

# THE WALL STREET JOURNAL.

DOW JONES | News Corp \*\*\*\*\* MONDAY, FEBRUARY 14, 2022 ~ VOL. CCLXXIX NO. 36 WSJ.com ★★★ \$5.00

Last week: DJIA 34738.06 ▼ 351.68 1.0% NASDAQ 13791.15 ▼ 2.2% STOXX 600 469.57 ▲ 1.6% 10-YR. TREASURY ▲ 4 7/32, yield 1.951% OIL \$93.10 ▲ \$0.79 EURO \$1.1350 YEN 115.45

## What's News

### Business & Finance

**L**ockheed scrapped its plans to buy Aerojet Rocketdyne after U.S. anti-trust overseers last month sued to block the proposed \$4.4 billion deal. **A1**

◆ **The threat of a Russian invasion of Ukraine** is shaking up a fragile global oil market, pushing prices closer to \$100 a barrel as traders calculate that supplies will struggle to cushion the effect from any significant disruption in Russian fossil-fuel exports. **A1**

◆ **Inflation is seeping** through U.S. business, hitting companies in unexpected ways beyond higher prices for materials, shipping or wages. **A2**

◆ **Investors in U.S. stocks** are weighing good news about corporate earnings and the labor market against the stubborn challenges of high inflation, rising bond yields and geopolitical uncertainty. **B1**

◆ **Saudi Arabia** transferred shares valued at about \$80 billion in Aramco to its wealth fund as part of the kingdom's efforts to diversify its hydrocarbon-dependent economy. **B1**

◆ **Private equity** accounted for a record share of Chinese mergers and acquisitions in 2021. **B1**

◆ **Cathie Wood's ARK** is snapping up more shares of largely unprofitable companies, doubling down on a bet that many traders and investors expect to be tested this year by rising rates. **B1**

### World-Wide

◆ **Biden told** Ukraine's leader the U.S. and its allies would respond "swiftly and decisively" to any further Russian aggression against his country, even as Russia deployed some of its most powerful weapons and best-trained battalions around Ukraine. **A1**

◆ **Ukrainian officials said** Russia is stepping up a destabilization campaign involving cyberattacks, economic disruption and a new tactic: hundreds of fake bomb threats. **A1**

◆ **Kyiv-based SkyUp Airlines** said it was forced to make an unscheduled landing in Moldova and suspended sales for flights this week after its insurers stopped covering aircraft in Ukrainian airspace. **A8**

◆ **A bridge crucial** to cross-border trade that connects Detroit with Windsor, Ontario, reopened after Canadian police arrested protesters and towed vehicles. **A10**

◆ **Some Democrats** are pushing Biden to use his planned State of the Union speech to endorse a return to a sense of normalcy as Covid-19 cases fall, pressuring the White House as many of the party's governors roll back restrictions in their states. **A4**

◆ **States rolling back** mask mandates are relying on their own assessment of the pandemic's trajectory, not just federal government scientists, as they rethink Covid-19 guidelines with the Omicron wave in retreat. **A4**

## JOURNAL REPORT

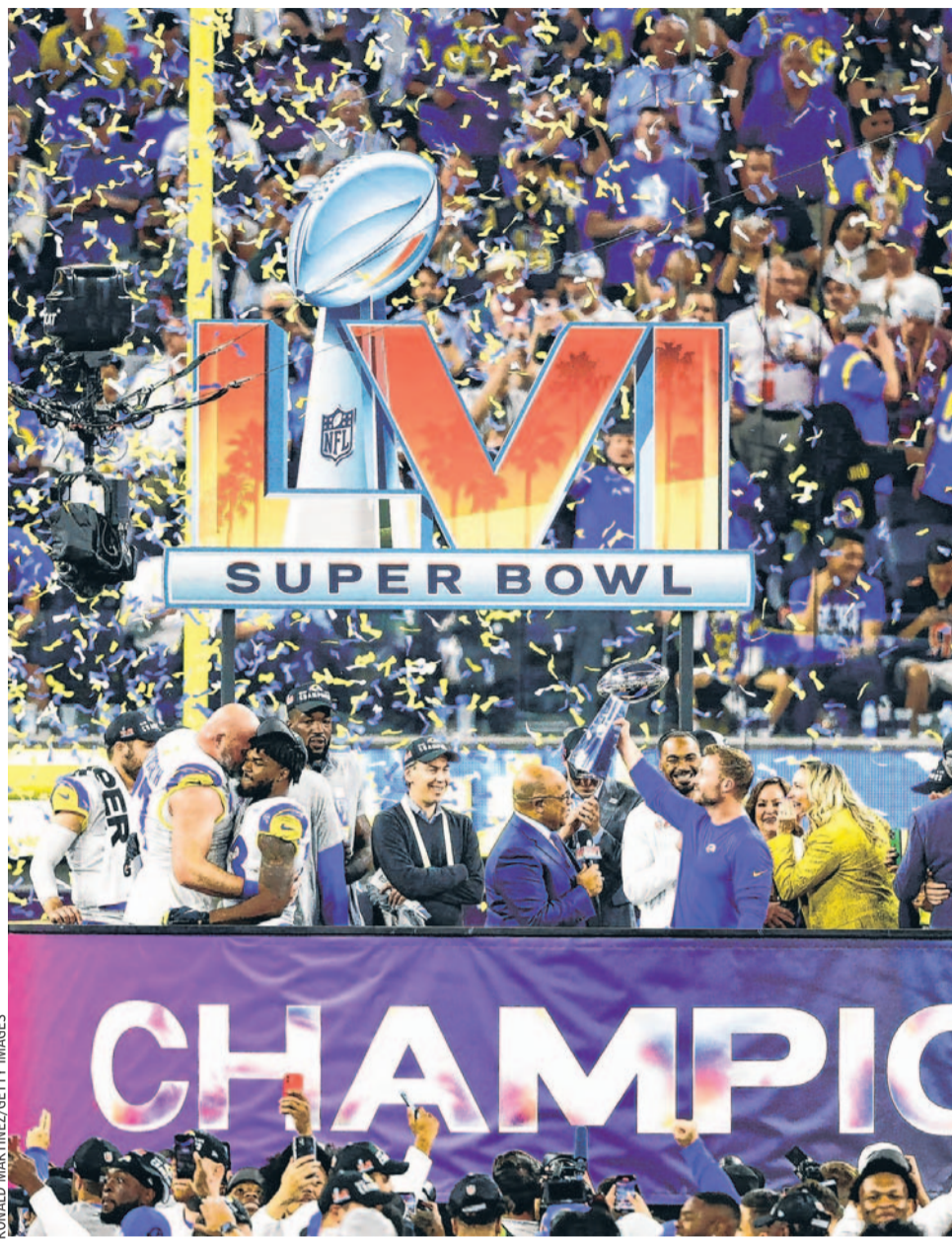
Wealth Management: Sharing Finances. **R1-8**

CONTENTS	Outlook..... A2
Arts in Review..... A14	Personal Journal A12-13
Business News..... B3	Sports..... A15-16
Crossword..... B4	Technology..... B4
Heard on Street..... B10	U.S. News..... A2-6
Markets..... B9-10	Weather..... A14
Opinion..... A17-19	World News..... A8,10



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## Rams Defeat Bengals 23-20 to Win Super Bowl



**HOLLYWOOD DREAM:** The Los Angeles Rams on Sunday came back from a deficit with five minutes left to beat Cincinnati. Head coach Sean McVay holds the Vince Lombardi Trophy. **A15**

## Lockheed Scraps Aerojet Deal Amid Antitrust Suit

By DOUG CAMERON

Lockheed Martin Corp. on Sunday said it had scrapped plans to buy Aerojet Rocketdyne Holdings Inc. after federal antitrust overseers last month sued to block the proposed \$4.4 billion deal.

Lockheed Martin, the world's largest defense company by sales, had hoped to add Aerojet expertise in building rocket motors for its own missile and space systems. The proposed deal drew fire from the Federal Trade Commission and rivals who believed the combination could hinder competition.

Lockheed Martin announced plans to buy Aerojet in December 2020. The deal followed unsuccessful efforts by Aerojet to buy a joint venture between Lockheed Martin and Boeing Co. that launches military satellites. That triggered broader interest in acquiring Aerojet, including from private-equity firms, according to regulatory filings.

The closing of the proposed Lockheed-Aerojet deal was pushed back several times, especially after FTC officials raised concerns.

A lawsuit filed last month by the FTC to block the deal saw Lockheed ditch the tie-up

Sunday, a decision the company said was made in the wider interest of shareholders.

"Our planned acquisition of Aerojet Rocketdyne would have benefited the entire industry through greater efficiency, speed and significant cost reductions for the U.S. government," Lockheed Martin Chief Executive Jim Taiclet said.

Based in El Segundo, Calif., Aerojet is the only large, independent U.S. producer of engines for rockets and missiles. The FTC alleged that allowing Lockheed to buy Aerojet would give the defense company the

*Please turn to page A4*

## Biden Pledges Swift Reaction To an Invasion

U.S. says it is prepared for possibility Russia will soon launch major assault against Ukraine

By ALEX LEARY AND LAURENCE NORMAN

President Biden on Sunday told Ukraine's leader the U.S. and its allies would respond "swiftly and decisively" to any further Russian aggression against his country, the White House said, even as Russia deployed some of its most powerful weapons and best-trained battalions around Ukraine.

A day earlier, Mr. Biden's warning to Russian President Vladimir Putin of "swift and severe costs" if Russia moves against Ukraine yielded no change in the Russian stance, U.S. officials said. Meanwhile, the fear of conflict has led to canceled flights to Ukraine and heightened volatility in energy and financial markets.

President Volodymyr Zelenskyy of Ukraine told Mr. Biden

that U.S. support would allow Ukraine to prevent panic among its population, according to a statement from his office. He also asked for concrete guarantees of Ukraine's security, saying European security is impossible without the security of Ukraine.

"We are not yet a member of NATO, therefore, only a strong Ukrainian army ensures the security of our state," Mr. Zelenskyy told Mr. Biden, referring to the North Atlantic Treaty Organization.

Before Mr. Biden's hourlong telephone call with Mr. Zelenskyy, U.S. national security adviser Jake Sullivan renewed on Sunday the Biden administration's warnings of a possibly imminent Russian invasion of Ukraine as Russia continued to insist it has no such plans and European leaders embarked on further diplomatic attempts to

*Please turn to page A8*

- ◆ Russian border town backs pro-Putin forces..... **A8**
- ◆ Airline suspends ticket sales as insurers pull coverage... **A8**

## Hybrid War Already Started, Kyiv Says

By JAMES MARSON

KYIV, Ukraine—U.S. officials are warning that Russia could be about to attack Ukraine. For many citizens in this embattled country, the assault has already begun.

Ukrainian officials said that Russia, which has positioned more than 100,000 troops around three sides of Ukraine, is stepping up a destabilization campaign involving cyberattacks, economic disruption and a new tactic: hundreds of fake bomb threats.

Russian forces and their proxies already control portions of Ukraine and frequently skirmish with government forces. The aim of Moscow's intensifying hybrid campaign, Ukrainian officials said, is to weaken their country and sow panic, potentially provoking discontent and protests of the kind Russia fomented in eastern Ukraine in

2014 to justify its interventions there. U.S. and U.K. officials said last month they uncovered coup plots intended to install a puppet pro-Russian government.

The tactics illustrate how President Vladimir Putin of Russia can maintain pressure on Ukraine without escalating to a shooting war that could provoke sanctions from the West. Ukrainian officials said a destabilization campaign is more likely than a large-scale invasion.

"The No. 1 task for Russia is to undermine us from inside," Oleksiy Danilov, the top national security adviser to President Volodymyr Zelenskyy of Ukraine, said in a recent interview.

Russia has denied it has any plans to invade or cause harm to Ukraine. Moscow argues that the West is causing damage to the ex-Soviet republic

*Please turn to page A8*

## India Struggles With Urban Exodus

Economists say nation must create millions of jobs that bring workers out of farming

By SHEFALI ANAND AND VIBHUTI AGARWAL

SATBUNGA, India—Covid-19 drove tens of millions of migrant workers from cities back to their home villages, often to farm, and its lingering presence threatens India's decades-long quest to lift its economy from rural poverty to the modern age.

In Covid-19's first year, agriculture's share of India's total employment rose for the first time in at least 15 years, by 3 percentage points to 45.6%, government data show, yet it contributes less than a fifth of national output.

Economists warn of a drag on growth unless India can pull millions of workers into productive nonfarm jobs. Growth in the rural workforce "is the opposite of what any developing country wants to see," said Santosh Mehrotra, an economist and senior official at the former Planning Commission, which steered India's development

strategy until 2014.

The migratory reversal in particular weakens the economic potential embodied in India's young population—some two-thirds is under age 40—a working-age demographic that powered China's double-digit growth.

Around 75 million people in India slipped into extreme poverty in 2020, living on \$2 or less a day, according to the Pew Research Center. A salaried worker in rural India earns an average of around 300 rupees (\$4) a day, compared with \$6 a day for a similar job in urban areas, according to estimates by the International Labour Organization, ILO, a United Nations agency, using Indian government data.

Some migrant workers who are back home say their goals have shifted away from the promise of city life. Vijay Nayal, 24 years old, lost his job in a call center in 2020 and left a New Delhi suburb for his village in the Himalayan state of Uttarakhand. He

*Please turn to page A11*

## U.S.-Canada Bridge Reopens



Canadian police on Sunday arrested protesters and towed vehicles, allowing the Ambassador Bridge connecting Detroit with the border city of Windsor, Ontario, to reopen. **A10**

## Be My Valentine, but Let's Buy a King-Size Bed and Spread Out

After extreme pandemic togetherness, many couples crave more personal space

By SUZANNE KAPNER

For some couples, the pandemic togetherness is saying good night on Valentine's Day in a bigger bed where they don't need to touch.

After nearly two years of working from home and sharing close quarters with spouses, kids and pets, people are tossing out their full- and

queen-size beds in favor of more spacious kings.

