.

It coincided with a steep downturn in the freight industry that scuttled some logistics companies' plans to go public.

New York-based digital freight broker **Transfix** in 2022 abandoned plans to list via a merger with a special-purpose acquisition company that aimed to raise up to \$375 million.

SPAC IPOs lost favor with investors after companies that went public via mergers with the blank-check companies struggled.

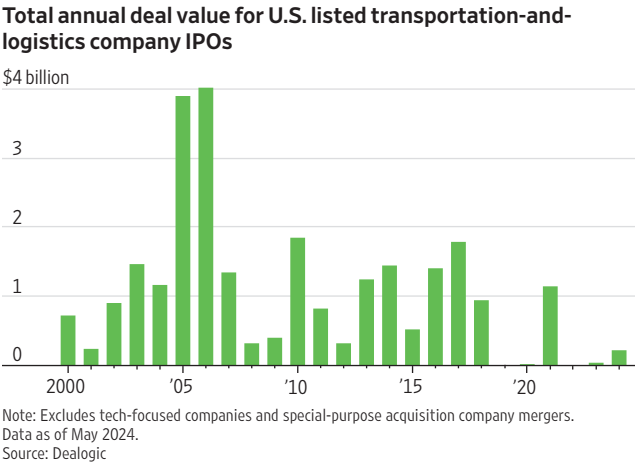
Transfix's own business ran up against dimming freight demand and pricing in the U.S., but it was able to raise a smaller sum via a private funding round. A larger rival, Seattle-based Convoy, that toyed with a potential IPO after being valued at \$3.8 billion in 2022, went out of business last year.

The U.S. logistics industry has been in the doldrums for about two years. Companies' hopes of a freight market rebound this year have faded as truckers and brokerages struggle amid weak rates.

Bankers and advisers say tech-focused logistics companies, such as freight forwarder Flexport, which last year said it was pushing back plans for public listing, don't make good IPO candidates in the current market, which is focused on companies that have a strong record and that can show profitability.

They say the best candidates are companies that have specializations that "have enabled them to outperform broader freight market trends," said Keith Prusek, global joint head of logistics and transportation investment banking at Jefferies.

—Corrie Driebusch contributed to this article.



Reliable.
From Sea
to Shining Sea.

ManhattanLife™
Standing By You. Since 1850.

Licensed in all 50 states and U.S. territories.
Learn more about our geographic reach.

BUSINESS NEWS

Macquarie Backs Solar Projects in U.S.

Investment of \$85 million to help Sol Systems generate power in Midwest

By Isaac Taylor

The asset management arm of **Macquarie Group** is backing renewable-energy company Sol Systems with an \$85 million debt investment, riding a wave of U.S. demand for green power.

The infusion by the Australian infrastructure investor

and asset manager will support building and operating five utility-scale solar projects in Illinois and Ohio. Washington, D.C.-based Sol's projects are expected to be completed by the end of 2025, Macquarie said.

"There is a lot of interest in the renewable energy sector," said Harlan Cherniak, head of infrastructure debt in the Americas at Macquarie's asset management arm. "We have developed over 105 gigawatts of renewable energy projects globally and have invested billions of dollars in

the space. More broadly, there has been bipartisan legislative support for continued energy transition and additional capital is required to meet the energy transition targets of governments and corporates."

Development of renewable energy resources accelerated over the past decade and is expected to gain momentum amid a push to reduce global warming by cutting greenhouse gas emissions from power plants.

Utility-scale solar generating capacity in the U.S. increased from 2.69 gigawatts in

2012 to 71.38 gigawatts by 2022, and overall power from renewables of all types is forecast to rise from a projected 340.7 gigawatts last year to 647.3 gigawatts by 2028, according to the U.S. Energy Information Administration.

The Sol projects will generate revenue through long-term, fixed-price power purchase agreements, or contracts to buy electricity with corporate buyers, according to Macquarie Asset Management.

Backed by **KKR & Co.** and founded in 2008, Sol has part-

nered with companies including Microsoft, Alphabet's Google and FedEx to help them reach sustainability goals. Macquarie said it expects the deal with Sol to mark the start of a long-term collaboration with the renewable-energy company, which has solar projects under development that will have the capacity to generate more than two gigawatts of power.

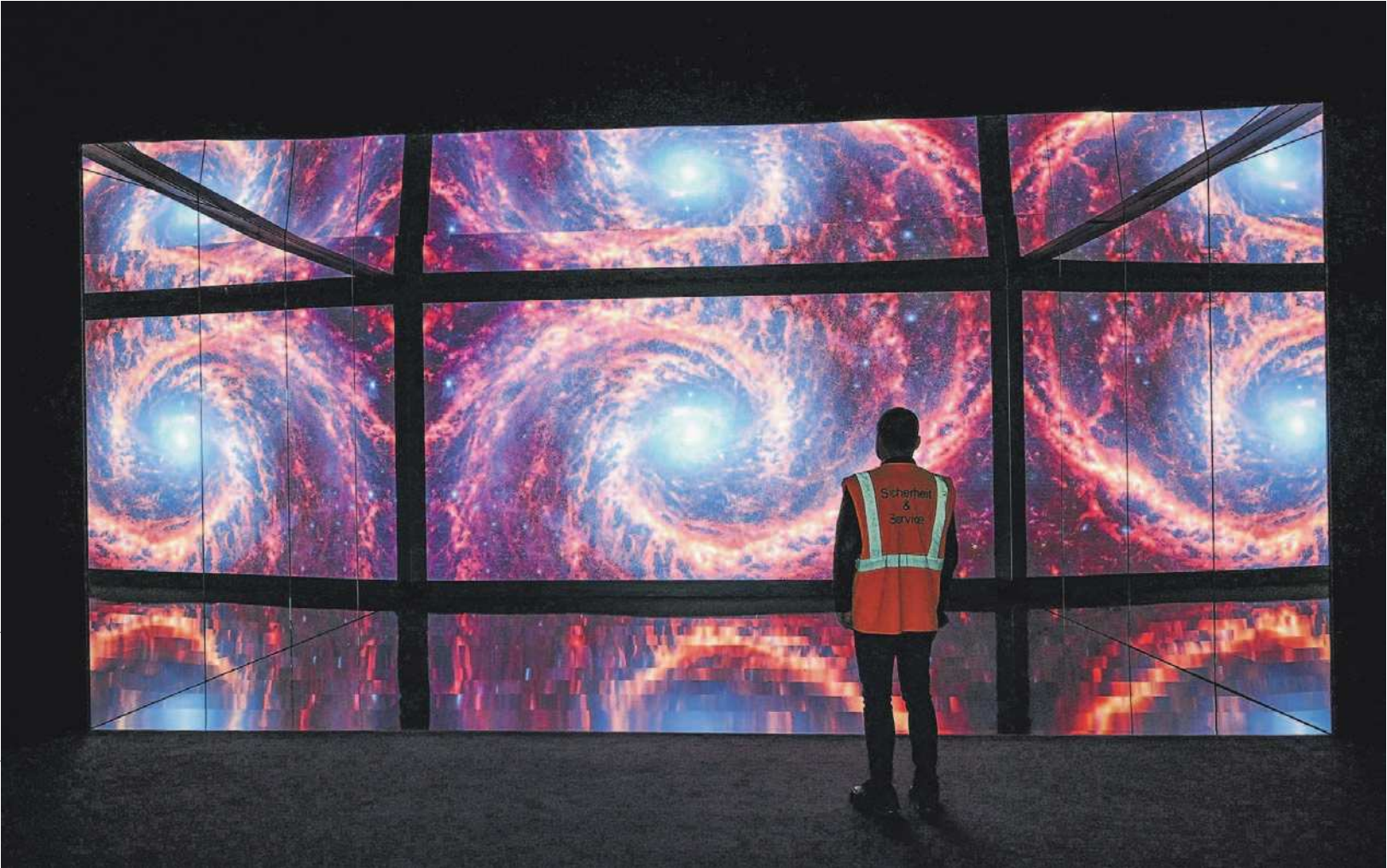
Macquarie backed Sol through a six-year term loan facility. The loan is subordinate to senior debt and tax equity and is secured by the

company's ownership of the underlying projects, according to Macquarie.

The deal follows Macquarie's strategy of providing financing for infrastructure assets, including project sponsors and developers. The lender set up the loan facility through its private-credit strategy, established in 2012.

Macquarie's asset management arm has backed more than 165 debt investments tied to infrastructure in renewable energy, utilities, digital infrastructure and transportation.

Aerospace Industry to Take Center Stage in Germany



WATCH THIS SPACE: A presentation on Monday at the International Aerospace Exhibition in Schoenefeld, near Berlin, which formally opens on Wednesday.

Shipments of Several Japanese Car Models Halted

By Kosaku Narioka

Toyota Motor and two other automakers suspended shipments of several models in Japan after they discovered they didn't fully follow the government's testing standards when seeking certifications on their models.

Toyota on Monday said it found it used inadequate data for pedestrian- and occupant-protection tests for the Corolla Fielder, Corolla Axio and Yaris Cross as part of its investigation into the certification process. Japan's transport ministry in January instructed domestic automakers to investigate their model-certification processes after it discovered serious breaches by Toyota's small-car unit, Daihatsu Motor.

Five manufacturers, including Toyota, found they failed to follow the government's standards for some models, the ministry said on Monday. It will conduct on-site inspections at the five companies, it said.

Toyota said there were errors in crash tests and other test methods for four discontinued models.

Toyota said there are no

performance issues that violate regulations, and there is no need to stop using the cars.

"Nevertheless, these acts shake the very foundations of the certification system, and as an automobile manufacturer, we believe they are acts that must never be committed," Chairman Akio Toyoda said.

Toyota said its investigation is continuing and it will explain to the relevant authorities and expedite appropriate measures, including conducting testing.

Mazda Motor halted the shipment of two models after finding workers modified the engine-controlling software during power testing. The company said the vehicles are safe to drive.

Yamaha Motor stopped the shipment of a motorcycle after it discovered workers had changed the model's engine output in preparation for muffler testing.

Honda Motor and Suzuki Motor reported inappropriate actions for some models no longer in production. The automakers said there are no performance or safety issues regarding driving these vehicles.



Several carmakers suspended shipments of some vehicles. Above, Toyota's showroom in Toyota City, Japan.



Spotify's second round of hikes this year comes as it struggles to report consistent profits.

Music Streamer Spotify Hikes Prices Again, Lifting Stock

By Dean Seal

Spotify Technology is testing the loyalty of its customer base by raising prices for the second time this year as it aims to become more consistently profitable, sending shares higher.