Robert Pagano and his girlfriend, Tracy Jones, weighed the pros and cons of switching to a king from a queen last year. The couple, who live in Las Vegas, had been getting on each other's nerves when they were stuck working from home. "We hoped a bigger bed would help us avoid argu-

*Please turn to page A11*

## Ukraine Threat Pushes Oil Near \$100

By CHRISTOPHER M. MATTHEWS AND COLLIN EATON

The threat of a Russian invasion of Ukraine is shaking up a fragile global oil market, pushing prices closer to \$100 a barrel as traders calculate that supplies will struggle to cushion the effect from any significant disruption in Russian fossil-fuel exports.

Demand for oil has outpaced production growth as economies slowly rebound from the worst of the pandemic, leaving the market with a small buffer to mitigate an oil-supply shock. Russia is the world's third-largest oil producer, and if a conflict in Ukraine leads to a substantial decrease in the flow of Russian barrels to market, it would be perilous for the tight balance between supply and demand.

Those dynamics have led traders in recent days to price in a sizable geopolitical risk premium, according to analysts. Crude-oil prices, which haven't topped \$100 a barrel since 2014, jumped to an eight-year high on Ukraine concerns Friday. Brent futures settled at \$94.44 a barrel, while U.S. crude ended at \$93.10 a barrel.

"We are setting up for a period of turbulence," said Jason

*Please turn to page A6*



## U.S. NEWS

# Parched West Pushes Wild Horses to Brink

U.S. corrals thousands, a majority for adoption, as food supply shrinks in long-term drought

By JIM CARLTON

SAND SPRING VALLEY, Nev.—A dozen wild horses sprinted at full gallop through the sage here earlier this month, tailed by a low-flying helicopter herding them toward a corral.

The Bureau of Land Management held the roundup as part of a plan to remove 16,797 wild horses from Western public lands in 2022, which would represent the most ever in one year and a 43% jump from 2021.

Bureau officials say wild horses, as well as burros, need to be removed from Nevada and other Western states because there are too many of them for the amount of grass and plants they feed on, supplies of which are shrinking due to drought.

The horses, also called mustangs, compete for the limited food and water with deer, elk and other animals, including cattle raised by ranchers. All are at increased risk in coming years, as climate change makes resources more scarce in the American West, officials and researchers say.

In the 1.2-million-acre “Pancake Complex,” where this roundup took place, agency officials estimate there were 3,244 wild horses—up to nine times as many as what they think the land can safely support. Ben Noyes, a wild horse and burro specialist at Land Management who supervised the roundup here, said he recently found four of the animals dead at a dried-up spring.

“Everyone wants to think it’s roses out here for the



Helicopters help in a roundup in Sand Spring Valley, Nev. ‘Everyone wants to think it’s roses out here for the horses, but it’s a tough country,’ said the BLM’s Ben Noyes, below.

horses, but it’s a tough country,” Mr. Noyes said as helicopters buzzed in the distance.

Other call the roundups dangerous and cruel, and say too many mustangs end up in slaughterhouses. They say a better approach is to reduce the number of cattle that federal land managers allow to graze in the area. “Basically, the horses are getting the short end of the stick,” Marie Milliman, an observer with the advocacy group Wild Horse Education, said as she watched the roundup.

Land-management bureau officials say the numbers of livestock allowed to graze on public lands have also been in sharp decline, but challenges facing the horses remain.

After wild horses are corralled by the bureau, the majority are adopted by individuals and groups, and some are released back into the wild following sterilization treatments.

Mr. Noyes said none are knowingly sent to slaughterhouses, but some people who



LINDSAY DADDATO FOR THE WALL STREET JOURNAL

adopt them might subsequently sell the animals to be killed. Animal-rights supporters say that happens typically in other countries where the meat is sometimes consumed by humans.

Despite efforts to place horses with owners, about 22,000 from past roundups are being held by the agency in corrals while it determines

what to do with them, officials say.

Wildlife across the West is suffering from a drought that began about 20 years ago. At California’s Point Reyes National Seashore, park rangers last year installed water troughs to aid herds of tule elk, whose numbers have thinned. Oregon’s mule deer population has fallen

about 40% since 2000, in part due to a lack of water, state officials say.

After declining for decades, the number of wild horses in the West has grown to 72,000 as of 2021 from 34,000 in 2010, according to estimates by the land-management bureau. The agency considers about 27,000 to be the appropriate population.

Animal-rights groups including Wild Horse Education sued the Bureau of Land Management in federal court in Reno on Jan. 21, seeking to block one of the first big roundups at the Pancake Complex. The agency pressed the court to allow it to continue the roundup, because federal law prohibits the use of helicopters—the main tool for herding the wild animals—during spring foaling season, between March and June.

A federal judge on Feb. 4 refused to block the roundup of 2,060 horses, and one day earlier this month Mr. Noyes and a crew set out before dawn on

a nearly 100-mile drive from their base in Ely, Nev., to continue a removal operation that had been under way for nearly a month.

As sunlight began to filter onto the stark landscape, a helicopter took off to go look for wild horses. Shortly after 9 a.m., a herd of mustangs that looked like black dots against the beige horizon ran toward a corral. A wrangler stood by with a domestic “Judas horse,” trained to lead the mustangs into the corral.

Over several hours, 79 mustangs were captured by a contractor. Toward the end, one horse could be seen limping outside the corral. Diagnosed with defective tendons in its front legs, the animal was euthanized.

Troy Cattoor, owner of the contracting company Cattoor Livestock Roundup, said injuries are sometimes the unfortunate result of corralling operations. But “we try every day to make sure none get hurt,” he said. “We all love horses.”

## Prices Surge in Fast-Growing Cities

By BRYAN MENA  
AND HARRIET TORRY

Consumer prices rose faster last year in large U.S. metropolitan areas seeing an influx of new residents than in the nation overall, while inflation was milder in large coastal cities with less population growth.

The Atlanta-Sandy Springs-Roswell area saw the highest inflation among metropolitan areas with more than 2.5 million people—9.8% for the 12 months through December, according to the Labor Department. Phoenix, St. Louis, and Tampa, Fla., also saw annual inflation rates higher than the 7% national rate in December.

The San Francisco-Oakland-Hayward area, known as one of the country’s most expensive places to live, saw 4.2% inflation last year, the lowest of any of the 23 large metro areas for which the Labor Department publishes inflation data. Inflation also came in below the national rate in the New York City, Boston and Washington, D.C., metro areas.

An important factor driving the regional divergences, according to economists, was pandemic-fueled population shifts from larger cities to suburbs or smaller metro areas, particularly in the Sunbelt, both by retiring baby boomers and remote workers seeking warmer weather and lower living costs.

In metro areas that saw added population, the influx helped drive up housing costs and job gains, which boosted incomes and, in turn, fueled demand for housing, transportation and services such as dining and entertainment.

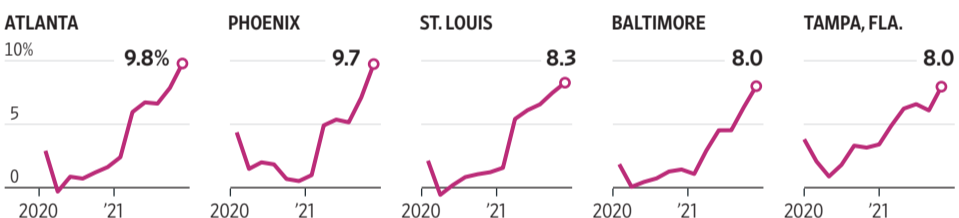
Housing costs, accounting for almost a third of the Labor Department’s consumer-price index, were the largest single driver of inflation in the Atlanta area and similar places last year. The CPI’s shelter index measures the cost of tenants’ rent and homeowners’ imputed rent, or the amount they would have to pay each month to rent their own house.

The shelter index jumped 10.2% in the Atlanta area and 7.7% in the Atlanta area late last year; it rose 1.2% in the New York metro area and 0.8% in the San Francisco area. The index climbed 4.1% for the nation.

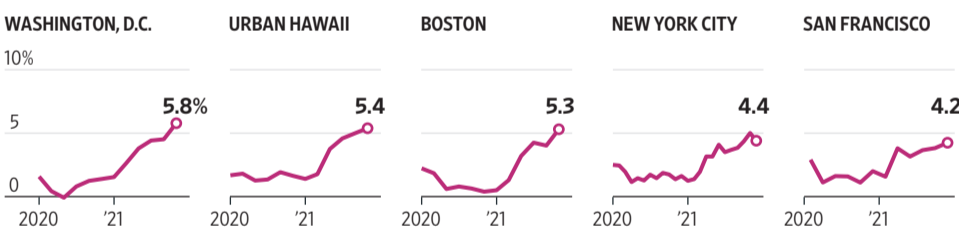
“The lion’s share of difference between Atlanta and the rest of the country has to do with what’s happening with shelter,” said Brent Meyer, an

Consumer-price index, percentage change from a year earlier

Urban areas with the **highest** inflation rates as of year-end



Urban areas with the **lowest** inflation rates as of year-end



Note: Urban areas are labeled with their core city. The price index covers consumers in this core city and the surrounding urban areas. Rates are for December except for Boston, urban Hawaii, Washington, D.C., and Tampa, which are for November. Source: U.S. Labor Department

### Businesses Pass On Their Higher Costs

Businesses in the San Francisco Bay area said they are struggling with inflation, particularly in wages as California’s minimum wage starts at \$14 an hour, and are having to pass on the higher costs to customers.

“Everything was so expensive to begin with [in the San Francisco area], maybe the rest of the country is just catching up with us,” said Paul Lazzareschi, co-owner of Depot Café and Bookstore in Mill Valley, near San Francisco.

“The upside to coronavirus is it gave us the ability to use outdoor seating and enlarge our space and you could raise

prices without anyone saying a word,” he said.

His establishment reopened just over a year ago after a refurbishment, with prices at a relatively high level “because Covid allowed that, people didn’t complain about paying \$6 for a croissant.”

Economists said some of the differences in inflation might stem from less-restrictive Covid-19 measures in the South compared with states including California. Venues such as restaurants are more likely to be open for business in Atlanta, helping to boost demand.

In late 2021, Atlanta and Phoenix saw increases in recreation costs, for items such as sporting equipment and concert admissions, and apparel, which were well above the national average.

While prices are rising more quickly in cities including Atlanta, such places remain more affordable than coastal cities like San Francisco.

“In spite of that large increase, it’s still a very affordable and attractive destination; it’s not as much as a discount as if you moved two years ago, but it’s still a sizable discount,” said Redfin economist Taylor Marr, referring to Atlanta compared with New York or San Francisco.

Alice Yen moved from San Francisco to Atlanta with her husband in July 2021, after living in the San Francisco-Oakland-Hayward metro area for about a decade. She wanted to live closer to her family in North Carolina and found Atlanta’s BeltLine community attractive because of its walkability, easy access to entertainment and urban charm.

Since relocating, Ms. Yen said she has noticed prices rising a bit, but said she still finds living in Atlanta to be a much better deal. “I don’t know if we’re spending less overall, but we are getting much more for what we’re paying for,” she said. “It’s possible to live in Atlanta and still be able to buy a home.”

Even before the pandemic, remote workers were leaving big cities for smaller ones, seeking a lower cost of living and often lower taxes and better weather. The pandemic has accelerated the trend. California is losing more than twice as many people to domestic migration as it was before the pandemic, a recent report from University of California researchers showed.

Population growth in places such as Atlanta and Phoenix could eventually fizzle out as it has in other cities.

“Denver’s costs rose dramatically, still nowhere near those in San Francisco, but enough that you’re now seeing migration out of Denver into cheaper places like Boise,” said Adam Kamins, director of regional economics at Moody’s Analytics. “So it is possible that growth eventually spills over into another market.”

## Methane Clampdown Gives Cattle a Break

By KATY STECH FERREK

WASHINGTON—The Biden administration is taking aggressive steps to curb the energy industry’s methane emissions, tightening pipeline regulations and spending billions of dollars to clean up abandoned coal mines and other sources of the potent greenhouse gas.

Agriculture, just as big a source of methane, isn’t getting the same tough treatment.

The administration said it would spend more money to research cattle diets and expand gas-capturing manure-disposal systems for farmers to voluntarily reduce methane emissions, after supporting more than \$200 million in such projects last year. But it hasn’t proposed any new air-pollution regulations targeting the agricultural sources.

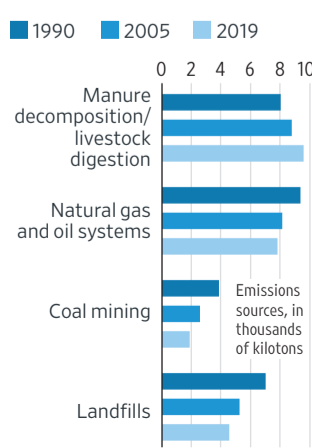
“We’re taking a look,” Environmental Protection Agency administrator Michael Regan said when asked recently about regulating methane from agricultural sources.

Beef and dairy cattle, along with pigs and other farm animals, contribute roughly 27% of methane emissions in the U.S., according to the EPA. Most of that comes from their belching; livestock manure accounts for an additional 10% of methane emissions.

That puts agriculture on par with the energy industry in methane emissions, with natural gas and petroleum generating 30% and coal mining 10%.

Some environmentalists say the administration is going

Methane emissions from cattle digestion and manure disposal have grown while such emissions from energy have fallen.



Source: U.S. Environmental Protection Agency

easy on big agriculture to avoid a political battle with the powerful farm lobby. Agricultural groups say reducing methane from cattle isn’t as simple as plugging leaks from pipelines and oil wells.

Oil-and-gas industry groups haven’t pressed for methane regulations on agriculture, in part because they don’t want to antagonize lawmakers in rural districts, who often represent both energy companies and agribusiness, according to people familiar with the situation.

Mary-Thomas Hart, environmental counsel for the National Cattlemen’s Beef Association, said the group would lobby against Clean Air Act regulations until measuring methane discharges from livestock becomes more precise.

She said voluntary measures, such as restoration of grazing areas with carbon-absorbing plants, are the best way to lower carbon emissions.

Environmentalists say that despite the challenges, there is an urgent need to curb emissions of methane.

While carbon dioxide is considered the biggest global warming contributor, methane traps roughly 85 times as much heat. Global leaders at the Glasgow climate summit last year made cutting methane emissions a priority, with the U.S. and dozens of other countries pledging to cut emissions by 30% by 2030.

The Sierra Club and other environmental organizations, led by advocacy group Public Justice, petitioned the EPA last year to regulate methane emissions from big dairy and hog farms.

European Union food-safety regulators in November approved the use of the chemical Bovaer, which can cut belched methane from beef cattle by up to 80%. Its Dutch manufacturer, Royal DSM NV, is hoping to win U.S. approval. Another possible solution calls for attaching rubber masks above cow nostrils to neutralize methane emissions. Cargill is preparing to put the devices, from London startup Zelp Ltd., on dairy cows in Europe later this year.

For manure, farmers are increasingly putting waste into covered lagoons or silo-like devices called digesters that capture methane that can then be sold as fuel. But the systems can cost millions of dollars.

U.S. NEWS

# Capitol Hill Moves Toward Bipartisanship

With Biden's agenda stalled, Republicans and Democrats find some common ground

By LINDSAY WISE

WASHINGTON—In the weeks since President Biden's agenda stalled in a bitterly divided Congress, something unusual happened on Capitol Hill: Democrats and Republicans started working together.

Already, bills to make the U.S. Postal Service more financially viable, boost U.S. competitiveness with China and ban mandatory arbitration in cases of sexual assault and harassment have picked up steam in Congress. Senators passed the arbitration bill by voice vote, sending it to the president's desk without a single member of either party demanding a roll call to record yeas and nays.

Legislators also announced an agreement on a framework for legislation to fund the federal government through fiscal year 2022, and a deal to reauthorize a landmark domestic-violence bill, which lapsed in 2019.

"For those who have given up hope on the United States Senate functioning, passing

important laws, working together on a bipartisan basis, take a look behind me," said Sen. Dick Durbin (D., Ill.), flanked by a group of Democratic and Republican senators at a news conference introducing bipartisan legislation to reauthorize the Violence Against Women Act.

Some issues still face hurdles. For instance, talks on a Russian sanctions bill foundered last week in the midst of disagreements over whether sanctions should be imposed immediately, or only kick in if Russia invades Ukraine. Mr. Biden's Supreme Court pick, expected soon, also will test the limits of bipartisanship.

Both sides, though, see more room for deals. House and Senate lawmakers are working across party lines to restrict stock trading by members of Congress. Sixteen senators from both parties are working to overhaul the 135-year-old Electoral Count Act, to clarify the vice president's role in certifying election results and strengthen protections for election workers, among other potential updates to federal voting laws.

This flowering of bipartisanship comes about two months after centrist Democratic Sen. Joe Manchin of West Virginia said he would oppose Mr. Bi-



Lawmakers announcing bipartisan legislation to reauthorize the Violence Against Women Act at an event last week included, from left, Sens. Joni Ernst (R., Iowa), Dianne Feinstein (D., Calif.), Lisa Murkowski (R., Alaska) and Susan Collins (R., Maine).

den's roughly \$2 trillion economic and climate package, effectively killing it in the 50-50 Senate with all Republicans opposed. A month later, Democrats fell short of the votes needed to change the Senate rules and pass voting access legislation that they had called a priority.

Mr. Manchin said that members of Congress are finally coming to the realization that they have to work together.

"That's the way the place was designed," he said. "I think we oughta come back to our senses and let's try to get something done...Republicans

too need to be reaching out. We all need to give and take."

Sen. Susan Collins (R., Maine) said she fielded an unprecedented number of calls in the past week from the White House—from top Biden adviser Steve Ricchetti, chief of staff Ron Klain and the president himself. She said Democrats have become more flexible in negotiations and willing to retreat from some red lines, a shift she tied to the party's failure to change the filibuster rule, which requires 60 votes to advance most legislation.

On the Violence Against Women Act, or VAWA, Demo-

crats had for years pushed to close the "boyfriend loophole" by adding language to the bill that would have barred people convicted of crimes related to dating violence from possessing firearms. The bill's supporters had struggled to get at least 10 Republicans to commit to voting for it as long as it contained a measure they saw as restricting gun rights, so Democrats agreed to drop the language.

"As one Democrat said to me, 'I'm tired of letting the perfect be the enemy of the good,' and I think that is what has happened," Ms. Collins said.

Democratic senators inter-

viewed by The Wall Street Journal denied any connection between the failed filibuster effort and the current bipartisan streak. Instead, some said, the shift is a recognition that narrower bills often have better prospects for passage.

Asked to comment on the legislative progress in Congress, the White House pointed to a tweet Friday by Mr. Biden in which he said that Democrats and Republicans are "proving that we can still come together to deliver important progress for the American people."

—Alex Leary contributed to this article.

# Democrats Want Biden to Roll Back Covid-19 Rules

By NATALIE ANDREWS AND SABRINA SIDDIQUI

WASHINGTON—Some Democrats are pushing President Biden to use his planned State of the Union speech to endorse a return to a sense of normalcy as Covid-19 cases fall, pressuring the White House as many of the party's governors are rolling back restrictions in their states.

The elected officials are zeroing in on the March 1 speech as a pivotal opportunity for Mr. Biden to embrace dropping of mask mandates and other rules, as cases decline from the recent

Omicron surge but hospitalizations remain high in parts of the country. They are hoping the prime-time address can lift public morale and boost the party heading into midterm elections, where Democrats are considered to face an uphill fight keeping control of Congress.

"There are a bunch of us that are pushing the White House to really use the State of the Union as a sort of declaration of the new phase," said Rep. Elissa Slotkin, a Michigan Democrat facing a close race this fall.

White House spokesman

Kevin Munoz said Mr. Biden and his administration are in active discussions with public-health experts both inside and outside the government, as well as state and local leaders, on how to approach the next phase of the pandemic.

In setting policy, the White House continues to defer to guidance from the Centers for Disease Control and Prevention, which recommends universal masking in schools and that masks be worn in indoor public settings where transmission is substantial or high. While Mr. Biden extended a federal mask mandate in December requiring

masks on airplanes, trains and buses, decisions about implementing CDC guidance in businesses and schools fall to state and local officials.

Headed into the State of the Union, several House Democratic lawmakers are concerned about the optics of the event and pushing against restrictions on capacity that could signal a lingering nervousness over the pandemic. These lawmakers, who say they are willing to get tested for Covid-19 and support requiring vaccination, are worried about the visual of Mr. Biden giving a speech to a largely empty chamber, or one with

more Republicans than Democrats.

Some limitations on capacity are expected, and the decision on attendance and mask policies for the speech will ultimately be made by House Speaker Nancy Pelosi (D., Calif.) and the Capitol's attending physician.

"It is the singular moment on which perhaps this entire presidency will be judged," said Rep. Dean Phillips (D., Minn.) about the speech, adding he wants the president to address the administration's response to the pandemic and economic recovery, as well as how to

tackle rising crime and broad divisions in the country.

Asked in an NBC News interview that aired on Thursday if Democrats were moving too quickly to loosen mask mandates, Mr. Biden said it was "probably premature." He added that people were growing restless with Covid-19 restrictions, saying the series of variants "have had a profound impact on the psyche of the American people."

Polls shows many Americans have become critical of Mr. Biden's handling of the pandemic after initially giving him high marks.

# States Break From CDC's Guidance

By BRIANNA ABBOTT AND JON KAMP

States rolling back mask mandates are relying on their own assessment of the pandemic's trajectory, not just federal government scientists, as they rethink Covid-19 guidelines with the Omicron wave in retreat.

"I feel that now is the appropriate time to move forward," Nevada Gov. Steve Sisolak, a Democrat, said Thursday while announcing the end of the state's mask mandate for indoor public spaces. Businesses, organizations and school districts can enact their own policies, he said.

The governor cited rapidly dropping case and hospitalization rates as well as shrinking virus levels found in wastewater. A spokeswoman said the state didn't rely on specific thresholds. Mr. Sisolak also said that the broader availability of Covid-19 vaccines, testing and treatment influenced his decision. The governor said he plans to continue to wear a mask in some situations, including when visiting his mother, to protect other Nevadans.

Nevada and other states that relaxed guidelines last week aren't relying on the Centers for Disease Control and Prevention's guidelines for when people should wear masks in indoor public places. Those guidelines are pegged to one of two metrics: a seven-day moving average of cases greater than 50 per 100,000 residents, or a high percentage of tests coming back positive. With Omicron-fueled cases still at high levels, more than 99% of U.S. counties meet metrics under which the CDC advises indoor public masking.

The CDC has said it is reassessing its guidance. CDC Director Rochelle Walensky said



Boston will keep its mask mandate in place until it reaches specific benchmarks, its mayor said.

Wednesday that such decisions are often made at the state and community level but that the agency still recommends masking in areas with substantial and high transmission.

The fact that a smaller percentage of Omicron cases have led to serious outcomes compared with the Delta wave has fueled calls to use metrics other than cases, like hospitalizations, emergency-department visits or wastewater, to help guide virus-mitigation policies.

"Individual case counts are important, but they're not telling the complete story," said Janet Hamilton, executive director at the Council of State and Territorial Epidemiologists. Covid-19 vaccinations have also meant that more cases during this surge are milder, and the boom in at-home rapid testing has led to an even further underreporting of cases, she said.

Some public-health experts say states should proceed cautiously or wait in pulling back measures for fear of drawing out the Omicron wave recovery. While new-case and hospitalization counts have plummeted, the U.S. is still adding about 186,000 cases each day, Johns Hopkins University data show. Deaths are averaging about 2,400 a day.

"I'm not saying we need to get to zero," said Justin Lessler, an epidemiologist at the Gillings School of Global Public Health at the University of North Carolina. "I do think it's worth having things under control, whatever your metric."

In addition to Nevada, Oregon, Rhode Island, Delaware, Connecticut, New Jersey and Massachusetts announced plans to lift statewide mandates requiring masks in schools. New York, California and Illinois

lifted, or said they would end, indoor mask mandates.

The states represent roughly one-third of the U.S. population and maintained protective measures through the worst of the recent Omicron wave. Most, beyond Nevada, have vaccination rates above the national level of 64.3% for people who have received two mRNA shots or a single-dose inoculation. More than 35 states don't have masking requirements, according to the National Academy for State Health Policy.

The states dialing back mask requirements largely said the moves were fueled by an array of positive signs. New York cited declines in cases, the rate of positive tests, hospitalizations, cases per 100,000 people and hospital admissions.

◆ As rules ease, should you still wear a mask?..... A12

# Lockheed Scraps Deal

Continued from Page One

ability to deny other defense contractors access to critical components needed to build competing missiles and space systems.

"We are confident in our future performance with an impressive backlog that is more than three times the size of our annual sales and a strong macroeconomic environment underpinning our portfolio," said Aerojet Rocketdyne.

An FTC spokeswoman had no comment. The commission's four current commissioners, two Democrats and two Republicans, all voted for the lawsuit.

It is the second deal to fall apart in recent days amid an FTC antitrust challenge. Nvidia Corp. and Japan's SoftBank Group Corp. this month abandoned a blockbuster deal for the U.S. semiconductor maker to acquire chip-design specialist Arm, a transaction the commission challenged in December, again on a unanimous vote.

Aerojet makes rocket boosters for missile-defense systems such as Lockheed's own Thaad program. Aerojet also works on programs such as the replacement of land-based nuclear missiles led by Northrop Grumman Corp., and the Boeing-led Commercial Crew space taxi and Space Launch System rocket.

Lockheed is one of Aerojet's biggest suppliers, and the companies had said that after a merger they could continue to supply rocket motors that Aerojet provided to other companies such as Boeing Co. and Raytheon Technologies

Corp. Lockheed and Aerojet also said that Lockheed's ownership could boost investment in areas such as hypersonic missiles, which fly at more than five times the speed of sound, to challenge the increasing capabilities of China and Russia, which have concerned Pentagon leaders.

Raytheon and others said they were worried about how such pledges would be implemented. Boeing in 2019 dropped out of a bid to provide new land-based nuclear missiles for the U.S., citing a perceived advantage by Northrop Grumman after the latter in 2017 agreed to buy Orbital ATK Inc., another rocket-motor maker.

Lockheed's plan to buy Aerojet had faced opposition from some defense contractors concerned about the future availability of the rocket motors.

The companies had offered a series of guarantees to continue supplying Aerojet equipment to other defense contractors but said these were deemed insufficient by the FTC.

The commission argued the deal would harm rival defense contractors and lead to unacceptable consolidation in markets critical to national security and defense.

The FTC said it had consulted the Pentagon widely on the impact of the proposed deal. The Defense Department's views were redacted in a public version of the commission's lawsuit. The Pentagon didn't respond to a request for comment.

Antitrust legislation four years ago cleared a similar defense-industry deal involving two other military contractors. The FTC has since taken a tougher stance on transactions involving vertical integration of companies and their suppliers, at times with notable bipartisan support, including in this case.

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U.S. NEWS

# More Migrants Try to Reach U.S. by Sea

People fleeing turmoil pile into overcrowded, unsafe vessels that sometimes turn deadly

By ARIAN CAMPO-FLORES

Migrants from Cuba, Haiti and other countries are taking to the sea in sharply rising numbers as they flee political and economic turmoil at home and try to reach the South Florida coast.

The voyages are often aboard vessels that are rickety, overloaded and devoid of safety equipment, according to U.S. officials. Conditions at sea can rapidly and unexpectedly deteriorate. Human-smuggling groups that operate such crossings frequently fail to take basic precautions, officials said.

The recent capsizing of a Bahamian boat off the coast of Florida that left nearly 40 people presumed dead was an especially disastrous end to the sort of journey that officials said often goes awry.

“Maritime smuggling poses a lot of significant and serious risks that land smuggling doesn’t have,” said Anthony Salisbury, special agent in charge of Homeland Security Investigations’ Miami office, which is investigating the recent capsizing as a potential case of human smuggling.

Coast Guard interdictions of migrants from Cuba, Haiti and the Dominican Republic, who account for most of the migration toward the southeastern coast, totaled 2,383 people between Oct. 1 and Jan. 31, according to agency figures.

That is on pace to more than double the tally in the fiscal year that ended Sept. 30, 2021, and more than quadruple the count in the previous fiscal year. Interdictions have increased as well off the coast of California—driven by Mexican and Central American migrants—and off the coast of Puerto Rico, propelled by Dominican and Haitian migrants, agency officials said.