The most popular music streamer by subscriber count said Monday that starting in July, Spotify Premium members will have to pay a dollar more for their individual subscriptions at \$11.99 a month. Duo plans that allow for two users to share an account will start costing \$16.99 a month instead of \$14.99 a month, while family plans will cost \$3 more at \$19.99 a month.

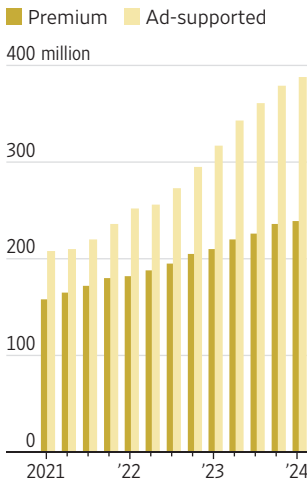
Spotify is raising prices as it struggles to post consistent profits despite its leading position in the audiostreaming business. The company, which is adding millions of new subscribers, promised investors it would more predictably make money from audio streaming despite a large percentage of its earnings going to labels and other rights holders. The latest move is expected to

Spotify's share price over the past two years



Sources: FactSet (share price); the company (subscribers)

Number of subscribers



help cover the cost of its push into audiobooks.

The stock rose 5.7% to \$313.62 on Monday. Shares are up 67% since the start of the year and have soared since lows hit in November 2022, when the company's spending on exclusive, celebrity podcasts didn't meaningfully boost subscribers.

Spotify raised the monthly price of its ad-free premium

plans last summer in an effort to match rivals.

Cost-cutting measures including layoffs helped Spotify swing to a profit in the first quarter while its previous price increases pushed per user revenue up 5%. Premium subscribers were up 14%, in line with analyst expectations.

◆ **Heard: Spotify tests its pricing power..... B10**

Litigation Against GSK Pill Can Proceed

By Helena Smolak

GSK shares dropped after a state court in Delaware said it would allow more than 70,000 cases that allege its Zantac heartburn drug causes cancer to proceed to trial.

The court ruled Friday that plaintiffs' expert witnesses could present their evidence related to the now-discontinued drug to a jury.

GSK said Monday that it disagrees with the ruling and would immediately seek an appeal.

The company's shares fell 9.5% in London. Its U.S.-listed American depositary receipts declined 8.7% on Monday.

The British pharmaceuticals company said the scientific consensus is that there is no consistent or reliable evidence that ranitidine—the active substance in Zantac—increases the risk of any cancer.

GSK added the Delaware court's decision contradicts a U.S. federal court's multidistrict ruling, which dismissed all cases alleging risks of five cancer types.

Maersk Lifts View As Freight Rates Rise

By Ben Glickman

A.P. Møller-Maersk raised its full-year guidance for the second time in barely over a month, as disruptions in the Red Sea and strong shipping demand continue to buoy global freight rates.

The Denmark-based carrier said Monday it expected freight rates to keep marching higher through the rest of the year due to strong container market demand and continuing disruption in the Red Sea, where attacks by Yemen's Houthis force ship operators to divert vessels thousands of miles.

Maersk said it now sees signs that port congestion is building up, particularly in Asia and the Middle East, tying up shipping capacity and adding to the upward pressure on rates.

The company is revising its annual outlook after earlier lifting the lower end of its full-year forecast in early May, attributing the boost to similar factors. The shipping line said at the time that the diversions would effectively reduce container shipping capacity on routes from Asia to Europe by 15% to 20%.

Drewry Shipping Consultants' World Container Index for pricing reached \$4,226 in the week ended May 30, up more than 56% since the week of April 25.

Maersk said it now expects earnings before interest, taxes, depreciation and amortization, of \$7 billion to \$9 billion, up from its previous forecast of \$4 billion to \$6 billion. Analysts polled by FactSet are expecting \$6.09 billion in full-year Ebitda.

The company said it now expects free cash flow of at least \$1 billion, compared with its previous outlook for at least negative \$2 billion.

Chip Giant Leads Way For China

Continued from page B1

counts state-linked investors including the national semiconductor fund among its major shareholders. Its current chairman, who joined the board in 2023 with the recommendation of the national semiconductor fund, has previously served executive roles at state-owned enterprises.

In 2017, SMIC set up an innovation center adjacent to a fabrication plant in southern Beijing. There, it conducts research related to localizing the company's supply chain, people familiar with the project said.

SMIC was added to the U.S. export blacklist in 2020 over alleged links to the Chinese military. That meant companies with any U.S.-originating technology needed Washington's signoff to sell tools, equipment or parts to SMIC that could aid more advanced chip making. SMIC has denied any links to China's military.

Since then, SMIC has accelerated its self-sufficiency efforts. The Jingcheng project that favors Chinese suppliers underscores how SMIC's efforts have gone from research to nearing commercialization following the U.S. blacklisting.

Domestic tools used at the line include those made by China's leading semiconductor equipment makers, such as Naura Technology Group, **Advanced Micro-Fabrication Equipment**, or AMEC, and the Shanghai-based ACM Research, a person familiar with the matter said.

The end use of the chips made at the Jingcheng plant couldn't be determined. Generally, chips of around 28 nanometers are widely used in household devices and cars, several generations removed from the cutting-edge technol-

ogies in new smartphones as well as those needed to train large language models driving generative AI.

SMIC has received \$1.8 billion in direct government grants since 2017, according to data provider Wind. It is currently expanding production capacity for legacy chips.

Before the U.S. restrictions, Chinese chip makers could access most foreign tools and other technology, and they made efficiency a priority instead of serving as a test bed for the local companies. After the sanctions, they had no choice but to use domestic alternatives for some areas. Even when they have a choice, they are aiming to secure backup options, industry experts say.

The self-sufficiency path forward will be increasingly difficult as chip technology advances.

To be truly localized, China not only needs domestic equipment for making chips, but also must make sure the components inside the homegrown equipment are domestically produced. It would also need to locally manufacture wafers and other materials it uses for the chips.

There have been some apparent breakthroughs. Last year, **Huawei Technologies** released its new Mate 60 smartphone, which contained a system-on-chip made with SMIC's technology comparable with the 7-nanometer process, according to a teardown by TechInsights, an industry research firm.

Neither Huawei nor SMIC have confirmed who manufactured the advanced chip in the Mate 60.

It was seen as a feat because SMIC and other Chinese chip makers don't have access to the latest lithography machine made by Netherlands-based ASML Holding. The Netherlands restricts such sales to China.

The U.S. and its allies' export controls clamped down access to a variety of foreign technology. Now, a flood of new local companies have been formed to fill in the gaps.

Competition is so tight that some companies offer "buy one, get one free" enticements for certain chip-making tools, an industry executive said.

At Semicon, a chip-tool exhibition that took place in Shanghai in March, some exhibitors emphasized their homegrown offerings. One featured a sign that read: "High level of localization."

—Clarence Leong contributed to this article.

Neither Huawei nor SMIC have confirmed who manufactured the advanced chip in the Mate 60.

It was seen as a feat because SMIC and other Chinese chip makers don't have access to the latest lithography machine made by Netherlands-based ASML Holding. The Netherlands restricts such sales to China.

The U.S. and its allies' export controls clamped down access to a variety of foreign technology. Now, a flood of new local companies have been formed to fill in the gaps.

Competition is so tight that some companies offer "buy one, get one free" enticements for certain chip-making tools, an industry executive said.

At Semicon, a chip-tool exhibition that took place in Shanghai in March, some exhibitors emphasized their homegrown offerings. One featured a sign that read: "High level of localization."

—Clarence Leong contributed to this article.

This is part of a Wall Street Journal series looking inside the escalating global chip battle.



The Huawei Mate 60 phone.

ADVERTISEMENT

The Marketplace

To advertise: 800-366-3975 or WSJ.com/classifieds

NOTICE OF SALE

UCC Public Sale Notice

PLEASE TAKE NOTICE that DOF II-Vandam LLC, a Delaware limited liability company (the "Secured Party") offers for sale at public auction on June 27, 2024 at 12:30 p.m. prevailing Eastern Time and conducted by Paramount Realty USA ("PRUSA"), a licensed auctioneer, via video conference, in connection with a Uniform Commercial Code sale, all right, title, and interest of 9 Vandam Owner LLC, having an address c/o Arch Companies, 58 University Place, 2nd Floor, New York, NY 10003 ("Pledgor") in 100% of the limited liability company membership interests (the "Interests") in 9 Vandam Borrower 2 LLC, a Delaware limited liability company ("Borrower"), which is the sole owner of the property located at 9 Vandam Street, New York, New York 10013, Block 506, Lot 44 (the "Premises") and certain rights and property related thereto pledged by the Pledgor under that certain Pledge and Security Agreement, made by Pledgor in favor of Maxim Credit Group, LLC ("Original Lender"), dated as of November 29, 2021 (the "Pledge Agreement"), as more fully set forth in the Pledge Agreement. Original Lender was granted a security interest in the Interests to secure certain loans it extended to Borrower (collectively, the "Loans"). Original Lender subsequently assigned all its right, title and interest in and to the Loans and its security interest in the Interests to Secured Party. Copies of the Pledge Agreement and documents evidencing the assignment of the Loans held by Secured Party are available for inspection as hereinafter described. Secured Party is offering the Interests for sale in connection with the foreclosure on the pledge of such Interests.

PLEASE TAKE FURTHER NOTICE that at such public auction, the Interests will be offered as a single asset and not in parts or as separate assets. All interested prospective purchasers that meet the qualifications for bidding are invited to attend and bid at the auction. The Interests are being offered as a single lot, "as-is, where-is", with no express or implied warranties, representations, statements or conditions of any kind made by Secured Party or any person acting for or on behalf of Secured Party, without any recourse whatsoever to Secured Party or any other person acting for or on behalf of Secured Party and each bidder must make its own inquiry regarding the Interests. The winning bidder shall be responsible for the payment of all transfer taxes, stamp duties and similar taxes incurred in connection with the purchase of the Interests.

PLEASE TAKE FURTHER NOTICE that Secured Party reserves the right to credit bid, set a minimum reserve price, reject all bids (including without limitation any bid that it deems to be a bid that it deems to be a bid that it is unable to satisfy the requirements imposed by Secured Party upon prospective bidders in connection with the sale or to whom in Secured Party's sole judgment a sale may not lawfully be made) and terminate or adjourn the sale to another time. Secured Party further reserves the right to restrict prospective bidders to those who will represent that they are purchasing the Interests for their own account for investment not with a view to the distribution or resale of such Interests, to verify that each certificate for the Interests to be sold bears a legend substantially to the effect that such Interests have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), and may not be disposed of in violation of the provisions of the Securities Act and to impose such other limitations or conditions in connection with the sale of the Interests as the Secured Party deems necessary or advisable in order to comply with the Securities Act and any other applicable law.