Juan Esteban Montoya with his mother, Marcia Caicedo, in Houston. He was the only survivor of a boat that capsized on its way to Florida from the Bahamas. His sister didn’t survive the voyage. Below, in a different incident, migrants in a sinking boat were rescued.

Coast Guard data show that total interdictions across all of the agency’s districts are on track to match those in 2016, a high point in the past decade, just before the end of the U.S.’s “wet-foot, dry-foot” policy, which gave Cuban émigrés special treatment. Still, the maritime figures are small compared with those for attempted land crossings at the U.S.-Mexico border.

Various factors are fueling the rise, which, though significant, pales in comparison to maritime migration waves in the 1990s, said Kathleen Newland, co-founder of the Migration Policy Institute, a research organization. Conditions have worsened in countries such as Haiti, where violent gangs have filled a political vacuum, and Cuba, where the economy is crippled and the government has increasingly cracked down on dissent. Legal paths to enter



the U.S. remain limited, she said.

Juan Esteban Montoya, the 22-year-old sole survivor of the recently capsized boat, said at a Spanish-language news conference on Jan. 31, where he was joined by his attorney, Naimeh Salem, that he decided to leave Colombia because of a lack of security and economic opportunity. Researching on the internet, he read comments

saying it was safer to make the journey to the U.S. by sea rather than land. He traveled to the Bahamas, where he boarded a boat along with migrants from countries including Haiti, the Dominican Republic and Jamaica.

Hours after departing on Jan. 22, the boat’s motors gave out, Mr. Montoya said. The sea turned rough, triggering 12-foot waves that tossed

the vessel and eventually capsized it. His 18-year-old sister was swept away, along with most of the others, none of whom had life jackets, he said.

The roughly 15 passengers who managed to cling to the boat gradually succumbed over the following two days, losing their grip or giving up, until he was the sole survivor, Mr. Montoya said. He thought he was going to die, he said, but on Jan. 25, a commercial-boat operator rescued him.

Smugglers “tell you that in three, four hours you’ll be in Miami...that you are going with few people, that it is safe, that there are life jackets,” Mr. Montoya said. “It is all a lie.”

Many smuggling operations are criminal organizations that transport not only people, but drugs, weapons and other cargo, said Mr. Salisbury of Homeland Security Investigations. The current rate they charge a migrant seeking to

get to the U.S. from the Bahamas is \$3,000 to \$6,000, he said.

Migration has increased along key routes in recent months, said Lt. Cmdr. Jason Neiman, public-affairs officer for the Coast Guard’s Seventh District in Miami. They include departures from the Bahamas, which often involve organized smuggling ventures; from Cuba, which include many makeshift vessels; and from Haiti, which typically entail overloaded sail freighters.

The California coast is experiencing an increase in migration as well, from the Mexican coast, according to Coast Guard officials. Smuggling groups using pleasure boats or fishing vessels known as pangas are venturing farther out to sea and trying to land farther up the coast to evade authorities, they said. Last May a boat with 33 people shipwrecked off the coast of San Diego, resulting in three deaths and numerous hospitalizations, according to officials.

Maritime migration in the Pacific presents additional challenges, including colder water and potentially rougher surf, said Lt. Cmdr. Scott Carr, public-affairs officer for the Coast Guard’s Pacific Area. “It is fraught with risk,” he said.

In Puerto Rico, apprehensions of migrants by U.S. Customs and Border Protection’s Ramey Sector in Aguadilla have reached 816 since Oct. 1, a more than eightfold increase over the same period a year earlier, said Scott Garrett, acting chief patrol agent. While most making the journey across the passage between the Dominican Republic and Puerto Rico are Haitians and Dominicans, other groups including Venezuelans are appearing as well, he said. Some have been dropped off without provisions on uninhabited islands off the coast.

Smuggling organizations “have zero concern for life and safety,” Mr. Garrett said. “All they’re looking for is the dollar that they’ll put in their pockets.”

FROM PAGE ONE

## Oil Heads For \$100 Marker

Continued from Page One  
Bordoff, founding director of Columbia University’s Center for Global Energy Policy. “The threat is more pronounced when energy markets are tight.”

Concerns about a potential Russian invasion are adding to what has been a volatile stretch for stocks amid concerns about higher inflation and rising bond yields. Russia also is a sizable exporter of other commodities, including wheat, which could affect prices in the event of military conflict, analysts and consultants said.

For now, analysts said a major disruption appears unlikely, as the Biden administration hasn’t signaled that retaliatory measures will include sanctions against Russia’s energy industry. Russia, in turn, relies heavily on revenue from its fossil-fuel exports, making it unlikely to shut the spigot in its own act of retaliation, analysts said.

But the White House has said no punishment is off the table, and war can lead to unpredictable outcomes. The U.S. warned Friday that a Russian military invasion could happen at any moment, with tens of thousands of casualties. Russia, which has massed some 130,000 troops along Ukraine’s borders, has denied it intends to invade its neighbor.

The stakes for the rest of the world are high. A sharp rise in prices for natural gas and oil could have ripple effects on the prices of gasoline and many consumer goods, potentially driving inflation higher.

Russia plays an outsized role in global commodity markets. It exports about 5 million barrels a day of crude, about 12% of global trade, and around 2.5 million barrels a day of petroleum products, about 10% of global trade, according to investment bank Cowen. About 60% of Russia’s oil exports go



Demand for oil has outpaced production growth as economies slowly rebound.

to Europe and an additional 30% go to China.

The tension over Ukraine comes as the Organization of the Petroleum Exporting Countries and its allies including Russia, known collectively as OPEC+, pledged to carefully put more barrels back on the market as demand rebounds but have fallen short of their oil-production targets.

The group agreed last year to lift output by 400,000 barrels a day each month. But so

**Brent futures settled at \$94.44 a barrel, while U.S. crude ended at \$93.10.**

far it is more than 1 million barrels a day shy of its target, said Andy Lipow, an oil analyst and president of Lipow Oil Associates in Houston.

“The market now questions the ability of OPEC+ to restore production to the pre-pandemic levels,” Mr. Lipow said.

Saudi Arabia and the United Arab Emirates are the only two OPEC+ producers that appear to have significant amounts of spare production capacity, Mr. Lipow said. IHS Markit expects global oil demand to grow by between 3.8 million barrels and 4 million barrels a day from January to December, with another leg of strong growth expected after the Omicron variant of coronavirus subsides.

Meanwhile, though U.S.

frackers are dispatching more drilling rigs in response to high prices, any substantial increase in their oil production is still months away. Shale companies have pledged to limit production growth and return more cash to shareholders, potentially limiting their ability to fill any supply gap. Energy consulting firm Wood Mackenzie projected last week that oil production from the contiguous U.S. would increase by 240,000 barrels a day by the end of 2022.

For now, the most likely energy disruption would be to Russia’s exports of natural gas, analysts said. Russia exports around 23 billion cubic feet of gas a day, about 25% of global trade, and 85% of that gas goes to Europe, according to Cowen. In particular, Russia’s flow of natural gas to Europe through a pipeline network in Ukraine could be disrupted during a conflict. The network transports about 4 billion cubic feet a day at full capacity to Europe but is currently flowing at about 50%, according to Cowen.

Russian natural gas flows to Europe have been running lower than usual in recent months. If Russia further reduces natural-gas flows to Europe or U.S. sanctions limit them, European companies would struggle to replace the supplies. European gas prices have recently reached records and, as a result, the market already is directing much of the spare supply of liquefied natural gas to Europe. Most operational LNG facilities in the world’s largest exporters—the U.S., Qatar, and Australia—are running at full capacity and there is little new supply to add.

Russia would pay a heavy price if its sale of fossil fuel exports is reduced. Approximately half of Russia’s federal budget is tied to oil and gas, according to investment bank Raymond James.

President Biden said the Russian-built Nord Stream 2 natural-gas pipeline to Germany would be suspended if Russia invades Ukraine, which alone would result in an \$11 billion write-down for state-owned energy company Gazprom, the bank said.

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## WORLD NEWS

## Border Towns Back Pro-Putin Forces

In Russian city of Kursk, some are ready to take up arms in case of war with Ukraine

By ANN M. SIMMONS

KURSK, Russia—In 2014, when fighting broke out in the Donbas region of eastern Ukraine, thousands of Russian-speaking residents fled just over the border to Kursk.

Today, the region of Kursk is the site of part of the buildup of Russian troops that Western officials fear could be a precursor to an invasion of Ukraine.

Some residents of Kursk, including those who volunteered to fight alongside pro-Russian separatists in the Donbas eight years ago, are ready to take up arms in case of war, eager to defend Russian speakers in eastern Ukraine against what the Kremlin says is the threat of persecution.

Anastasiya Babir, a 37-year-old resident who was wounded in the Donbas fighting in 2014 and 2015, says she would support the separatists again.

"I think the majority will go," she said, adding that she "simply won't be able to sit and do nothing."

In 2014, Moscow fomented a rebellion by pro-Russian separatists, later giving military support for them to cut two areas of the Donbas from Kyiv's control. Those areas—Donetsk and Luhansk—are largely un-



Only the occasional convoy of armored personnel vehicles passes through Kursk and its outskirts.

recognized internationally, and Ukrainian and Russian-backed forces there still trade fire.

Now, Moscow says Ukrainian military activity near the Donbas is a threat to Russia. Western officials believe such a claim—denied by Kyiv—could provide the Kremlin with a pretext to invade. Russia denies that it intends to invade its smaller neighbor.

The message of Ukrainian hostility against a Russian minority reverberates in Kursk.

Sergei Prilepsky, 38, recalled how armed Ukrainian soldiers came to his home in a village near Donetsk where he culti-

ated strawberries and demanded he sign up to fight on behalf of the government in Kyiv. He refused. The soldiers started to loot the village, he said. Mr. Prilepsky then took up arms to support the separatists.

"I decided that I would fight back," said Mr. Prilepsky, who during the conflict lost several properties and his strawberry business, in which he had invested the equivalent of more than \$1 million. He was injured twice, with a concussion putting him in a coma for 10 days. He later resettled in Kursk.

If it weren't for lingering

health issues, he said, he wouldn't hesitate to rejoin the separatist cause.

The region of Kursk is among the swath of border territories to which the Kremlin has sent more than 100,000 military personnel. Last month, 3,000 troops and 300 units of military equipment, including tanks and infantry fighting vehicles, began combat training with live fire across three western Russian regions bordering Ukraine.

Russia's Defense Ministry said the exercises were for training purposes, including responding to acts of sabotage.

## Ukraine Airline Halts Flights

By THOMAS GROVE AND BRETT FORREST

KYIV—One of Ukraine's main airlines said Sunday it was forced to make an unscheduled landing in Moldova and suspended sales for flights this week after its insurers stopped covering aircraft in Ukrainian airspace due to an increased threat of a Russian military invasion.

The announcement by Kyiv-based carrier SkyUp Airlines came a day after Dutch national flag carrier KLM said it had suspended its flights to Kyiv and wouldn't operate flights in Ukrainian airspace. Separately, Ukraine said it was advising airlines against flying through a portion of the Black Sea near to where Russia has begun naval military drills.

Tensions over Ukraine have been building for months. The U.S. over the weekend ordered most embassy staff to depart Ukraine after warning that a Russian military invasion could be imminent. Moscow also began withdrawing its diplomatic presence. Washington warned last week that Russia could launch a massive military operation against Ukraine in the coming days, but Moscow denies it intends to invade its neighbor.

SkyUp Airlines said that the owners of the aircraft that it leases have been told by insurers that the planes won't be covered if they enter Ukraine. "This decision is associated with increased risks of military invasion," the airline said. The decision forced SkyUp to land a plane traveling from the Portuguese island of Madeira to Kyiv instead in the Moldovan capital of Chisinau Saturday evening. The Boeing 737 landed at 9:04 p.m., according to data on Flight Tracker, and the airline said it has transferred the 175 passengers to Kyiv overland.

KLM and other major airlines, such as Germany's Deutsche Lufthansa AG, started rescheduling flights to Ukraine last month to avoid crews having to stay in the capital overnight. Insurers have the right to declare force majeure in the event of a military conflict, freeing them from obligations to cover aircraft that are hit during hostilities or are stuck because runways or traffic control are disabled.

"In case of war, nobody will cover these risks," said Vladyslav Kryklii, a former minister of infrastructure of Ukraine. SkyUp said it was suspending sales from Feb. 14 until Feb. 16, when it said it hoped some agreement could be reached with the government and insurers.

The Ukrainian government met Sunday to discuss the possibility of extending guarantees to insurance agencies to keep flights going, Mr. Kryklii said.

Air traffic over Ukraine became a sensitive issue for European airlines after a flight originating from Amsterdam and bound for Kuala Lumpur, Malaysia Airlines Flight 17, was downed over eastern Ukraine, killing 298 crew and passengers.

—Benjamin Katz contributed to this article.

## Hybrid War Has Begun, Kyiv Says

Continued from Page One by trying to integrate the country into its alliances.

Since Russia invaded parts of Ukraine in 2014, it has employed a variety of tactics to try to sap the country's resources and will to fight. The Kremlin can dial up the level of fighting in Ukraine's east through the separatists it controls there, killing Ukrainian soldiers and wrecking everyday lives near the front line. An increase in fighting there could provide the Kremlin with a pretext to send its army deeper into Ukraine, as it did in Georgia in 2008.

Russian destabilization efforts since 2014 have had mixed results. Ukrainian support for membership of the North Atlantic Treaty Organization and European Union has grown to more than half the population. Ukraine's economy hasn't collapsed, and trade has shifted from Russia to the EU and elsewhere. The Ukrainian government has bolstered cyber defenses and closed TV stations it called propaganda channels.

However, weak points remain, and Russia is probing.

Ukraine is one of the poorest countries in Europe and has a vulnerable economy. The Russian military buildup has led investors to freeze projects and pull money out of the country. The national currency, the hryvnia, has weakened but not seen a full-blown panic.

Russia announced Thursday naval drills in the Black Sea that would close off swaths of water along Ukraine's south-



Kyiv school students are shown mockups of explosive devices during bomb-threat training. A spate of bomb hoaxes has been tied to Russia.

ern coast, inhibiting traffic to key ports for exports. Ukraine's foreign ministry complained about the economic consequences of the closures, calling them part of Russia's "hybrid warfare."