PLEASE TAKE FURTHER NOTICE that any party wishing to bid at the public auction shall be required to make a refundable deposit in a sum equal to \$150,000.00 (the "Deposit") at least two (2) business days prior to the public auction by wire transfer of immediately available funds. Deposits of any unsuccessful bidder shall be returned to such unsuccessful bidder within a reasonable time after the closing of the sale to the successful bidder. The Deposit of any successful bidder shall be nonrefundable.

PLEASE TAKE FURTHER NOTICE that all bids (other than credit bids of Secured Party) must be for cash, and the successful bidder must be prepared to (i) deposit by wire transfer a sum sufficient to increase the amount of its deposit to ten percent (10%) of its successful bid as a non-refundable deposit on the sale price within two (2) business days of the conclusion of the public auction; (ii) deliver the remaining balance of such successful bidder's highest bid in immediately available good funds within thirty (30) days after the conclusion of the public auction; and (iii) otherwise comply with the bidding requirements.

PLEASE TAKE FURTHER NOTICE that parties wishing to participate in the public auction must contact Walker & Dunlop (Jordan Casella: JCasella@walkerdunlop.com; 212-202-1805 or Christopher de Raet: CdeRaet@walkerdunlop.com; 212-240-1650) to obtain the full terms and conditions of the sale, copies of the relevant agreements, information for submitting a Deposit and qualifying to attend and bid at the auction, and other relevant information no later than 3:00 p.m. (New York time) on June 24, 2024. Any party that fails to timely register for the public auction and submit its Deposit may not be permitted to attend or participate in the public auction. In the event of any conflict between the terms herein and the full terms of public sale, the full terms of public sale shall govern. For further information please visit the following website: 9 Vandam - Confidentiality Agreement Link.

BUSINESS OPPORTUNITIES

THE WALL STREET JOURNAL.

THE MARKETPLACE

ADVERTISE TODAY

(800) 366-3975

For more information visit: wsj.com/classifieds

© 2024 Dow Jones & Company, Inc. All Rights Reserved.

EXCELLENT BUSINESS OPPORTUNITY

Marlita Media Group, Inc., INTELLECTUAL PROPERTY FOR SALE

Unique opportunity to purchase a beta version of eVerse web3 software platform with blockchain technology

BID DEADLINE: JULY 12, 2024, 1PM PDT

For more information, visit bit.ly/abc-marlita or contact Charles Klaus at 949-922-1211 or chuck@abcservices.group



Shares of BYD and other EV makers surged in Hong Kong on Monday. A BYD off-road vehicle shown in Shanghai in May.

Chinese EV Makers Report Strong Sales for Last Month

The numbers for May were in line with expectations of most analysts

By JIAHUI HUANG

Shares of Chinese electric-vehicle makers surged after some reported record sales in May, spurring hopes that more price cuts are around the corner as companies race to grow market share.

BYD, which trumped Tesla late last year to become the world's largest EV maker, saw its Hong Kong-listed shares gain 5% on Monday. The company also maintained its top position in China, selling more than 300,000 units for a third straight month in May.

Shanghai-based shares of NIO and Geely Automobile rose 4% and 3.5%, respectively, after both companies set sales records in May. NIO's total deliveries rose more than threefold to 20,544 units last month, while Geely-backed Zeekr—which recently listed in the U. S.—sold 18,616 units,

more than doubling its tally from a year earlier.

Hybrid-vehicle specialist Li Auto didn't manage the same pace of growth as it continues to face challenges from competitors and a slow recovery from the weaker-than-expected launch of its fully electric vehicle.

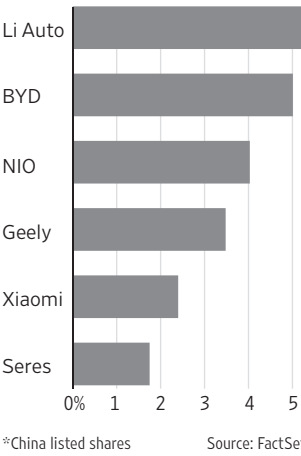
But deliveries still rose 24% on the year to 35,020 units, and Li Auto shares ended 5.3% higher in Hong Kong. Its rival, Huawei-backed Seres, reported an almost fourfold jump in sales in May to 34,130 units, pushing its Shanghai-listed shares up 1.75%.

EV newcomer Xiaomi, best known for making smartphones, delivered 8,646 shipments in the second month of after debuting its SU7 model. Shares gained 2.4%.

Separately on Monday, new details emerged about a program to encourage car owners to swap their old vehicles for new ones.

China's Ministry of Finance said the central government and local governments will spend \$1.53 billion on subsidies this year, allowing citi-

Share performance of Chinese electric-vehicle makers on Monday*



zens to trade their old cars for new ones.

Consumers who replace their cars with electric or hybrid vehicles can, in some cases, receive government subsidies of up to 10,000 yuan (\$1,388) through 2024.

Chinese authorities said in the statement that they hope consumers will replace 3.78 million cars this year under the program, which was an-

nounced in late April.

Analysts remain cautious about the trade-in program's ability to boost car sales, however.

The May EV sales numbers were in line with most analysts' expectations. Many of them had expected to see a sequential improvement in the month thanks to the Beijing Auto Show in April, which tends to boost sales as new models are released.

Nomura analyst Joel Ying expects automakers to build up inventory in June to be ready to deliver better shipment numbers for the first half of the year.

As a result, he sees the risk of another round of price cuts by carmakers as on the rise.

Automakers led by Tesla, BYD and Li Auto have been issuing rounds of prices cut since the start of this year, jostling for space in an increasingly overcrowded Chinese market.

Bocom International auto analyst Angus Chan said price tags on internal-combustion-engine cars could be slashed in the second half of this year, as they lose market share to EVs.

AMD Unveils Latest AI Chips, New Plans

By SHERRY QIN

Advanced Micro Devices introduced its latest artificial-intelligence chips and laid out plans to roll out new products every year in a bid to challenge Nvidia's dominance in the AI boom.

The Santa Clara, Calif.-based company showcased its latest MI325X accelerator at a trade show in Taipei on Monday. The chip, which will be available in the fourth quarter, will help meet growing computing demands at AI data centers, according to a statement.

Chips from Nvidia have been the computational workhorses of the AI boom, performing the math necessary to create and deploy AI tools like OpenAI's ChatGPT. That computation typically happens in



CEO Lisa Su appeared at a trade show in Taipei on Monday.

data centers filled with servers that contain the chips.

While Nvidia holds a market share in AI chips esti-

for alternatives.

Following MI325X, AMD will make its MI350 series available in 2025. AMD said that the MI350 series, which will be based on new chip architecture, is expected to be significantly better in AI inference performance—the process of running data through a trained AI model—compared with the MI300 series. AMD then plans to unveil its MI400 series in 2026.

AMD Chief Executive Lisa Su said in April after the company's first-quarter results that its sales of AI chips for data centers are expected to be more than \$4 billion this year.

News Corp, owner of The Wall Street Journal and Dow Jones Newswires, has a content-licensing partnership with OpenAI.

CalAmp, Maker of Vehicle-Tracking Software, Has Filed for Bankruptcy

By BECKY YERAK

Vehicle-tracking software business CalAmp has filed for chapter 11 bankruptcy with a proposed restructuring deal that will allow secured lender Lynrock Lake to swap its \$229 million in bonds for equity.

The Irvine, Calif.-based company said in court filings Monday that its financial performance has been weak for years, punctuated by a money-losing acquisition of antitheft division LoJack and an ill-fated program to stretch customers' payment terms.

Logistics providers have been contending with a weak U.S. freight market over the past two years amid sagging shipping volumes and pricing. The Logistics Managers' Index, a monthly survey of supply-chain managers, shows

transportation prices contracted in April as capacity expanded, indicating a continued mismatch of supply and demand in the market.

CalAmp's shares tumbled around 62% on Monday to \$1.01, a record low. The equity is expected to get wiped out in the bankruptcy, court papers show.

The business was founded in 1981 as an amplifier maker, California Amplifier, and became publicly traded in 1983. Officially becoming CalAmp in 2004, it now sells products and services to businesses, municipalities, schools and other entities that want visibility into their vehicles, drivers and cargo, including through fleet video, real-time crash response and driver-behavior scoring.

The company has "faced an extended period of lackluster

performance," Chief Financial Officer Jikun Kim said in a sworn statement filed Monday in the U.S. Bankruptcy Court in Wilmington, Del.

In 2016, the company bought LoJack for \$134 million, but in 2021 sold the "underperforming" business, which provides car-theft-recovery technology, for \$9 million and the assumption of liabilities. To try to boost revenues, CalAmp also provided "generous" three-year payment terms to customers, a delay that compounded rising stress on the company's working capital, Kim said.

CalAmp's revenue dropped to \$43.8 million for the quarter ended in February, nearly half of what it was in the year-earlier period.

The proposed reorganization would take CalAmp private again and cut \$229 mil-

lion of its roughly \$286 million debt load.

Chris Adams, chief executive of CalAmp, said the savings from eliminating interest on the debt, as well as reducing the overhead of being a public company, will enable the business to invest more in its operations.

CalAmp said its U.S. and international operations will continue without disruption. It has 216 full-time salaried employees and 29 hourly employees.

The company and three affiliates are represented in their bankruptcy by law firm Potter Anderson & Corroon. The cases have been consolidated under number 24-11136 and assigned to Judge Laurie Selber Silverstein.

—Colin Kellaher and Liz Young contributed to this article.

BUSINESS NEWS

GenScript Dives On U.S. Scrutiny Of Ties to China

By Sherry Qin

Shares of **GenScript Biotech** plunged in Hong Kong amid concerns that the company, like its China-linked biotechnology peers, could face U.S. scrutiny due to alleged ties with the Chinese government.

The biotech company's shares fell nearly 18% to 8.23 Hong Kong dollars, or \$1.05, on Monday, taking its year-to-date losses to almost 59%.

Late last week, two members of the U.S. House Select Committee on the Chinese Communist Party sent letters to the directors of the Federal Bureau of Investigation and the Office of the Director of National Intelligence to seek information on GenScript and its three subsidiaries' connections to the Communist Party.

Select Committee Chairman John Moolenaar and Ranking Member Raja Krishnamoorthi, in a letter dated May 30, asked the two agencies for a briefing on the biotech firm and its units' links to the CCP and "the implications these connections may have for U.S. national security."