"Russia's economic warfare against Ukraine continues," the U.S. Embassy in Kyiv wrote on Twitter.

Russia has long limited sea traffic into the Azov Sea via the Kerch Strait, forming what Ukraine has said amounts to a partial blockade of ports including the industrial hub Mariupol.

Ukraine has girded against some of Moscow's tactics. Kyiv turned off Russian state channels in 2014, saying they were spreading disinformation aimed at fomenting discord. Last year, Mr. Zelensky extended a ban on Russian websites to include social network Vkontakte.

Mr. Zelensky also sanctioned last year the closure of three television channels owned by a close friend of Mr. Putin. The station had lambasted Ukraine's leadership and promoted closer ties with Russia. Ukrainian officials said it was covertly financed by Moscow and was yet another source of Kremlin disinformation.

"We closed Russian propaganda channels financed by the aggressor country," said Mr. Danilov, the presidential security adviser. "That isn't about freedom of speech. It's about the information war Russia was pursuing."

After the U.K. identified a Ukrainian lawmaker and television channel owner, Yevhen Murayev, as a potential puppet ruler who could be installed by the Russians, Ukrainian protesters demonstrated outside his channel's offices in

Kyiv and called for its closure. Mr. Murayev denied involvement in any such plot.

Some Ukrainians are taking measures beyond protesting. Myroslav Hai, a military veteran and film producer, set up powerful radio equipment near the front line in the eastern Luhansk region to broadcast Army FM, a Ukrainian radio station, with such a strong signal that it replaced a separatist station in Russia-allied territory.

"It's important to show that someone is doing something small every day," he said.

Kyiv has bolstered its cyber defenses after a string of attacks, including with training at "hackathons" organized by the EU and NATO.

Cyberattacks in 2015 and 2016 temporarily took down power grids in Ivano-Frankivsk in western Ukraine and Kyiv, the capital. A mal-

ware attack in 2017 affected one in 10 businesses nationwide and was designed to cripple the economy, according to Viktor Zhora, deputy chief of Ukraine's State Service of Special Communication and Information Protection.

A cyberattack last month, which authorities blamed on Russia and its close ally Belarus, defaced several dozen government websites and installed malware. Mr. Zhora said Ukrainian authorities thwarted a graver attack that was aimed at accessing the state register, a data set on companies and entrepreneurs.

Another new tactic, according to Ukrainian authorities, is bomb threats. Ukrainian police said there were nearly 1,000 anonymous messages in January, mostly by email, falsely claiming bomb threats against nearly 10,000 locations.

## Biden Vows Response to Any Attack

Continued from Page One ward off military conflict.

By Monday all diplomatic personnel will have left the U.S. Embassy in Kyiv, according to State Department officials, leaving only security personnel in the Ukrainian capital. A core staff of diplomatic and consular officials have set up operations in the city of Lviv, which is considered safer because it lies further west near the Polish border.

"I can't get in the head of Vladimir Putin and I can't predict exactly what he's going to do," Mr. Sullivan said on CBS. "All we can do at President Biden's direction is prepare—pre-

pare for diplomacy to find a way forward that is sustainable and durable and advances the security of all the United States, Russia and Europe, and prepare for the potential of a major military action in the coming days."

Mr. Sullivan reiterated calls for any U.S. citizens still in Ukraine to "move out by air or rail or road as rapidly as possible." Seeking to dispel any notion that there would be U.S. military action to extract anyone in the case of Russian action, he said there was a "big difference" between the U.S. deployment of soldiers to Afghanistan last summer to end a 20-year U.S. presence there and its current effort to prevent a war in Ukraine.

On Sunday, one of Ukraine's main air carriers, SkyUp Airlines, said it was forced to make an unscheduled landing in Moldova and suspended sales for flights this week after its insurers stopped cover-

ing aircraft in Ukrainian airspace because of an increased threat of a Russian military invasion. A day earlier, Dutch national flag carrier KLM said it had suspended its flights to Kyiv and wouldn't operate flights in Ukrainian airspace.

"An assault on Ukraine is an assault on democracy," said House Speaker Nancy Pelosi (D., Calif.) on ABC. She said the U.S. and its allies have sent a clear message to Mr. Putin that "there are very severe consequences to his aggression and that we are united in using them."

Sen. Lindsey Graham (R., S.C.) criticized the administration's approach in an interview on ABC, saying: "They're telling us the invasion is imminent. But they're not telling Putin with clarity what happens if you invade."

"The guy took the Crimea in 2014," Mr. Graham said. "He's got 100,000 troops amassed on the Ukrainian border, and

he's paying no price at all. So I'd like to hit him now for the provocation and have sanctions spelled out very clearly, what happens to the ruble and his oil and gas economy."

Pentagon press secretary John Kirby, speaking on Fox News, said such pre-emptive measures would be counterpro-

## Ukraine's president said U.S. support would prevent panic among its people.

ductive. "If you punish somebody for something that they haven't done yet then you might as well just go ahead and do it. So we believe there's a deterrent effect by keeping them in reserve," he said. "Right now we are not considering a pre-emptive sanction regime."

Chancellor Olaf Scholz of Germany, who has tried to balance his country's membership in NATO with its close economic ties to Russia, is scheduled to meet with Mr. Zelensky in Kyiv on Monday and with Mr. Putin in Moscow on Tuesday. Earlier this month, Mr. Biden pushed the German leader to support tough sanctions on Russia should Moscow invade its smaller neighbor, including closing Nord Stream 2, a pipeline that is awaiting certification to start pumping natural gas from Russia to Germany.

Mr. Scholz on Sunday warned Mr. Putin of "hard reactions" in the event of a Ukraine invasion but hasn't explicitly put Nord Stream 2 in play.

Mr. Scholz's trip east follows one by President Emmanuel Macron of France, who recently traveled to Moscow for talks and spoke Saturday with Mr. Putin, telling the Russian leader that sincere dialogue was incompatible with an es-

calation, according to Mr. Macron's office.

Talks could continue throughout the next week if events don't overtake them. On Monday, the Organization for Security and Cooperation in Europe is slated to meet to discuss Russian-Belarus military exercises after the Belarusian government refused to provide details of the planned training. Russia has also ignored a Ukrainian request for information about separate Russian exercises, Ukraine's foreign minister said this weekend. The OSCE is the one European security mechanism which counts Russia, Ukraine, the U.S. and Europe as members.

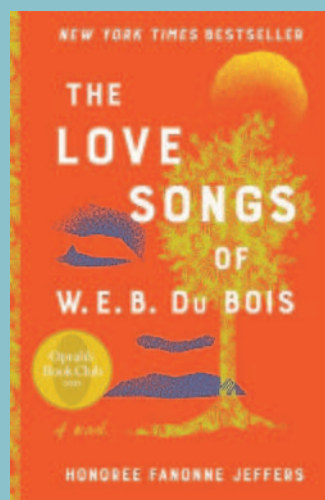
At the end of the week, the annual Munich Security Conference will bring together many Western officials and leaders. Mr. Zelensky is among those due to speak.

—Drew Hinshaw, Andrew Duehren and Gwynn Guilford contributed to this article.



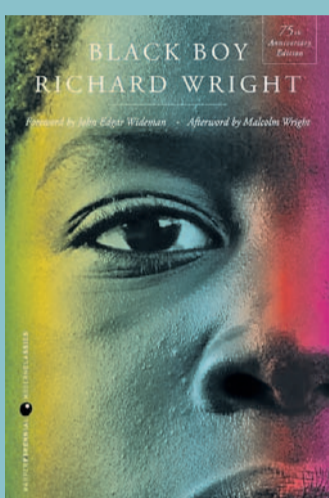
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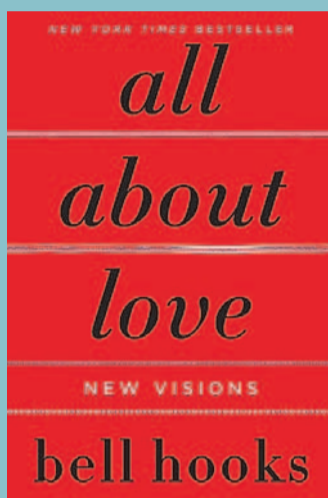
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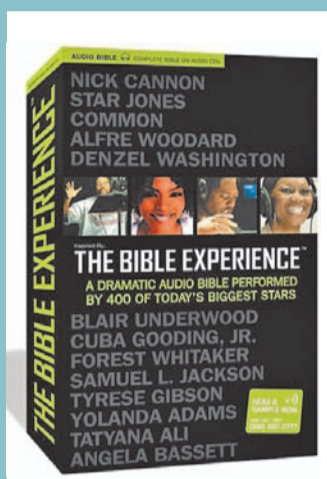
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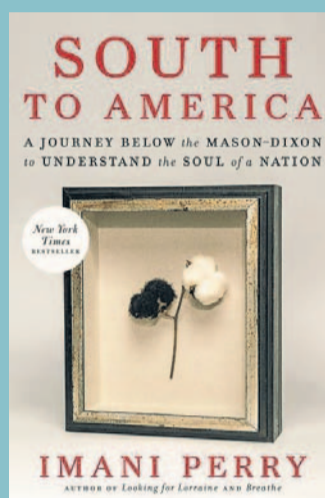
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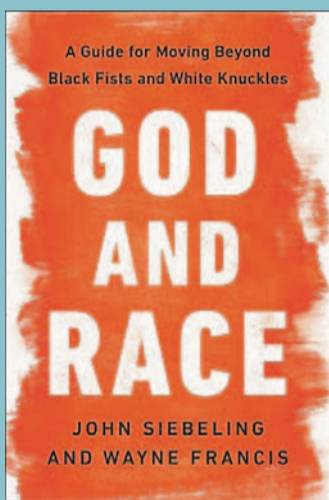
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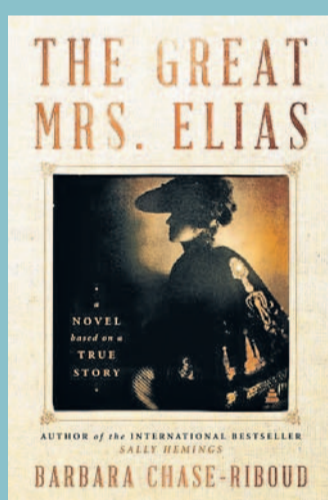
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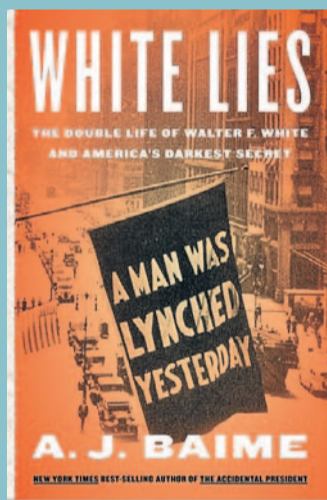
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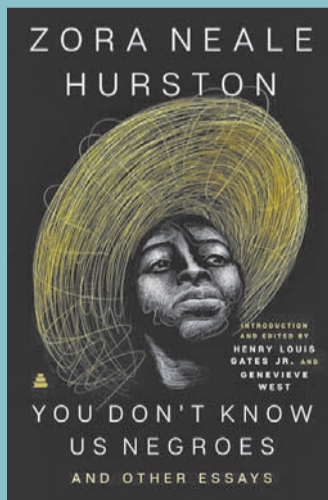
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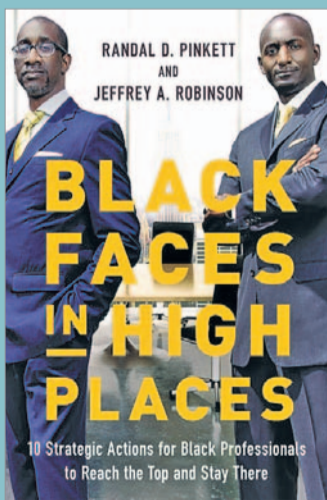
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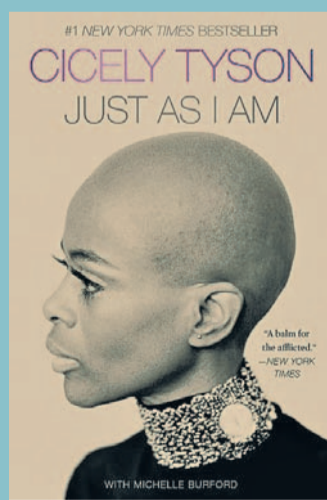
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—*Library Journal* (starred review)

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WORLD NEWS

WORLD WATCH



Police in Windsor, Ontario, on Sunday began arresting protesters blocking access to a key U.S.-Canada trade corridor.

# Canada Police Clear Protest

Bridge between Detroit and Windsor, Ontario, reopens after blockade over vaccine mandates

By PAUL VIEIRA AND KIM MACKRAEL

Commercial and passenger traffic resumed Sunday night on a bridge connecting Detroit with the Canadian border city of Windsor, Ontario after protesters shut down the corridor for roughly a week in a fight against Covid-19 restrictions.

The Detroit International Bridge Co., which operates the Ambassador Bridge, said all lanes were open for traffic as of 11 p.m. Eastern time. Earlier Sunday, Canadian police arrested protesters and towed vehicles to clear access to the bridge. Protesters had succeeded in largely blocking most two-way bridge traffic since Feb. 7 in an attempt to persuade governments in Can-

ada to drop Covid-19 vaccine mandates and related social restrictions.

The Canada Border Services Agency said normal border processing had resumed but advised against nonessential travel.

The reopening of the Ambassador Bridge marks an end to a demonstration over Covid-19 restrictions that caused economic repercussions for North America and its automotive industry. Protests continue in Canada, most notably in Ottawa where truckers and their supporters have camped for 17 days and counting, disrupting life in the capital and prompting calls for political leaders, chief among them Prime Minister Justin Trudeau, to move swiftly to bring the chaos to an end.

Police began making arrests and towing vehicles shortly after 8 a.m. ET Sunday on a main street that leads to access to the bridge, over which hundreds of millions of dollars of

goods are moved by trucks into the U.S. and Canada each day. Hours later, protesters gathered in another location near an intersection that leads to the bridge, where police said further arrests were made.