GenScript, in its response late Sunday, said, "The letter does not allege any illicit behavior on the company's part. The company is not under the control of any government."

In a note, Jefferies analysts said the select committee's move shouldn't impact the company's fundamentals in the near-to-medium term, but some investors might stay on the sidelines amid share-price volatility until after the U.S. election.

It isn't the first time the U.S. committee members have questioned China-linked biotech companies.

In late January, contract

drugmaker **WuXi AppTec** and its affiliate were mentioned as companies of concern under the Biosecure Act.

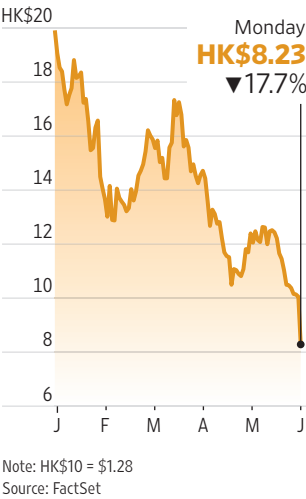
The act, which the House of Representatives passed last month, gives U.S. companies until 2032 to reduce their dependency and business ties with these Chinese biotech companies, which would then be restricted on national-security grounds.

The WuXi companies have repeatedly denied any wrongdoing and said they don't pose a national-security risk to any country.

Although GenScript was founded in New Jersey, the select committee members said the biotech firm's primary operations are based in the eastern Chinese city of Nanjing, and many of its executives have links to the CCP.

"We will be actively engaging the Committee to help them better understand the company's business and decadeslong commitment to being a force for good in life sciences and the society," GenScript said.

GenScript Biotech share price



Hertz Hires Finance Chief From Spirit Airlines



Hertz Global Holdings has hired the chief financial officer of Spirit Airlines to help its finances after Alexandra Brooks departs later this month.

The rental-car company said Monday that Scott Haralson will join the C-suite at the end of the month after he leaves Spirit on June 14. Brooks is leaving Hertz to pursue other opportunities,

but will stick around through June to ensure an orderly transition.

Spirit has started looking for a new CFO and tapped Brian McMenemy, its vice president and controller, to take over as interim CFO until a permanent successor is found.

Hertz disclosed that Haralson will receive an annual base salary of \$750,000 and

be eligible to participate in the company's short-term incentive plan that has a target award of 100% of his base salary.

Haralson also can participate in the company's long-term incentive plan with a target equity award value of \$2.5 million starting in fiscal 2025. He is set to receive a \$500,000 cash award after he has been employed for 30

days, which is designed to compensate him for forgone cash incentives from Spirit.

The new CFO is coming in as Hertz deals with widening losses tied to the write-down of its electric vehicles. Spirit faced its own bottom-line issues earlier this year due in part to deferred recognition in earnings from credits and air-traffic-control-related delays.

—Dean Seal

French IT Firm Atos Gets 2 Revised Rescue Bids

By Dominic Chopping
and Helena Smolak

Atos received revised bids from the two investor groups vying for control of the debt-laden French IT firm and said it will work with creditors to help it decide between the proposals this week.

Czech billionaire Daniel Kretinsky's EP Equity Investment and French businessman David Layani's Onepoint have

both submitted proposals aimed at rescuing the company that holds a strategically important role within France, with contracts in the country's military and nuclear industry. It is also the cybersecurity provider for this summer's Paris Olympics.

EP Equity Investment has teamed with credit fund Attestor Ltd. while Onepoint has formed a consortium with Butler Industries, **Econocom** and a group of the company's creditors, with

the proposals meeting financial parameters set by the company, including debt reduction and near-term and midterm financing needs, Atos said Monday. The company aims to make a decision by Wednesday as it targets having a financial restructuring agreement by July.

Both of the proposals would result in a massive dilution of Atos's existing shareholders, the company said.

Atos shares have lost more

than 90% of their value over the past 12 months as strategic missteps, executive changes and a failure to trim its debt have panicked investors. The stock tumbled more than 18% Monday to €1.37, or \$1.49.

The company is also in talks regarding the potential sale of parts of its big data and security arm to the French state for an indicative enterprise value between €700 million and €1 billion.

The World. Your Business. Connected.

Bring the most important stories to your employees.



Get the WSJ Digital Bundle for your organization

THE WALL STREET JOURNAL. **MarketWatch** BARRON'S

Learn More at wsj.com/CorpSub2024



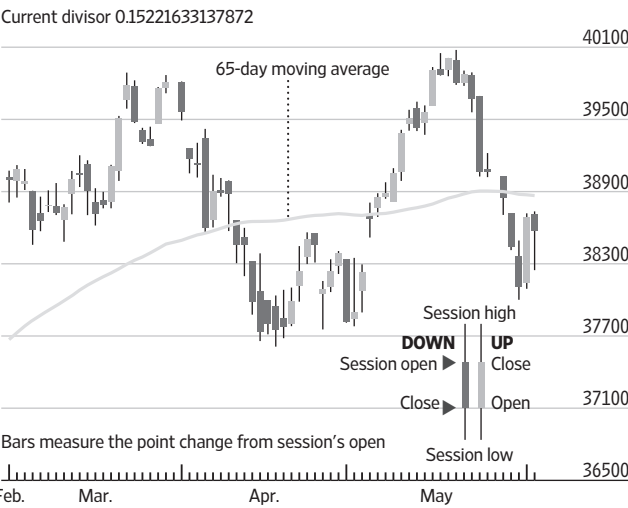
MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

38571.03 ▼115.29, or 0.30%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio	26.77	22.35
P/E estimate *	18.47	17.47
Dividend yield	2.18	2.15
All-time high	40003.59, 05/17/24	



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

Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	52-Week High	52-Week Low	% chg	YTD	3-yr. ann.
Dow Jones										
Industrial Average	38735.61	38247.22	38571.03	-115.29	-0.30	40003.59	32417.59	14.9	2.3	3.7
Transportation Avg	15302.74	14973.72	15074.49	-163.81	-1.07	16695.32	13556.07	7.8	-5.2	-1.0
Utility Average	948.34	937.93	940.19	-6.23	-0.66	955.01	783.08	4.0	6.6	1.4
Total Stock Market	52597.50	51899.99	52370.24	15.92	0.03	52892.35	40847.04	22.9	9.6	6.2
Barron's 400	1152.77	1130.55	1136.75	-11.09	-0.97	1166.53	907.97	22.7	6.0	4.2

Nasdaq Stock Market										
Nasdaq Composite	16909.89	16646.43	16828.67	93.65	0.56	17019.88	12595.61	27.2	12.1	7.3
Nasdaq-100	18707.22	18392.57	18600.97	64.32	0.35	18869.44	14109.57	27.8	10.5	11.2

S&P										
500 Index	5302.11	5234.32	5283.40	5.89	0.11	5321.41	4117.37	23.6	10.8	8.0
MidCap 400	3003.21	2941.78	2959.94	-22.92	-0.77	3046.36	2326.82	19.4	6.4	2.9
SmallCap 600	1340.35	1318.62	1323.95	-5.70	-0.43	1345.71	1068.80	14.4	0.4	-1.4

Other Indexes										
Russell 2000	2088.15	2048.06	2059.68	-10.44	-0.50	2124.55	1636.94	14.0	1.6	-3.3
NYSE Composite	18105.93	17862.58	18006.96	-76.73	-0.42	18388.26	14675.78	17.9	6.8	2.7
Value Line	600.92	591.41	594.89	-2.80	-0.47	615.81	498.09	9.21	0.2	-4.13
NYSE Arca Biotech	5239.66	5125.89	5198.83	67.62	1.32	5511.46	4544.40	-3.6	-4.1	-2.0
NYSE Arca Pharma	1040.46	1024.81	1035.13	6.36	0.62	1035.14	837.32	20.3	13.7	12.9
KBW Bank	105.20	102.79	103.87	-1.07	-1.02	107.64	71.71	30.8	8.2	-8.2
PHLX ^S Gold/Silver	145.72	144.10	145.07	-0.09	-0.07	151.36	102.94	15.8	15.4	-3.2
PHLX ^S Oil Service	86.46	81.38	81.95	-4.42	-5.11	98.76	74.52	9.9	-2.3	5.6
PHLX ^S Semiconductor	5215.09	5059.91	5152.51	29.15	0.57	5317.87	3185.18	49.6	23.4	18.0
Cboe Volatility	14.31	13.00	13.11	0.19	1.47	21.71	11.86	-11.0	5.3	-10.1

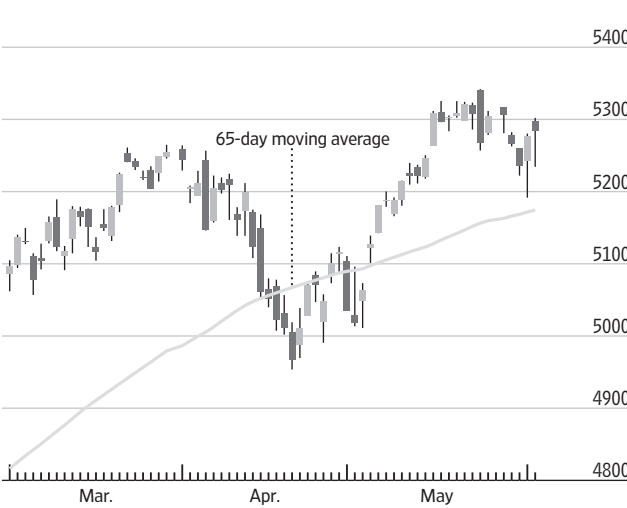
^SNasdaq PHLX

Sources: FactSet; Dow Jones Market Data

S&P 500 Index

5283.40 ▲5.89, or 0.11%
High, low, open and close for each trading day of the past three months.

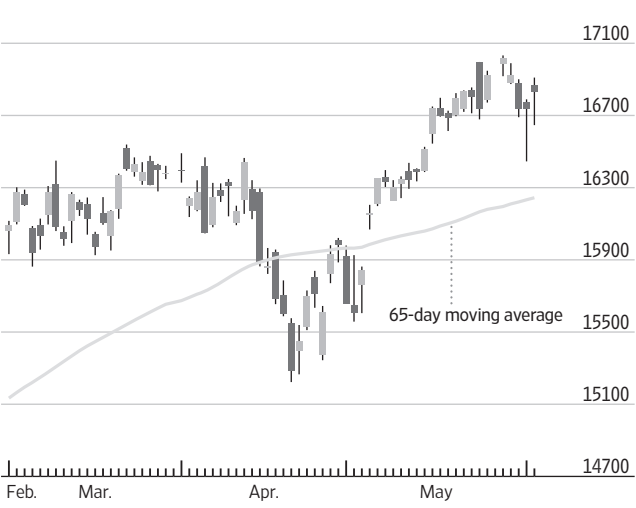
Trailing P/E ratio *	23.07	18.68
P/E estimate *	21.45	18.92
Dividend yield *	1.38	1.66
All-time high	5321.41, 05/21/24	



Nasdaq Composite Index

16828.67 ▲93.65, or 0.56%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio **	31.40	29.23
P/E estimate **	27.38	27.65
Dividend yield **	0.83	0.76
All-time high:	17019.88, 05/28/24	



Late Trading

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

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
Alphabet Cl A	GOOGL	6,726.4	173.24	0.07	0.04	173.60	173.08
Transocean	RIG	6,537.0	5.73	0.02	0.35	5.74	5.71
Taysha Gene Therapies	TSHA	5,497.9	3.62	...	unch.	3.64	3.59
Pfizer	PFE	5,371.8	29.26	-0.05	-0.17	29.31	29.19
Snap	SNAP	5,293.1	15.19	-0.13	-0.85	15.34	15.15
Alphabet Cl C	GOOG	5,166.6	174.47	0.05	0.03	174.86	174.00
Vale ADR	VALE	4,981.6	11.90	0.08	0.68	11.90	11.81
Monster Beverage	MNST	4,810.0	51.95	0.06	0.12	52.00	51.52

Percentage gainers...

Annexon	ANNX	2,074.9	6.69	2.11	46.07	7.43	4.58
Jackson Financial	JXN	66.7	80.21	4.75	6.29	80.21	75.46
Edgewise Therapeutics	EWTX	73.4	18.28	0.87	5.00	18.28	17.11
Enanta Pharmaceuticals	ENTA	78.3	12.99	0.61	4.93	12.99	12.38
Ocular Therapeutix	OCUL	65.4	5.78	0.27	4.90	5.78	5.51

...And losers

Guess	GES	50.3	22.25	-1.40	-5.92	23.65	22.00
SpringWorks Therapeutics	SWTX	65.7	37.30	-1.97	-5.02	39.48	37.29
Twist Bioscience	TWST	78.0	42.01	-2.00	-4.54	44.01	42.01
Office Properties Incm	OPI	168.1	2.20	-0.09	-3.93	2.31	2.20
Union Pacific	UNP	147.0	219.60	-8.72	-3.82	232.00	219.60

Trading Diary

Volume, Advancers, Decliners

	NYSE	NYSE Amer.
Total volume*	923,544,003	16,536,287
Adv. volume*	363,100,228	7,961,813
Decl. volume*	542,640,086	8,512,016
Issues traded	2,890	315
Advances	1,317	152
Declines	1,491	150
Unchanged	82	13
New highs	133	5
New lows	50	10
Closing Arms*	1.11	0.78
Block trades*	4,397	205

Nasdaq NYSE Arca

Total volume*5,422,048,406 302,768,974
Adv. volume*3,365,968,303 157,846,258
Decl. volume*1,989,422,920 132,452,383

Issues traded	4,416	1,957
Advances	2,099	1,149
Declines	2,177	789
Unchanged	140	19
New highs	108	81
New lows	108	12
Closing Arms*	0.57	1.20
Block trades*	41,045	1,321

* Primary market NYSE, NYSE American NYSE Arca only.
*(TRIN) A comparison of the number of advancing and declining issues with the volume of shares rising and falling. An Arms of less than 1 indicates buying demand; above 1 indicates selling pressure.

International Stock Indexes

Region/Country	Index	Close	Net chg	Latest % chg	YTD % chg
World	MSCI ACWI	788.77	3.23	0.41	8.5
	MSCI ACWI ex-USA	333.65	3.27	0.99	5.4
	MSCI World	3453.44	8.27	0.24	9.0
	MSCI Emerging Markets	1069.31	20.35	1.94	4.5
Americas	MSCI AC Americas	1988.42	0.37	0.02	9.6
Canada	S&P/TSX Comp	22116.69	-152.43	-0.68	5.5
Latin Amer.	MSCI EM Latin America	2277.98	-59.71	-2.55	-14.5
Brazil	Bovespa	122031.58	-66.51	-0.05	-9.1
Chile	S&P IPSA	3585.90	-9.99	-0.28	3.4
Mexico	S&P/BMV IPC	51807.55	-3371.69	-6.11	-9.7

EMEA	STOXX Europe 600	519.85	1.68	0.32	8.5
Eurozone	Euro STOXX	518.51	2.18	0.42	9.4
Belgium	Bel-20	3932.76	14.67	0.37	6.1
Denmark	OMX Copenhagen 20	2758.93	-10.33	-0.37	20.8
France	CAC 40	7998.02	5.15	0.06	6.0
Germany	DAX	18608.16	110.22	0.60	11.1
Israel	Tel Aviv	2019.41	22.50	1.13	8.3
Italy	FTSE MIB	34670.06	177.65	0.52	14.2
Netherlands	AEX	905.10	1.49	0.17	15.0
Norway	Oslo Bors All-Share	1671.41	2.63	0.16	10.0
South Africa	FTSE/JSE All-Share	77746.23	1041.97	1.36	1.1
Spain	IBEX 35	11397.20	75.20	0.66	12.8
Sweden	OMX Stockholm	991.74	0.90	0.09	9.8
Switzerland	Swiss Market	12007.04	6.18	0.05	7.8
Turkey	BIST 100	10556.80	156.32	1.50	41.3
U.K.	FTSE 100	8262.75	-12.63	-0.15	6.8
U.K.	FTSE 250	20900.49	170.37	0.82	6.1

Asia-Pacific	MSCI AC Asia Pacific	180.24	3.42	1.94	6.4
Australia	S&P/ASX 200	7761.00	59.26	0.77	2.2
China	Shanghai Composite	3078.49	-8.32	-0.27	3.5
Hong Kong	Hang Seng	18403.04	323.43	1.79	8.0
India	BSE Sensex	76468.78	2507.47	3.39	5.9
Japan	NIKKEI 225	38923.03	435.13	1.13	16.3
Singapore	Straits Times	3348.87	12.27	0.37	3.4
South Korea	KOSPI	2682.52	46.00	1.74	1.0
Taiwan	TAIEX	21536.76	362.54	1.71	20.1
Thailand	SET	1345.66	...	Closed	-5.0

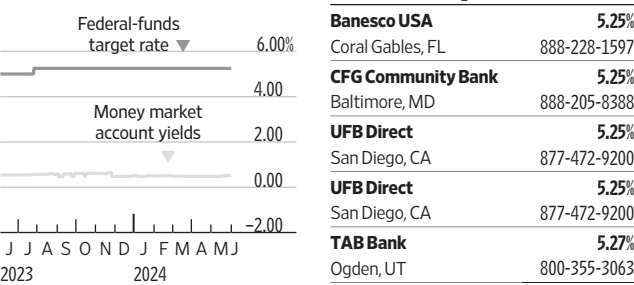
Sources: FactSet; Dow Jones Market Data

CREDIT MARKETS

Consumer Rates and Returns to Investor

U.S. consumer rates

A consumer rate against its benchmark over the past year



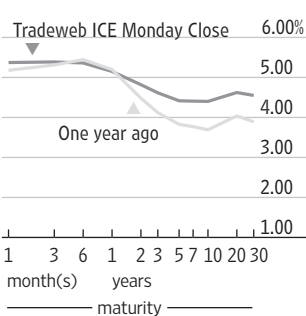
Interest rate	Yield/Rate (%)	52-Week Range (%)	3-yr chg (pct pts)
	Last (●) Week ago	Low 0 2 4 6 8 High	
Federal-funds rate target	5.25-5.50	5.25-5.50	5.00
Prime rate*	8.50	8.50	8.25
SOFR	5.34	5.32	5.05
Money market, annual yield	0.51	0.51	0.46
Five-year CD, annual yield	2.87	2.87	2.77
30-year mortgage, fixed*	7.45	7.57	7.01
15-year mortgage, fixed*	7.02	6.92	6.34
Jumbo mortgage, \$766,550-plus*	7.52	7.67	7.07
Five-year adj mortgage (ARM)*	6.70	6.65	6.00
New-car loan, 48-month	7.90	7.83	7.02

Bankrate.com rates based on survey of over 4,800 online banks. *Base rate posted by 70% of the nation's largest banks. †Excludes closing costs.

Sources: FactSet; Dow Jones Market Data; Bankrate.com

Treasury yield curve

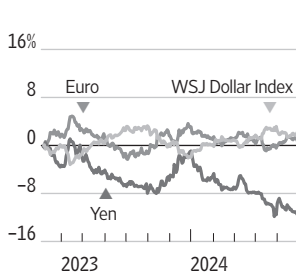
Yield to maturity of current bills, notes and bonds



Sources: Tradeweb ICE U.S. Treasury Close; Tullett Prebon; Dow Jones Market Data

Forex Race

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



Sources: J.P. Morgan; Bloomberg Fixed Income Indices; ICE Data Services

Corporate Borrowing Rates and Yields

			Yield (%)		52-Week		Total Return (%)	
Bond total return index		Close	Last	Week ago	High	Low	52-wk	3-yr
U.S. Treasury	Bloomberg	2146.060	4.620	4.710	5.120	4.040	0.634	-3.126
U.S. Treasury Long	Bloomberg	3076.190	4.610	4.650	5.280	3.920	-5.357	-9.310
Aggregate	Bloomberg	2038.840	5.020	5.110	5.740	4.490	2.184	-2.834
Fixed-Rate MBS	Bloomberg	2008.220	5.230	5.340	6.050	4.620	1.651	-3.014
High Yield 100	ICE BofA	3601.365	7.094	7.346	9.101	7.030	10.200	2.014
Muni Master	ICE BofA	578.060	3.708	3.685	4.311	3.038	1.974	-1.195
EMBI Global	J.P. Morgan	861.578	7.732	7.584	8.842	7.205	9.547	-2.052