Windsor Police Chief Pamela Mizuno said that police had arrested between 25 and 30 protesters and towed about a dozen vehicles.

White House officials said Sunday they have been consulting closely with Canadian authorities, including a video teleconference between President Biden and Prime Minister Justin Trudeau on Friday. While the U.S. Department of Homeland Security warned last week that truckers might try to disrupt the Super Bowl, the game kicked off without a hitch on Sunday.

A Canadian judge had earlier granted police permission to forcibly remove the protesters, following a petition from the city of Windsor and auto-industry representatives.

“Today, our national economic crisis at the Ambassador Bridge came to an end,” Windsor Mayor Drew Dilkens said. “Border crossings will reopen when it is safe to do so and I defer to police and border agencies to make that determination.”

North American auto makers, including General Motors Co., Stellantis NV, and Ford Motor Co., curtailed production over the past week and sent employees home in some cases because parts needed for assembly couldn't be delivered.

Protest organizers in Ottawa have repeatedly said they won't leave until governments in Canada drop vaccine rules. Over 400 heavy-duty trucks and other vehicles have turned the capital's downtown into a parking lot. Some Windsor protesters said their blockade was inspired by events in Ottawa.

—Jacquie McNish and Joe Barrett contributed to this article.

NORTH KOREA

## U.S., Tokyo, Seoul Unite on Pyongyang

The U.S., Japan and South Korea will strengthen their joint efforts to deter North Korea's missile activity and nuclear ambitions, while continuing to push for diplomatic engagement with Pyongyang, the allies' senior diplomats said Saturday.

“It is clear to all of us that the DPRK is in a phase of provocation,” Secretary of State Antony Blinken said, using shorthand for the country's formal name, the Democratic People's Republic of Korea. “We condemn the recent missile launches, violations of U.N. Security Council resolutions.”

North Korea conducted seven weapons tests in the month of January alone—more than it had done all of last year. That includes an intermediate-range ballistic missile on Jan. 30, the most powerful weapon the Kim Jong Un regime has shown off in years. Pyongyang has signaled it could consider restarting nuclear tests or long-range missile launches.

—Courtney McBride

TURKEY

## Food Taxes Lowered To Fight Inflation

Turkey's president announced a significant reduction in taxes on basic food supplies as the country faces rampant inflation and numerous protests over eroding living standards.

President Recep Tayyip Erdogan said the value-added tax

would be lowered to 1% from 8% on food purchases. His decision will be published in the Official Gazette and take effect Monday.

Mr. Erdogan said, in addition to the tax discount, the government “expects” food companies to lower their prices by 7%. He said these foods play a significant part in inflation.

Official data for January showed inflation rose to 48.69% annually, although independent experts say the true number is much higher, more than 115%.

—Associated Press

IRAQ

## Kurdish Politician Barred From Running

Iraq's top court banned a veteran Kurdish politician from the presidency on Sunday, citing lingering corruption allegations.

Hoshiyar Zebari, a former foreign minister and longtime Iraqi diplomat, had been a front-runner competing against the sitting president, Barham Salih. In Iraq's political system, parliament picks the president who in turn appoints the prime minister.

Mr. Zebari's bid was supported by Iraqi cleric Moqtada al-Sadr, whose bloc emerged as the winner in the Oct. 10 parliamentary elections. Sunday's ruling is likely to prolong a standoff between factions over who should be the next president and prime minister.

At a news conference held following Sunday's court verdict, Mr. Zebari said the court's decision was politically motivated and called it an injustice.

—Associated Press



Hoshiyar Zebari, the Kurdish candidate for Iraqi president

WSJ  
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# Women In: The Entertainment Industry

MARCH 15 | ONLINE | 12:00-1:45 PM ET

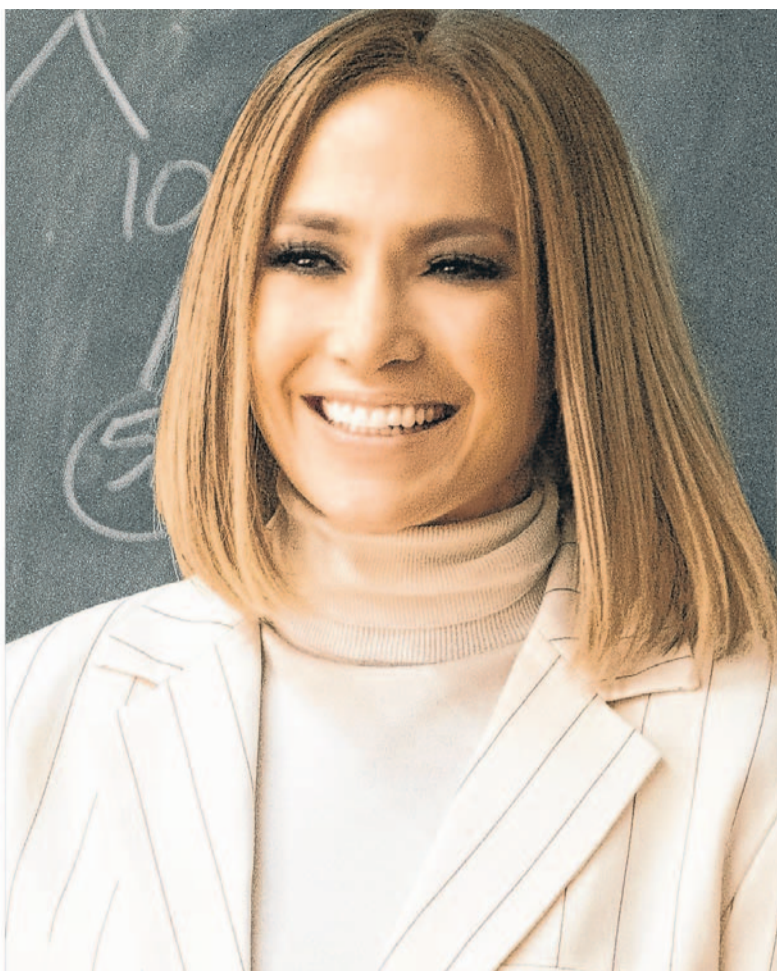
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Sandra Bullock, left, stars in 'The Lost City.' Jennifer Lopez's 'Marry Me' challenges taboos around age.

## Rom-Coms Stage a Comeback

By ELLEN GAMERMAN

The romantic comedy, regularly declared dead in Hollywood, is anything but.

A run of experimental twists on the rom-com, along with the return of some big stars, have helped revive the genre. Streaming platforms have been buoyed by hit romance series like "Bridgerton," while the film "Crazy Rich Asians," a splashy rom-com with a majority Asian cast, made a fortune at the box office.

As romantic comedies angle for a comeback, some filmmakers say the key is subverting the formula—"meet-cute" scenes with young, white, wealthy, straight leads—that came to define the genre.

"Marry Me," a rom-com that opened on Friday led by 52-year-old superstar Jennifer Lopez, challenges taboos around age. Also arriving this year is "Bros," the first gay rom-com from a major studio. It stars comedian Billy Eichner with an openly LGBT cast playing many parts, including some heterosexual ones.

"I started noticing that anytime someone was talking about that type of film, when they would say the word 'chick flick,' there

was an ugly look on their face, and I took offense because I was a chick," said Sandra Bullock, rom-com royalty who quit the genre more than a decade ago after tiring of the dismissive reaction to the label. "All of a sudden rom-com was in air quotes with that ugly stink face."

"The beauty of the last five years is that movies with romance and love and humor and pathos are now reflecting our community," said Ms. Bullock, whose new movie out next month, "The Lost City," is an action-adventure comedy co-starring Channing Tatum with elements of romance.

Hollywood's comedy veterans don't doubt that audiences still want rom-coms. Ms. Bullock said she mostly just laughs now in 30-second bursts while scrolling through TikTok or Instagram, or while watching anything with the

actor Paul Rudd. "I just want to hire him and have him wake me up," she joked.

"People have a bottomless pit of need for romantic comedies," said filmmaker Judd Apatow, known for movies like "Knocked Up," who is a producer of "Bros." "When you make a comedy, you're trying to make a great drama, but on top of that you have to get the jokes right. You're making two movies at once, and if you screw up either of them, it's a terrible movie."

Rom-coms were once reliable hits before a long drought set in. "My Big Fat Greek Wedding" still holds the title as the highest-grossing romantic comedy at the U.S. box office, according to the entertainment site The Numbers. It came out 20 years ago.

Superheroes and big franchise films began upending romances over the last two decades. Romantic comedies plummeted from more than 11% of market share in 1999 to just over 2% in 2019, according to The Numbers.

Cultural shifts around gender and concerns about consent have made the movie industry skittish about rom-coms. The humor of an



Hulu's 'Palm Springs,' starring Cristin Milioti and Andy Samberg, became a hit at the 2020 Sundance Film Festival.

old hit like "Sixteen Candles" can age poorly, critics say, filled with casual prejudices passed off as jokes. The plots can be thin, the characters flat, the dialogue clichéd, the love stories shallow.

While promoting "The Proposal" in 2009, Ms. Bullock declared herself done with the genre—a position she is now reconsidering. At the time, she called the films neither romantic nor comedic but just "terrible" and "not funny."

Though Ms. Bullock doesn't call "The Lost City" a rom-com, she now can envision a future that includes the genre. During the pandemic, she experienced growing nostalgia for the films.

"Maybe I need to wait until I'm 70," she said. "What does love look like between people who aren't absolutely gorgeous, where life has

weathered them? They're middle-aged moms, grandparents."

In recent years, with rom-coms left for dead at the box office, streaming platforms tried their own indie versions.

"Palm Springs," an existential rom-com on Hulu, was a hit at the 2020 Sundance Film Festival. Amazon Studios acquired "The Big Sick," starring Pakistan-born Kumail Nanjiani as a comic coping with his girlfriend Emily's sudden illness (modeled after real-life partners Mr. Nanjiani and Emily V. Gordon, who wrote the screenplay). Netflix delivered "Always Be My Maybe," starring Asian actors Ali Wong and Randall Park as childhood friends who reunite as adults. Hulu was a producer of "Happiest Season," an LGBT love story starring Kristen Stewart and Mackenzie Davis.

"Emily in Paris" and "Bridgerton"—both of which could qualify as rom-coms—have been hits for Netflix. "Bridgerton," with its steamy sex scenes, launches its second season on Netflix next month.

The genre's biggest moment in recent years came with the 2018 blockbuster "Crazy Rich Asians," which became the sixth-highest-grossing rom-com of all time at the U.S. box office, according to Box Office Mojo.

"I like the traditional form of romantic comedy. It always made me feel good. It was always a comfort

food for me," said Jon M. Chu, director of "Crazy Rich Asians." But, he notes, directors need to be aware of the cultural conversations around them.

An early version of the "Crazy Rich Asians" script showed wealthy debauchery at extremes, including a scene where men used beauty queens as furniture. What might once have been an over-the-top sight gag no longer worked. "It seems ridiculous and wrong," he said.

In "Marry Me," Ms. Lopez stars as a global singing sensation who exchanges vows with a stranger at one of her concerts after her fiancé is caught cheating. She soon falls for this mere mortal, a guy in a windbreaker who makes his own lunch, played by Owen Wilson.

Director Kat Coiro noted that Ms. Lopez is a pop star mogul over 50, and she pointed out that the heroines in films like "Pretty Woman" and "Notting Hill" were not businesswomen with the same kind of agency as Ms. Lopez's character. "This is one of the most powerful female characters that we've seen in rom-coms," the director said.

The film speaks to the culture's current obsession with fame, Ms. Coiro said. "Rom-coms work," she said, "when they're bigger than just a simple love story."



Regé-Jean Page and Phoebe Dynevor in 'Bridgerton.'

## As Rules Ease, Should You Still Wear a Mask?

By ALEX JANIN

Falling Covid-19 case rates are prompting more states to ease masking requirements. The changes mean that when—or whether—to wear a mask is becoming more of an individual decision.

There are several factors to weigh when making decisions about masking, doctors say. Among them are your own health, the vulnerability of people in your household, local case rates and your vaccination status. Doctors say it can make sense to take precautions even as governments pull back.

"Governors removing mask mandates just means that the government is no longer requiring masks. It does not mean that there is now no risk to going around maskless," said Leana Wen, an emergency physician and public-health professor at George Washington University in Washington, D.C.

Here's what to know about state updates to mask mandates, the Centers for Disease Control and Prevention's guidance, and what you should take into consideration as you weigh whether or not to mask up.

### Which states have shifted mask mandates recently?

Nevada, Rhode Island, New York, Connecticut, New Jersey, Oregon, Massa-

chusetts, Delaware and California are among the states easing restrictions around masking as the Omicron surge subsides. California's indoor mask mandate will expire on Tuesday, according to Gov. Gavin Newsom's office. Oregon's requirements will end by March 31.

New York dropped its indoor mask mandate for businesses effective Feb. 10, but the mandate for schools will stay in place for now, Gov. Kathy Hochul said. The change doesn't affect the New York City rule that requires vaccination to enter restaurants, theaters and other public spaces.

### Does this mean there are no local mask mandates in effect in those states?

Not necessarily. School districts in Connecticut and New Jersey will be able to determine their own masking policies starting Feb. 28 and March 7, respectively, governors of those states said. In New York, masks are required in healthcare settings and on public transportation. Los Angeles County will keep its indoor mask mandate in place for at least a few more weeks despite California's decision to curb its statewide mandate. Nevada Gov. Steve Sisolak encouraged employers and organizations, including school districts, to set their own mask policies.



There are several factors to weigh in deciding whether to wear a mask.

### What is the latest CDC guidance?

CDC Director Rochelle Walensky said last week that the agency recommends people wear masks in public indoor settings where transmission of Covid-19 is substantial or high. CDC data show that is the case across the U.S., even as reported new infections have fallen from the winter's Omicron-driven peak. The CDC has also recommended universal masking in K-12 schools regardless of vaccination status.

"We certainly understand the need and desire to be flexible," Dr. Walensky said. But "we are not

there yet," she said of doing away with masking recommendations.

The CDC also continues to recommend that anyone who is immunocompromised, unvaccinated or not up to date on vaccines should wear masks in indoor public spaces.