COMMODITIES

wsj.com/market-data/commodities

Futures Contracts

Metal & Petroleum Futures						
	Open	Contract High hilo	Low	Settle	Chg	Open interest
Copper-High (CMX) -25,000 lbs.; \$ per lb.						
June	4.6840	4.6840	4.6630	4.6770	0.0670	2,774
July	4.6250	4.6920	4.5955	4.6675	0.0655	127,599
Gold (CMX) -100 troy oz.; \$ per troy oz.						
June	2322.60	2347.50	2312.00	2346.60	23.70	6,979
July	2335.00	2363.50	2323.90	2357.50	23.60	2,131
Aug	2348.00	2375.50	2334.80	2369.30	23.50	378,820
Oct	2370.00	2398.00	2357.50	2392.00	23.50	19,050
Dec	2391.40	2422.00	2380.70	2415.00	23.30	38,827
Feb/25	2411.30	2442.40	2405.40	2438.00	22.90	6,617
Palladium (NYM) -50 troy oz.; \$ per troy oz.						
June	942.00	904.50	904.50	913.00	13.80	27
Sept	920.50	946.00	903.00	926.70	13.80	23,697
Platinum (NYM) -50 troy oz.; \$ per troy oz.						
June	1028.00	1030.50	1028.00	1018.50	-19.20	2
July	1043.80	1055.80	1020.60	1022.80	-19.20	77,112
Silver (CMX) -5,000 troy oz.; \$ per troy oz.						
June	30.440	30.500	29.850	30.641	0.344	74
July	30.625	30.965	29.940	30.784	0.344	136,629
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.						
July	76.97	77.52	73.98	74.22	-2.77	361,691
Aug	76.73	77.23	73.84	74.09	-2.64	241,489
Sept	76.40	76.89	73.60	73.84	-2.56	198,673
Oct	75.92	76.46	73.27	73.50	-2.49	121,123
Dec	75.10	75.61	72.59	72.81	-2.36	182,767
Dec'25	71.60	71.84	69.56	69.71	-1.72	104,432
NY Harbor ULSD (NYM) -42,000 gal.; \$ per gal.						
July	2.3872	2.4006	▼ 2.2866	2.2962	-0.0880	102,972
Sept	2.4219	2.4395	▼ 2.3357	2.3461	-0.0759	56,510
Gasoline-NY RBOB (NYM) -42,000 gal.; \$ per gal.						
July	2.4201	2.4403	2.3300	2.3356	-0.0818	117,177
Sept	2.3549	2.3850	2.2873	2.2933	-0.0726	66,012
Natural Gas (NYM) -10,000 MMBtu.; \$ per MMBtu.						
July	2.645	2.799	2.628	2.756	.169	294,594
Aug	2.716	2.850	2.688	2.804	.142	103,076
Sept	2.700	2.820	2.668	2.776	.125	188,604
Oct	2.792	2.901	2.754	2.859	.115	148,917
Nov	3.149	3.238	3.101	3.194	.085	100,960
Jan'25	3.863	3.918	3.795	3.878	.052	90,894

Agriculture Futures						
Corn (CBT) -5,000 bu.; cents per bu.						
July	445.75	449.00	439.00	443.40	-2.75	645,643
Dec	467.25	469.75	460.75	462.60	-4.25	439,340
Oats (CBT) -5,000 bu.; cents per bu.						
July	386.00	386.00	371.25	374.60	-12.75	2,570
Dec	386.50	386.50	376.50	379.60	-7.00	1,212
Soybeans (CBT) -5,000 bu.; cents per bu.						
July	1204.25	1205.50	1182.50	1184.40	-20.50	323,027
Nov	1183.25	1185.25	1161.25	1163.60	-20.75	232,291
Soybean Meal (CBT) -100 tons; \$ per ton.						
July	364.70	364.70	358.40	359.50	-5.20	197,930
Dec	358.60	359.40	354.10	355.00	-4.40	118,077
Soybean Oil (CBT) -60,000 lbs.; cents per lb.						
July	45.52	45.52	44.02	44.14	-1.38	218,763
Dec	45.98	46.04	44.66	44.80	-1.26	146,799
Rough Rice (CBT) -2,000 cwt.; \$ per cwt.						
July	17.73	17.75	17.48	17.50	-1.17	3,907
Sept	15.62	15.72	15.47	15.63	-1.15	4,684
Wheat (CBT) -5,000 bu.; cents per bu.						
July	678.00	697.75	667.50	672.60	-5.75	200,539
Dec	742.75	742.75	713.25	718.40	-5.00	94,934
Wheat (KC) -5,000 bu.; cents per bu.						
July	713.00	728.50	697.50	700.00	-8.75	115,618
Sept	725.75	742.25	711.75	713.60	-9.50	65,366
Cattle-Feeder (CME) -50,000 lbs.; cents per lb.						
Aug	256.725	257.425	253.600	256.200	-2.200	23,182
Oct	260.150	260.150	256.350	258.850	-1.125	7,799
Cattle-Live (CME) -40,000 lbs.; cents per lb.						
June	181.875	182.500	180.925	182.025	.475	29,091
Aug	178.800	179.325	177.075	178.875	.425	128,787

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

Monday, June 03, 2024

These prices reflect buying and selling of a variety of actual or “physical” commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

Monday				Monday				Monday			
Energy											
Coal,C,Aplc,12500Btu,1.2502-r,w				79.400				6.6875			
Coal,PwdrRvrBsn,8800Btu,0.8502-r,w				13.600				7.3400			
Metals											
Gold, per troy oz				2332.00				296.24			
Engelhard industrial				2337.70				283.74			
Handy & Harman base				2594.85				3.1260			
LBMA Gold Price AM				*2342.90				196.00			
LBMA Gold Price PM				*2348.25				189.00			
Kruggerand,wholesale-e				2418.52				2.2447			
Maple Leaf-e				2441.78				2.4266			
American Eagle-e				2441.78				2.2850			
Mexican peso-e				2811.86				19.20			
Austria crown-e				2282.46				n.a.			
Austria phil-e				2441.78				90.06			
Silver, troy oz.				30.5000				n.a.			
Engelhard industrial				30.5240				0.4250			
Handy & Harman base				38.1550				n.a.			
LBMA spot price				*£24.500				0.4402			
(U.S.\$ equivalent)				*\$1.2650				0.4450			
Coins,wholesale \$1,000 face-a				23712				n.a.			
Other metals				*1048.0				n.a.			
LBMA Platinum Price PM				*1035.0				n.a.			
Platinum,Engelhard industrial				1035.0				n.a.			
Palladium,Engelhard industrial				925.0				n.a.			
Aluminum,LME, \$ per metric ton				*2677.0				n.a.			

KEY TO CODES: A=ask; B=bid; BP=country elevator bids to producers; C=corrected; D=CME; E=Manfra,Tordella & Brookes; H=American Commodities Brokerage Co; K=bi-weekly; M=monthly; N=nominal; n.a.=not quoted or not available; P=Posland Publishing; R=SNL Energy; S=Platts-TSI; T=Cotlook Limited; U=USDA; V=Benchmark Mineral Intelligence; W=weekly; Y=International Coffee Organization; Z=not quoted. *Data as of 5/31

Source: Dow Jones Market Data

Borrowing Benchmarks | wsj.com/market-data/bonds/benchmarks

Money Rates

Key annual interest rates paid to borrow or lend money in U.S. and international markets. Rates below are a guide to general levels but don’t always represent actual transactions.

Inflation									
April index		Chg From (%)			Japan	Week ago		-52-WEEK-	
level	March '24	April '23		Latest		1.475	1.475	1.475	Low
U.S. consumer price index					Policy Rates				
All items	313.348	0.33	3.3		Euro zone	4.50	4.50	4.50	3.75
Core	317.978	0.28	3.6		Switzerland	2.00	2.00	2.25	2.00
					Britain	5.25	5.25	5.25	4.50
					Australia	4.35	4.35	4.35	3.85
International rates					Overnight repurchase				
					U.S.	5.40	5.39	5.48	5.04
					U.S. government rates				
Prime rates					Discount				
U.S.	8.50	8.50	8.50	8.25					
Canada	7.20	7.20	7.20	6.70					

Key Interest Rates

Data are annualized on a 360-day basis. Treasury yields are per annum, on actively traded noninflation and inflation-indexed issues that are adjusted to constant maturities. Data are from weekly Federal Reserve release H.15.

Week Ended					— 52-Week —					
May 31		May 24		High	Low	Week Ended		— 52-Week —		
						May 31	May 24	High	Low	
Federal funds (effective)						6-month	5.43	5.43	5.58	5.19
5.33						1-year	5.20	5.17	5.46	4.76
5.33						2-year	4.93	4.87	5.14	4.24
5.33						3-year	4.74	4.66	4.97	4.01
Commercial paper						5-year	4.57	4.48	4.86	3.77
Nonfinancial						7-year	4.57	4.46	4.90	3.72
1-month	5.31	5.31	5.34	5.08	10-year	4.55	4.44	4.87	3.66	
2-month	n.a.	n.a.	n.a.	n.a.	20-year	4.76	4.66	5.20	4.02	
3-month	n.a.	n.a.	n.a.	n.a.	Treasury yields (secondary market)					
Financial						1-month	5.27	5.28	5.33	5.01
1-month	5.32	n.a.	5.43	5.09	3-month	5.26	5.25	5.35	5.10	
2-month	5.33	5.31	5.51	5.19	6-month	5.17	5.17	5.34	5.00	
3-month	5.34	5.30	5.53	5.20	TIPS					
Discount window primary credit						5-year	2.23	2.16	2.55	1.68
5.50						7-year	2.21	2.14	2.47	1.56
5.50						10-year	2.20	2.12	2.45	1.47
Treasury yields at constant maturities						20-year	2.27	2.18	2.49	1.53
1-month	5.49	5.51	5.60	5.17	Long-term avg	2.34	2.25	2.59	1.64	
3-month	5.46	5.45	5.62	5.36						

MARKETS

S&P 500 Rises, Energy Stocks Falter

Return of meme-stock mania pushes GameStop and other shares higher

By CHARLEY GRANT

The S&P 500 eked out a gain on Monday, opening June on a subdued note.

The index rose 0.1%, or nearly 6 points, after a late rally pushed the index into the green.

The Nasdaq Composite edged up 0.6%, or 94 points, snapping a three-session los-

AUCTION RESULTS

Here are the results of Monday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

	13-Week	26-Week
Applications	\$192,798,054,800	\$207,034,123,200
Accepted bids	\$70,781,268,800	\$70,782,731,200
" noncomp	\$2,432,793,000	\$2,109,968,800
" foreign noncomp	\$0	\$0
Auction price (rate)	98.672917 (5.250%)	97.393861 (5.155%)
	63.18%	15.22%
Bids at clearing yield accepted	912797615	912797172

Both issues are dated June 6, 2024. The 13-week bills mature on Sept. 5, 2024; the 26-week bills mature on Dec. 5, 2024.

ing streak. The Dow Jones Industrial Average fell 115 points, or 0.3%.

The choppy performance comes after widespread gains in May, when all three major indexes increased by at least 2.3%.

Trading has been more volatile in recent days, and fresh data released on Monday pointed to a slowing U.S. economy.

The Institute for Supply Management said that its manufacturing index contracted more sharply in May than economists had predicted.

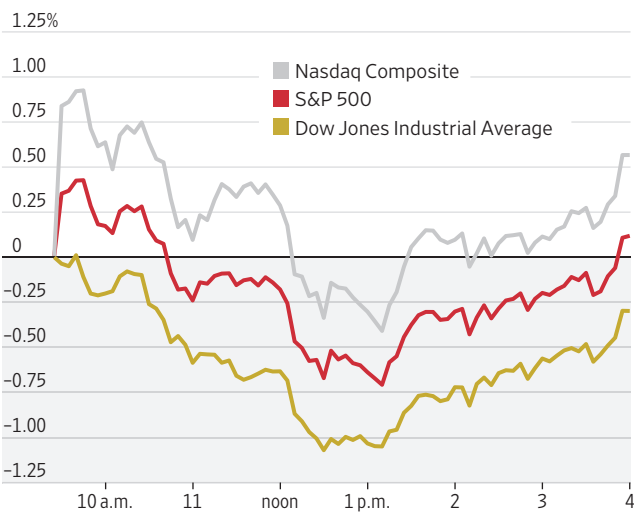
"There's starting to be some indications of weakness in the data that might make people nervous," said Kathryn Kaminski, chief research strategist and portfolio manager at AlphaSimplex.

Kaminiski cited falling oil prices as another example of a weakening economy.

The S&P 500 energy sector dropped 2.6%, the worst-performing sector within the index.

Despite investors' cautious sentiment on Monday, meme-stock mania returned to the market.

Index performance on Monday



Source: FactSet

GameStop surged 21% Monday after a Reddit account linked to meme-stock folk hero Keith Gill posted a screenshot showing a \$116 million position in the stock. **AMC Entertainment** closed 11% higher.

Nvidia rose 4.9% to close at \$1,150 a share after analysts at Bank of America raised their price target to \$1,500. For the year, the S&P 500

is up 10.8%.

Stocks have rallied this year, due in large part to a widespread belief that the Federal Reserve will move to reduce interest rates in 2024 as the economy gradually cools.

But some investors worry that stocks could sell off if interest rate cuts are prompted by signs of more serious economic deterioration.

Fed officials are set to meet for their policy meeting next week, and are widely expected to hold interest rates steady on June 12.

"It's a tough place for the Fed," said Jason Bottenfield, wealth manager at Park Cities Group at Steward Partners.

"It's going to be hard for them to cut until they see something that reverberates," such as a rising unemployment rate, Bottenfield said.

Fed officials will have fresh data on the job market at their meeting; the Labor Department is due to release its May employment report on Friday.

Economists polled by The Wall Street Journal expect that the U.S. economy added about 190,000 jobs for the month.

The benchmark 10-year Treasury yield edged lower to settle at 4.401%, its third straight day of declines.

Overseas, the Stoxx Europe 600 rose 0.3% and the U.K.'s FTSE 100 fell 0.15%. At midday Tuesday, Japan's Nikkei 225 was down 0.45% and South Korea's Kospi was down 0.4%. S&P 500 futures were up slightly.

U.S. Crude Logs Steepest Drop In Five Months

U.S. crude prices on Monday suffered their steepest one-day decline in nearly five months despite the Saudi-led OPEC and its Russia-led allies agreeing on Sunday to extend production cuts.

Benchmark U.S. crude changed hands for \$74.22 a barrel, according to Dow Jones Market Data, its cheapest price since Feb. 7.

The decline of crude prices has been a boon for American drivers and slowed U.S. inflation. While reduced production quotas by OPEC+ members has taken millions of barrels of oil off the global market each day, new output from the U.S., Guyana and Canada has weighed down prices.

—David Uberti

NYSE Unwinds Trades in Berkshire After Glitch Causes Swoon

By ALEXANDER OSIPOVICH AND KAREN LANGLEY

Investors who thought they got the deal of a lifetime on **Berkshire Hathaway** Class A shares are in for a disappointment.

The New York Stock Exchange and other market operators have decided to unwind trades in Berkshire Class A shares that took place at absurdly cheap prices on Monday morning due to a glitch with a key market data feed.

Trading in Berkshire Class A shares was halted at about 9:50 a.m. ET with the price at

\$185.10, a precipitous drop of more than 99% from Friday's closing price of \$627,400.

Other stocks that displayed drops of around 99% after Monday's opening bell included **Barrick Gold**, **Bank of Montreal** and nuclear-reactor developer **NuScale Power**. Trading in the affected stocks resumed later in the morning, and prices reverted to more normal levels.

The NYSE said in a notice to traders that trades in Berkshire Class A shares that took place around 9:50 a.m. ET at prices below \$603,718.30 would be unwound. Anoma-

lous trades in the other impacted stocks are still under review.

Earlier, a NYSE spokesperson said that up to 40 of its listed stocks and exchange-traded funds were halted Monday morning because of a technical issue at the main data feed that broadcasts prices for NYSE-listed securities. The data feed, called a securities information processor, or SIP, is operated by an arm of the NYSE. Many brokerages and financial-data providers use data from the SIP to show current stock prices.

"Shortly before noon, the

issue was resolved and trading in the impacted stocks resumed," the spokesperson said.

The Consolidated Tape Association, the industry consortium that oversees the SIP, said in a notice posted online that the glitch "may have been related to a new software release." After the problems emerged, the SIP's operators restarted the data feed from a backup facility that used the old version of the software, fixing the issue, the association said.

The snafu that sent Berkshire Hathaway and other

stocks into a tailspin was related to "limit up/limit down" halts, according to the CTA and NYSE notices. Ironically, that is the investor-protection mechanism that halts stocks during bursts of extreme volatility. People familiar with the matter said an upgrade to the SIP over the weekend was intended to tweak the handling of such volatility halts.

Monday's glitch comes after a technical issue with index provider S&P Dow Jones Indices last week caused a roughly hourlong pause in updates to the S&P 500 and Dow Jones Industrial Average.

Berkshire Hathaway has two share classes, and its Class A shares are famous for having an unusually high price per share, due to Warren Buffett's refusal to split them. Trading in the lower-price B shares was unaffected by the data glitch.

If traders were able to get Berkshire's A shares for less than half the price of its B shares, that would be quite the opportunity. One Class B share carries just 1/1,500 of the ownership stake of a Class A share. That's why when A shares closed Friday at \$627,400, B shares ended at \$414.40.

ADVERTISEMENT

THE WALL STREET JOURNAL.

CMO Network

Member Voices

The Wall Street Journal CMO Network connects the decision-makers behind the world's most influential brands to discuss what — and who — is driving today's trends and chart the path forward.



Brad Kreiger

Chief Marketing Officer, Cushman & Wakefield

In the past two years, what's the biggest lesson you've learned about marketing through economic uncertainty?

Some brands want to make their clients feel safe. At Cushman & Wakefield, we want to help our clients be brave and seize opportunities, even in challenging times. In the current environment, two of the biggest lessons I've learned are to meet your clients where they are and not to let uncertainty or fear lead to indecision. I try to live by the mantra that "the best leaders know what to do when they don't know what to do." That means surrounding yourself with experts, critical thinkers and data.

As one of the world's largest commercial real estate services firms, our clients expect and value our expert perspective and advice. We have an incredible independent research team, which helps us better understand clients' problems and provide accurate, unvarnished information about what's happening — and what to do about it. Last year, we published a comprehensive study on the challenges in the office sector titled "Obsolescence

Equals Opportunity." We had tremendous feedback from our clients and ended up reaching hundreds of thousands in the industry with the insights.

What priorities rise to the top for you in your role as CMO during times like this?

Last fall, we refreshed our strategy — the first time we'd done a deep dive on that since our 2018 IPO. My top priority now is supporting the work and helping to successfully execute on the goals we've laid out. And, as of today, we launched a new brand positioning — "Better Never Settles" — which showcases our strengths and expertise, as well as our focus on constantly driving forward for our clients. This work is the result of carefully studying our brand over the past few years, including Cushman & Wakefield's leadership in helping businesses address the challenges of returning to the office during and after the pandemic. That research produced common themes and opportunities around how we create value for clients, including our dedication to client service and creative problem-

solving. I'm very proud of the work we and our partners have done, and am looking forward to seeing how it's received in the market. Much more to come.

What shifts do you see happening in marketing and advertising in the next five years?

My guess is that AI accelerates how fast brands will need to adapt to changing customer needs, moving toward almost real-time personalization. Not that long ago, most of us reveled in the fact that ads would appear on our screens based on things like browsing history and content engagement. But adjusting what content is served to each viewer still relied on a somewhat time-intensive process. Now, that process can happen in seconds and at a much lower cost. For the consumer, that means more customized, tailored marketing — but as AI lowers the barrier to entry for market upstarts, it can also mean more noise. The human value-add is maintaining a full understanding of the customer, so that marketers can create and deliver relevant content that drives value. Quality over quantity.

Membership is by invitation: CMONetwork@wsj.com

Read the extended version: CMONetwork.wsj.com/membervoicescushmanandwakefield



The Wall Street Journal news organization was not involved in the creation of this content.

THE WALL STREET JOURNAL.

TRUST YOUR DECISIONS

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

Saudi Aramco Stock Is a Tough Sell

The world’s biggest oil producer is trying to tempt global investors with a \$12 billion share sale, but the price looks expensive

Saudi Aramco’s generous dividends can only go so far in making up for an overpriced initial public offering.

The Saudi Arabian national oil company will sell shares worth up to \$12 billion in an offering this week. The Saudi government, which will still own more than 80% of Aramco at the end of the sale, will use the proceeds to fund the country’s cash-hungry Vision 2030 initiatives. Projects designed to help diversify the Saudi economy away from oil, such as futuristic desert city Neom, haven’t attracted the flood of foreign capital Riyadh expected.

When Aramco went public in December 2019, investors in New York and London mostly stayed away. At \$1.7 trillion, the price was high and they could find better value elsewhere. At the time, Shell and BP offered a 6%-plus dividend yield, compared with Aramco’s 3.85%.

Tepid demand meant plans for a dual listing on a major international exchange were abandoned. Foreign investors ended up buying only 15% of the \$29.4 billion IPO on Saudi’s domestic bourse. One-third of the offer went to local individual investors who received perks such as one bonus share for every 10 they held for at least 180 days.

Local individual shareholders will be allocated just one-tenth of the latest offer. Aramco is hoping a beefed-up dividend will be enough to lure international funds this time around. After introducing a new performance-based payout last year, the company currently has a dividend yield of 6.2%, better



Saudi Aramco hopes a beefed-up dividend will be enough to lure international funds to its stock sale.

than that of Chevron or Exxon Mobil.