### Should I still consider wearing a mask if there is no mandate?

Yes, especially in certain circumstances. Dr. Wen suggests taking three factors into consideration: the medical risks within your household, your own likelihood of contracting Covid-19, and the potential value of not wearing a mask.

People who are unvaccinated, im-

munocompromised, or are planning to see immunocompromised loved ones, or who aren't bothered by wearing a mask may want to continue to do so in public indoor spaces, said Dr. Wen.

"I am going to continue wearing masks in indoor crowded spaces because I have two little children who are too young to be vaccinated. For me, wearing a mask is not an inconvenience," said Dr. Wen.

Now is a good time for people to take stock of their personal risks and medical vulnerabilities, adds Lucy McBride, a Washington, D.C., primary-care physician. Her patients who are immunocompromised may take different measures to protect themselves, she said.

The best thing people can do to mitigate their own risk and the spread of Covid-19 is to get vaccinated and boosted, according to the physicians. "Masking is a tool in the tool kit, but there is no substitute for vaccination and boosting," said Dr. McBride.

### What kind of mask should I wear?

Physicians say cloth face masks may not provide enough protection against the virus. They recommend pairing cloth masks with surgical models or using high-filtration masks. The CDC says cloth masks provide less protection than surgical masks, KN95s and NIOSH-approved respirators, including N95s.

It is important to select a mask that fits snugly over your nose, mouth and chin, the CDC says. If you do opt for a cloth mask, ensure that it fits snugly and doesn't leak air.

PERSONAL JOURNAL.

For a lot of us, working out with our partner sounds like a form of torture. But the science is surprisingly in favor.

A study published last April in the Journal of Social and Personal Relationships showed that on days when people exercised with their romantic partner, they were more likely to enjoy the workout. They also felt more satisfied with their relationship compared with days when they exercised without their partner.

Simply put: Couples who work out together are happier exercisers and more likely to stick to their fitness routines.

"It's easier to get yourself to work out if you have a partner to motivate you and keep you accountable," says the study's co-author, Judith Gere, an associate professor in the department of psychological sciences at Kent State University in Ohio.

One big proponent of partner workouts is Samantha Campbell, owner of Deep Relief Peak Performance Athletic Training Center on the Hawaiian island of Maui. Ms. Campbell uses partner exercises to train top athletes like big-wave surfers Paige Alms and Ian Walsh.

"Not only does it foster teamwork, it's also fun and silly, so you have something to focus on other than the burn," she says.

These exercises only work if both partners can complete their portion of the movement, so you might need to help each other out, says Ms. Campbell.

Here, Ms. Campbell and her husband, Neil Turpin, demonstrate exercises that build strength and stability. For an added cardio boost, she suggests jumping rope or running in place with high knees for 30 seconds to 60 seconds between exercises.

ANATOMY OF A WORKOUT | JEN MURPHY

# Exercises to Stay Fit Together



or side abdominal muscles.

**How:** Lie on the floor with your butt against the base of a couch (or chair) and your legs bent at 90 degrees so your calves rest on top of the couch. Have your partner place a large couch cushion on your shins. They should press into the cushion with their forearms to hold it in place. Place your hands behind your head, elbows bent, and perform a sit-up to twist. As your shoulders rise off the ground, bring your right elbow to the right edge of the cushion. Then quickly bring your left elbow to the left edge, and then lower down. The motion should be explosive, says Ms. Campbell, so think of punching each elbow into the cushion. Perform 30 reps, then switch roles.

**3) Dead Bug Pillow Toss**

**Why:** This exercise requires you to stabilize your core muscles while simultane-

ously moving the arms and legs.

**How:** Lie on the floor with bent knees and your toes touching your partner's toes. Raise your bent knees off the ground to form a 90-degree angle, and press the soles of your feet into the soles of your partner's feet. Use your hands to toss a pillow back and forth. Make sure to crunch with your stomach and keep your arms long. Complete 10 throws per person.

**Option:** Increase the difficulty by lying head-to-head with knees bent at 90 degrees. Balance a pillow on your shins and keep your back glued to the ground. Engage your lower core muscles to toss the pillow up and over so your partner can catch it on their shins. Try to complete 10 passes in a row.

**4) Back Twist Pass**

**Why:** Your quads will burn while holding a stationary squat position, and the twisting motions trains rotational stability.

**How:** Stand back-to-back and lean hard against each other. Then lock arms and slowly walk your feet out to lower into a squat. Once you are stable, unlock arms and pass a pillow, water bottle or medicine ball around in circles. Complete 10 passes each way.

**Option:** To make it easier, perform a wall-sit side by side, and toss a pillow or medicine ball back and forth. Tap the wall on the far side with every toss. Switch positions after 30 seconds so you are throwing in the opposite direction.

**5) Strap Side Lunges**

**Why:** This exercise works hip flexibility and single-leg strength.

**How:** Stand a few feet apart.

Each partner will wrap both hands around the end of a looped yoga strap (a bathrobe belt will also work). Lean back and away from each other. As you bend your

left knee and sink your hips down and back into a side lunge, your partner should bend their right knee and sink into a side lunge. Alternate back and forth 10 times.

**THE WORKOUT**

**1) Partner Planks**

**Why:** Plank holds work core and shoulder stability.

**How:** Lie on the ground with straight arms extended in the air. Have your partner place their hands on the floor outside of your legs and one shin at a time into your hands. Hold for 60 seconds, then switch positions.

**Option:** Challenge yourself by having the person on top do a push-up while the person on the bottom chest-presses their legs. To make the exercise easier, face each other while holding plank pose, and alternate hands to high-five each other without letting your hips drop from side to side.

**2) Couch Elbow Boxing**

**Why:** This creative core exercise targets the obliques



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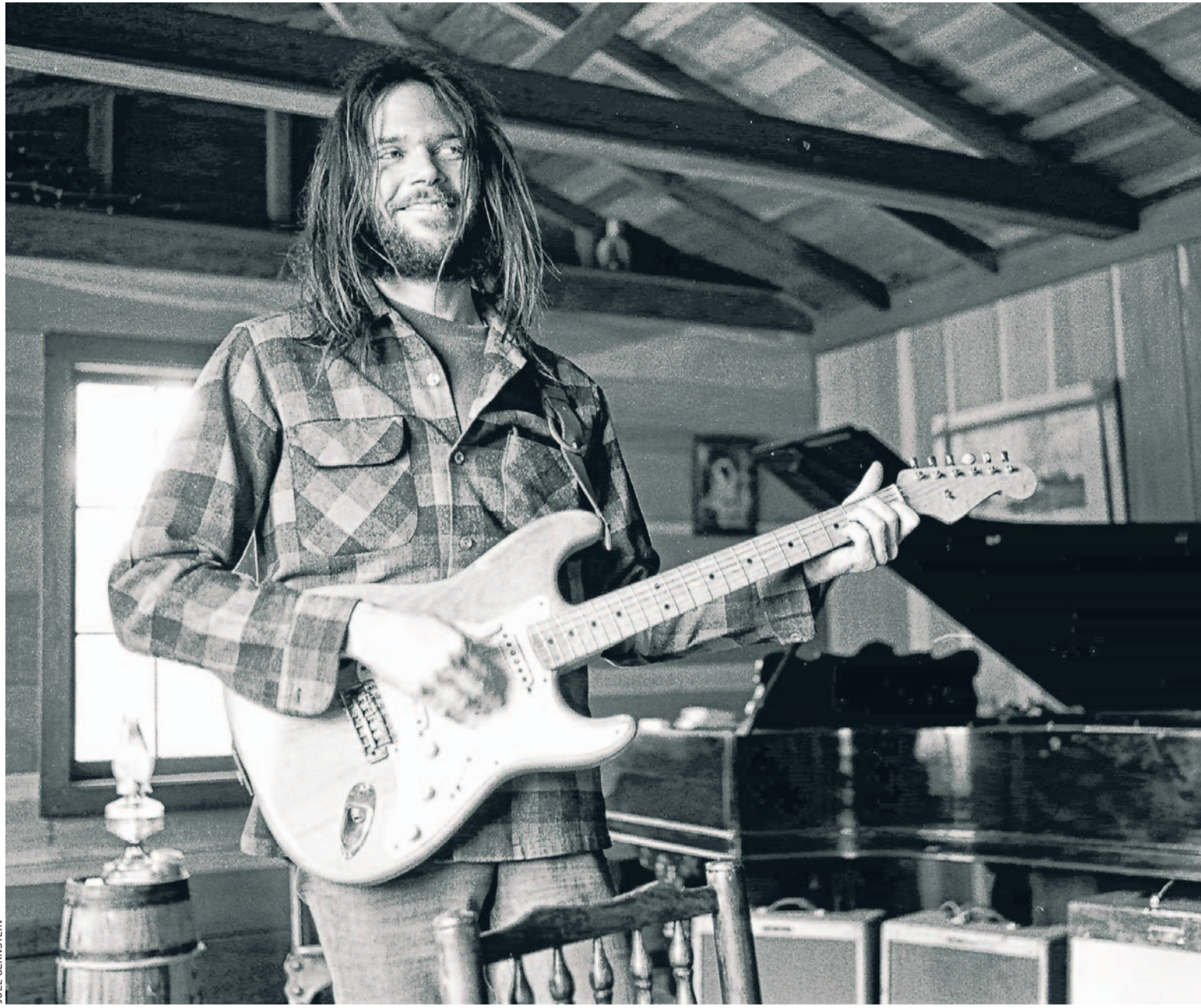
AMANDA BEENEN CANTOR FOR THE WALL STREET JOURNAL (5)

ARTS IN REVIEW

CULTURAL COMMENTARY

Neil Young's 'Harvest' at 50

The singer's record is as emotionally raw as it was a half-century ago.



while Mr. Young was on tour in 1971. The arrangements by Jack Nitzsche are out of character here and heavy-handed, but they provide a 'Ben-Hur'-like backdrop, adding to the album's epic tonality. It should be noted that 'Maid' isn't a sexist song of entitlement but a sigh of sorts, with Mr. Young wishing he had someone to help organize his chaotic life: 'Just someone to keep my house clean / Fix my meals and go away.' 'World' simply implores listeners to recognize themselves as individuals with a contribution to make. 'Are You Ready for the Country?' is the album's most upbeat and enigmatic track. Unclear is whether the lyrics were written in praise of rural life or as a condem-



Neil Young in the early 1970s; his 'Harvest' was released in 1972.

nation: 'I was talkin' to the preacher, / Said God was on my side / Then I ran into the hangman, / He said it's time to die.' The socially conscious songs—'Alabama' and 'The Needle and the Damage Done'—are artful rock reprimands and wishes for a better world. The album closes with the fascinating 'Words (Between the Lines of Age),' in which Mr. Young employs an 11/8 time signature on interludes, stream-of-consciousness lyrics and a wailing electric-guitar solo.

After releasing 'Harvest,' Mr. Young treated it with ambivalence in interviews. At the heart of his self-criticism was the music's mellow feel. As he told France's Best magazine in 1976, he feared becoming 'a kind of John Denver.' Mr. Young also seemed to loathe his earlier, naïve self, and found his twangy lovelorn innocence self-indulgent and trite.

While each song tells a different story, the album's broader arcs centers on the crushing quest for self-fulfillment. His countertenor voice and phrasing—both mellifluous and frayed around the edges—convey anguish and hope.

One only wishes the 76-year-old Mr. Young would reconcile with 'Harvest.' The album's writhing ruminations still make listeners feel more deeply than virtually any other rock record. Fortunately for us, when the songs were written and the album was recorded, Mr. Young's guard was down.

Mr. Myers is the author of 'Rock Concert: An Oral History as Told by the Artists, Backstage Insiders and Fans Who Were There' (Grove Press).

By MARC MYERS

The 50th anniversary of Neil Young's 'Harvest' came and went on Feb. 1, and one of music's most significant and beloved country-rock albums went mostly uncelebrated. No reissue, no documentary and no tour. Reasons likely include Mr. Young's conflicted feelings about the record; the December release of his new album, 'Barn,' and a film about that album's recording; and his Spotify divorce over Joe Rogan's podcast.

Back in December, a 'Harvest' celebration seemed to be in the works. Mr. Young told Rolling Stone that a record and a two-hour film were planned for the anniversary. Whether a 'Harvest' reissue and film will surface later this year is unclear. Emails to Mr. Young's manager weren't returned.

Listening to the album today, one finds that the songwriting is

as eerie and emotionally raw as it was a half-century ago. Mr. Young's plaintive croon and haunting lyrics about lost love, growing old and social issues easily sink their teeth into your soul.

With a singing voice that can sound like an unlatched iron gate, Mr. Young perfected cranky early. Unlike other singer-songwriters transitioning into the 1970s who aimed for vocal harmony, Mr. Young kindled images of prairie loneliness and the proud exhaustion of an abandoned pickup truck.

When Mr. Young released 'Harvest,' his fourth studio album, in 1972, he had already established himself two years earlier as a folk-rock heavyweight with 'After the Gold Rush.' 'Harvest,' backed by his Stray Gators band and A-list background singers, had a more contemplative, country feel. The record shot to No. 1 on the Billboard chart, selling 500,000 copies within 17 days, becoming that year's best-selling album.

'Harvest' at its core is a backward journey album that makes painful stops along the way. The intermittent use of harmonica, banjo and pedal steel guitar enhances the music's weary elegance and melancholy.

The album deals with lost love, growing old, social issues and the quest for self-fulfillment.

The album's 10 songs unfold slowly. Relatively short at just over 37 minutes, 'Harvest' opens with 'Out on the Weekend,' a trudging ballad about a love that can't be forgotten: 'The woman I'm thinking of, she loved me all up / But I'm so down today.'