However, Aramco still looks a lot more expensive than Western supermajors on other metrics, such as price/earnings multiples and free cash flow yields. This valuation premium could hold back returns, just as it has since the IPO. Including dividends, Aramco shares have generated annual gains of 4% since the end of 2019,

compared with 18% at Exxon and 14% at TotalEnergies.

“It came to the market with a very rich valuation and is still growing into it,” says Bernstein analyst Neil Beveridge.

Aramco shareholders missed out on the share-price rallies and bumper payouts delivered by other major oil companies after Russia’s 2022 invasion of Ukraine. Aramco’s total dividends remained flat that

year at \$75 billion, while Exxon Mobil doubled its distribution to shareholders, for example.

The Saudi government was still a big beneficiary of 2022’s high oil prices. Royalties that Aramco pays to Riyadh more than doubled, as these fees increase in line with the oil price.

With a new policy in place, Aramco’s dividend should hit more than \$120 billion this year. For

now, the interests of Aramco’s minority shareholders and the Saudi government seem aligned as both want more cash handed back to owners.

But Aramco’s free cash flow doesn’t cover its dividend. While the company has net cash on its balance sheet for now, paying out more than it generates could eventually bring it up against a self-imposed debt-to-equity limit of 15%. The increased payout may also be hard to maintain if oil prices soften. Yesterday, the Organization of the Petroleum Exporting Countries and its allies, collectively known as OPEC+, agreed to extend its production cuts to 2025 to prevent that from happening.

With around three million barrels of oil a day of spare capacity, Aramco is the Saudi government’s key tool for keeping energy prices where it wants them. According to the International Monetary Fund, Riyadh needs oil prices to stay close to \$100 a barrel to balance its budget. The goal is proving elusive, and extending production cuts at Aramco gives market share to its rivals outside of OPEC.

This adds another layer of complexity to Aramco that investors don’t need to worry about at international oil companies such as Chevron or Shell. The company “is basically an arm of the Saudi state and has an additional mission beyond just maximizing returns,” says Jim Krane, a fellow for energy studies at Rice University.

Aramco’s higher dividends may not attract as much foreign cash as the kingdom would like.

—Carol Ryan

Insurance Market Flirts With Disasters

Despite warnings of a potential surge in Atlantic storms this summer, insurance for catastrophes is once again attracting capital. Investors do have some reasons to be confident, but they shouldn’t be overconfident.

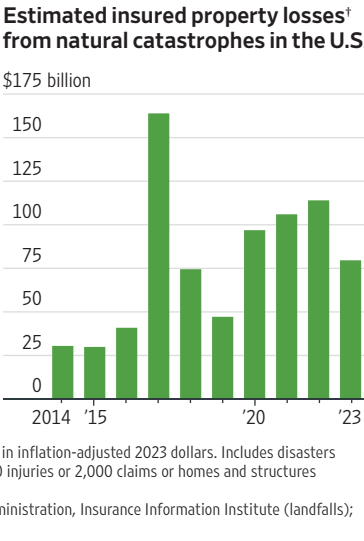
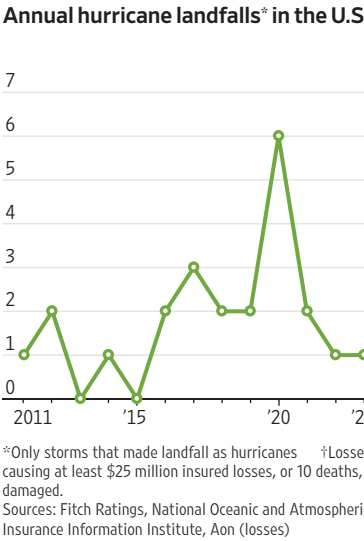
The National Oceanic and Atmospheric Administration recently forecast its highest-ever number of storms for its May outlook of the Atlantic season. The most likely range includes four to seven major hurricanes. Other researchers have also predicted a “hyperactive” storm season.

This is the kind of season that the insurance market has become much better prepared for in the past couple of years. With high interest rates giving investors better risk-adjusted places to put their money as the backdrop, and after several big loss years, a tighter supply of capital helped reinsurers—the companies that backstop other insurers—get higher rates and stricter coverage terms.

This has been a driver of higher rates or less coverage for customers of primary insurers that use reinsurance, such as homeowners in California or Florida.

The flip side was improved returns for reinsurance companies, and record returns on catastrophe bonds, which pay high yields but are at risk of losses when agreed-upon disasters strike. Fitch Ratings said in a recent note that “the market is better able to withstand extreme loss events.”

“There’s been a material repricing of catastrophe risk since the



first quarter of 2022, and this is still in place. We’re in a much better place overall,” says Jean-Louis Monnier, chief executive of Swiss Re Capital Markets.

Of course, insurance is a market like anything else, and investors in that market move in when they see what looks like an attractive risk-adjusted return. Those higher prices and returns are now drawing in more capital. For one, catastrophe bonds have seen record issuance so far this year, at \$11.4 billion, according to Swiss Re Capital Markets.

During the recent policy renewals for Florida reinsurance, there also was an influx of money, according to Howden Re, the global reinsurance and capital markets arm of Howden Group. A Howden Re report last week described “a

resurgence in dedicated sector capital,” pushing the industry back past 2021 capital levels. Average risk-adjusted pricing rates for property-catastrophe reinsurance were 5% lower, the report said.

If the storm season ends up causing big insurance losses at the same time pricing is softening then that could depress returns across the catastrophe-risk market. Just as money has come in, the result could be that it chases away capital and capacity, leading to less coverage. It is all a recipe for more volatility and unpredictability, both for insurance-company stocks and in the pricing of insurance for customers who need to protect their homes, cars and companies.

“The reinsurance market is at a critical juncture,” said David Flan-

dro, Howden Re’s head of industry and strategic advisory, in Howden Re’s report. “While the recovery of dedicated capital and increased capacity signal a potential softening of rates, the forecasted active hurricane season and other market pressures could counteract these trends.”

With a period of strong pricing behind it, the market might be able to absorb more capital supply without risk getting dramatically cheaper, or investors and reinsurers being significantly more exposed to losses. A big factor is that there is also more demand. Inflation alone means the dollar values that need to be covered are higher.

There might also be somewhat better pricing, terms or capital supply for very remote risks, but not for the less-remote risks that are the ones that have really been hurting insurers recently. The bulk of recent catastrophe-bond issuance is centered on once-in-50-year events, according to Bill Dubinsky, chief executive of Gallagher Securities, the capital markets unit of **Arthur J. Gallagher’s** reinsurance division.

Thankfully, an active storm-formation season doesn’t necessarily mean a big storm actually hits a densely populated area. “It’s not the number of storms, per se, it’s the location of where the storm makes landfall that really matters,” explained Fitch senior director Gerry Glombicki.

Giving nature more chances to cause havoc isn’t a comforting thought.

—Telis Demos

Spotify Tests Pricing Power Of Music Streamer

Spotify gave investors the price hike they were looking for. It is also betting big that its subscribers won’t tune out.

The music streamer unveiled its latest round of price increases for its U.S. plans on Monday. Investors were banking on such a move all year—especially since the company’s first-quarter report in April, where Chief Executive Daniel Ek confirmed such a move was coming.

Spotify’s shares jumped 5.6% on Monday, building on gains since its latest earnings report. The stock is now up 67% for the year, far exceeding the gains of any other streaming provider. Netflix is up 30% for the year.

But Spotify has long been in the uncomfortable position of competing not with other streamers, but with technology giants like Apple and Amazon that can use music streaming as a loss leader to keep users tied into their ecosystems.

That is why the latest round of increases stands out. Spotify’s family plan now costs 18% more than what Apple and Amazon charge for the same type of service, while its individual plan is 9% more than Apple’s and 20% more than Amazon’s. Last year’s price changes mostly brought Spotify into parity with its giant rivals.

That might seem a risky move. But Spotify has been in the music-streaming game for more than a decade now, and its scale has given it a wide base of paying subscribers who have spent years building up their own playlists and profiles on the service. A survey by Evercore ISI last year found that Spotify had the lowest percentage of users likely to cancel or switch services in the event of a \$1 price increase.

Spotify’s family users will see a \$3 increase, though. In a note on Monday, Evercore analyst Mark Mahaney said the latest increases “could introduce greater churn impact” than last year’s round. “That said, this may well be a signal of Spotify’s confidence in its value proposition, competitive position, and pricing power,” he added.

—Dan Gallagher

Wall Street Cheers a New Obesity Pill Candidate

You don’t need a home run to get Wall Street excited about a pill for obesity. When the market opportunity is in the tens of billions of dollars a year, good enough data will do just fine.

On Monday, biotechnology company **Structure Therapeutics** reported positive data from a mid-stage study of its pill for weight loss, sending its American depositary receipts up 54% on Monday. At 12 weeks, patients lost an average of 6.2% of their weight, while 33% of patients lost more than 10% of their weight. While comparing outcomes across different studies is never precise, the data roughly mirrored results of **Eli Lilly’s** pill orforglipron at the same stage of its trial.

While there are several compa-

nies developing pills for obesity, Structure looks like an attractive target for larger pharmaceutical companies. For one, its experimental drug is at a relatively advanced stage, with the company now planning to initiate another midstage trial later this year. At this pace, the drug could potentially hit the market by the end of the decade.

Secondly, its pill is what is known as a small molecule, which is crucial because the key bottleneck for obesity drugs right now is manufacturing. Small molecules are easier to make than large

molecules, so if the drug proves to work, it should be scalable for millions of potential patients.

“Our large-scale manufacturing process is expected to be more than capable of meeting the anticipated global demand of a product,” said Structure Chief Executive Raymond Stevens in a statement.

Wall Street knows that a small biotech like Structure can’t go it alone in such a huge space where the dominant players are Eli Lilly and **Novo Nordisk**. So the stock surge on Monday is essentially a bet on a potential deal with an-

54%
Increase in Structure Therapeutics’ ADRs on Monday

other big pharmaceutical rival seeking to crack the market open.

Many pharmaceutical companies are looking at developing their pipeline in this area, for obvious reasons. JPMorgan analyst Hardik Parikh in a note estimated “a very high probability” Structure will enter into an agreement or partnership with a large biopharma company over the next one to two years.

The market for new obesity drugs is presently controlled by just two companies. In the next decade, there are likely to be a handful of obesity drugs and perhaps a few more companies. If Structure’s drug manages to make it to that coveted list, investors who hold on could be in for a major payday.

—David Wainer