The title track follows and is the album's most artfully struc-

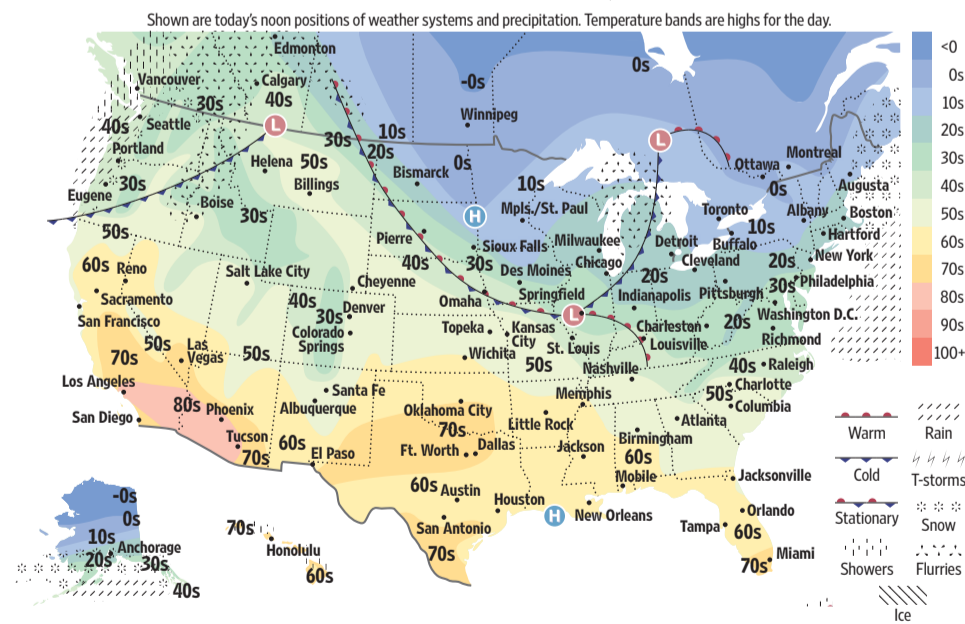
tured song. The loping ballad with cryptic lyrics and a hypnotic melody dwells on a strained romance and a feigned suicide. Its sorrow can still bring the listener to tears: 'Did I see you down in a young girl's town / With your mother in so much pain? / I was almost there at the top of the stairs / With her screamin' in the rain.'

'Heart of Gold' was Mr. Young's only No. 1 single and is one of rock's most vulnerable male biological-clock pleas for true love: 'Keeps me searchin' for a heart of gold / And I'm getting old.'

'Old Man' has a similar, slow-motion feel. Inspired by the elderly caretaker on Mr. Young's California ranch, the song reflects on the value of true love: 'Love lost, such a cost / Give me things that don't get lost / Like a coin that won't get tossed / Rolling home to you.'

Two songs backed by the London Symphony Orchestra—'A Man Needs a Maid' and 'There's a World'—were recorded in London

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U.S. Forecasts

Table with columns for City, Today (Hi, Lo, W), and Tomorrow (Hi, Lo, W). Lists cities from Anchorage to Oklahoma City with their respective weather forecasts.

International

Table with columns for City, Today (Hi, Lo, W), and Tomorrow (Hi, Lo, W). Lists cities from Amsterdam to Edinburgh with their respective weather forecasts.

City Today Tomorrow

Table with columns for City, Today (Hi, Lo, W), and Tomorrow (Hi, Lo, W). Lists cities from Frankfurt to Zurich with their respective weather forecasts.

The WSJ Daily Crossword | Edited by Mike Shenk

A 13x13 crossword puzzle grid with numbers in the starting squares.

- 4 Recyclable item
5 Everglades Natl. Pk. state
6 Song snippet
7 First Hebrew letter
8 Flirt with
9 The Mustangs' s...
10 Greek mythology's Chiron, e.g.
11 Mammal with webbed feet
12 Swoon
13 Fruit's edible part
18 School near the Thames
22 Praiseful poem
25 Male of 'Bohemian Rhapsody'
26 Dutch cheese
27 Remain
28 Sought by MPs, perhaps
32 Wedding words
33 Ryan of 'Sleepless in Seattle'
34 Place for an AirPod
36 Anniversary for which china is the traditional gift
37 Hurting
38 Calendar span
40 Involved story
41 Move, in real estate slang
44 Poked fun at
46 Stylists' creations
48 Hosp. sections
50 Spheres
51 Supporters for sails
52 Misbehave
53 Mother of Harry and William
54 Informal affirmative
55 '\_\_\_ Mends a Broken Heart Like You' (Barbara Mandrell song)
56 Does some origami
60 Brussels-based defense grp.
61 Get bigger
63 Suffix for Taiwan or Japan
65 Half of cuatro

LOVE NESTS | By Mike Shenk

- Across: 1 Tubs for tanners, 24 Destructive war policy, 27 Fruit for a split, 29 End of an academic address, 30 Victor's declaration, 31 Silent performer, 35 Pretentious, 39 Physician's nickname, 40 Pistol, say, 42 Sorry state, 43 Justice Kagan, 45 Storybook monster, 46 Zeus's spouse, 47 Sense of self, 49 Repair shop courtesy, 51 Fled, 57 It turns litmus red, 58 'Beat it!', 59 Fetch, 62 Past its use-by date, 64 Cherishes, and what each of 17-, 24-, 40- and 51-Across does, 66 Melodies, 67 Edit menu option, 68 Director Preminger, 69 Digging tool, 70 Brand with an annual toy truck, 71 Gallery event.
Down: 1 Horse healers, 2 Field measure, 3 'Glad to hear it'

Previous Puzzle's Solution: A crossword puzzle grid with the words 'DREADS', 'SERBIA', 'SLASH', etc. filled in.

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

## SPORTS

## The Rams Win the Super Bowl

Los Angeles receiver Cooper Kupp's 1-yard touchdown reception was the game-winning score in a 23-20 victory

By ANDREW BEATON

Inglewood, Calif.

When the Los Angeles Rams spent \$5 billion to create a luxe new home here, it became the most expensive football laboratory in the world. They built a team unlike any other and eschewed the fundamental beliefs about how the best National Football League teams are constructed.

The Rams hired a historically young coach, brazenly traded away their earliest draft selections and acquired a trove of superstars.

The experiment finally worked. The Rams are Super Bowl champions.

The Rams beat the Cincinnati Bengals 23-20 in the 56th Super Bowl.

Los Angeles led 13-3 before falling behind 20-13. They survived a pair of interceptions thrown by Matthew Stafford, an injury to Odell Beckham Jr. and long stretches when the offense struggled to move the ball.

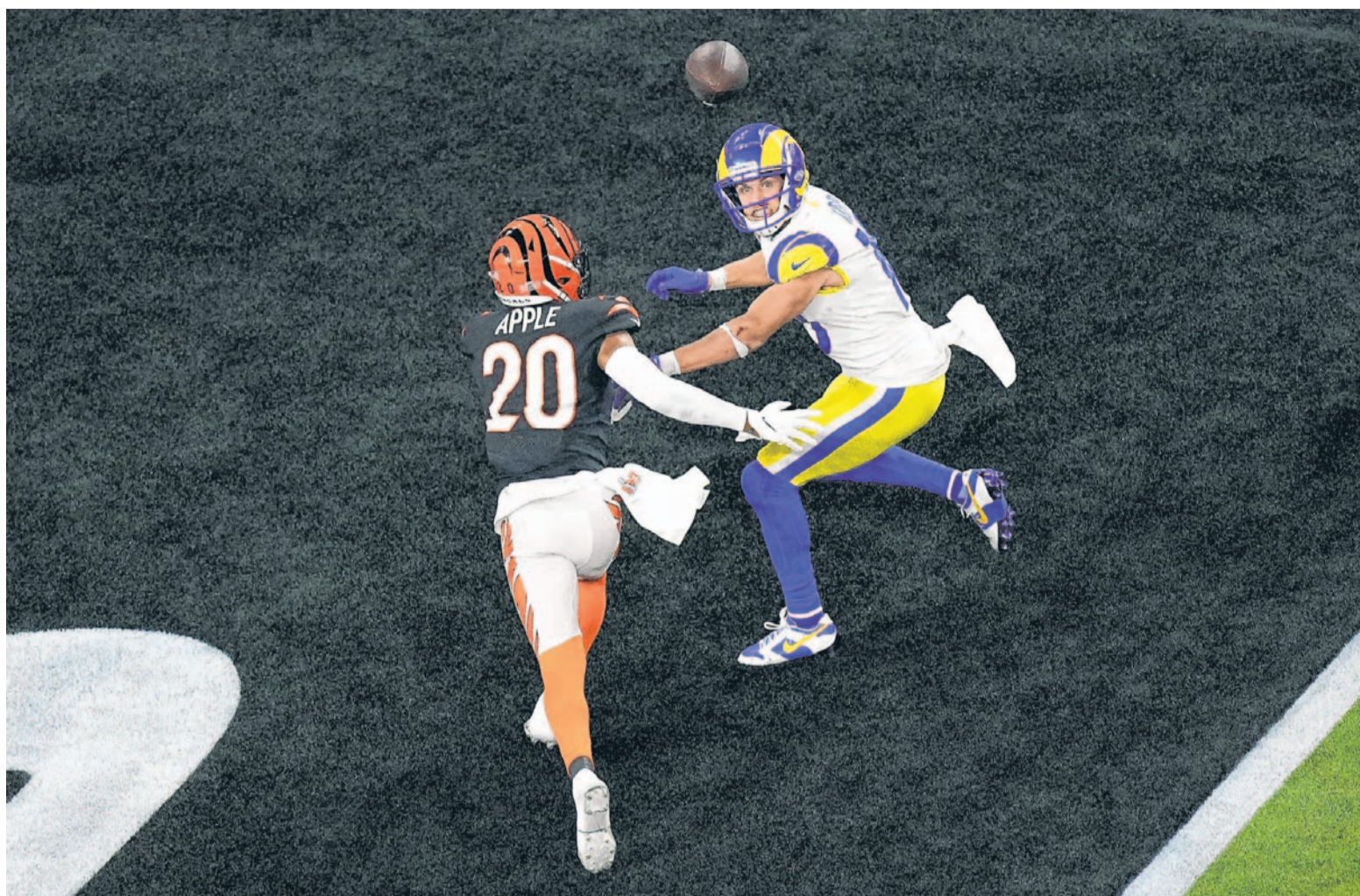
Yet the Rams turned it around when the game was on the line.

Down 20-16 with five minutes left on their own 30-yard-line, the Rams faced 4th-and-1. Stafford handed the ball off to Cooper Kupp, the NFL's most productive receiver this season, who ran seven yards for the first down. It was the pivotal play on a drive that ended with a barrage of penalties—before Stafford hit Kupp for a one-yard score.

The Bengals got the ball back with 1:25 to go, and when Joe Burrow is the opposing quarterback anything is possible. He began the drive with back-to-back completions that totaled 26 yards. But after Burrow helplessly threw the ball into nowhere as he was getting dragged down on fourth down, the Rams players stormed onto the field. The Lombardi Trophy was about to be theirs.

The win is a crowning achievement for the team's coach, Sean McVay, Stafford and a city that had gone for years without any NFL team at all. Then the Rams won it all on their home field at SoFi Stadium.

The Rams overcame a jittery performance by Stafford, the productive yet mistake-prone quarterback in his first year with the team. Early on, he looked like his best self. He threw a stunning pass to



Cooper Kupp caught a 1-yard touchdown pass to cap a 15-play, 79-yard drive in the fourth quarter. Kupp was named the Super Bowl's Most Valuable Player.

Beckham, the star receiver the team signed midseason, for the first score of the game. Then he hit Kupp for another score. After a botched extra point, the game was 13-3.

Then it got hairy while Stafford had brushes with disaster. He threw an interception toward the end of the first half. After Bengals quarterback Joe Burrow began the second half with a 75-yard touchdown pass to Tee Higgins that put Cincinnati up 17-13, Stafford threw his second pick of the game. Cincinnati soon led 20-13, while Stafford had to play without Beckham, who left with a knee injury.

The Rams responded with a field goal on the next drive, but what changed the game was how Los Angeles found a way to terrorize Burrow. Protecting Burrow had been a problem for Cincinnati all year, and the Rams posed a particularly difficult matchup. Defensive lineman

Aaron Donald, the three-time defensive player of the year, can single-handedly wreck offensive lines—and he did just that with two sacks. Von Miller, another midseason acquisition, has been among the NFL's best pass rushers for years.

On back-to-back drives, Cincinnati went three-and-out while Burrow was sacked three times. The Bengals next drive also ended in a punt after a sack—and on that take-down, Burrow's leg was twisted and he writhed on the ground before hobbling off the field.

Burrow was sacked seven times in the game, including an onslaught in that second half when he never appeared comfortable. Even when he wasn't brought down, he was frequently chased around and operating under duress.

The victory marks the culmination of a journey that began in

2016. The Rams moved to Los Angeles six years ago. They hired McVay, a then-30-year-old offensive wizard, five years ago. They lost in the Super Bowl four years ago. They missed the playoffs entirely three years ago, moved into their glitzy new home two years ago and acquired Stafford a year ago.

The acquisition of Stafford was the boldest bet for a team full of them. After 12 years of playing for the Lions, the former No. 1 overall pick in the draft had a losing career record and had never won a playoff game. But the Rams believed McVay could unlock the abilities of a passer who had languished in Detroit.

But no team has an appetite for risk quite like the Rams. They signed Beckham, the talented and temperamental receiver, midway through this season. They traded another two draft picks for star

pass rusher Von Miller during this season. They had previously traded two other first rounders for defensive back Jalen Ramsey. They last used their first round pick in 2016 and don't have another until 2024.

In a sport where teams carefully plot their futures, this franchise pushed its chips to the center of the table and tried to win in the present more than any other club.

Those players they acquired made it a super gamble.

In the game's final minutes, Stafford was the one who came through.

On a 15-play, 79-yard drive that lasted 4:48, he put the Rams on top for good. He hit Kupp four times on the drive.

The last one, from the 1-yard-line, decided the Super Bowl.

The bets the Rams made had finally paid off. Los Angeles won the Super Bowl in Los Angeles.

## BEIJING 2022

## The Coach at the Center of a Doping Saga

By LOUISE RADNOFSKY AND GEORGI KANTCHEV

Beijing

The teenager who clinched a gold medal for the Russian Olympic Committee's figure skating team, only to be ensnared days later by doping allegations, is better known in her sport for another distinction: She's an Eteri girl.

The drama of another doping scandal that once again pits Russia against international sports organizations has cast a harsh spotlight on Eteri Tutberidze, the head of Kamila Valieva's coaching team and one of skating's most polarizing figures.

She is now part of an Olympics drama that has cast a pall over the Winter Games and threatens at least one Russian gold medal.

Tutberidze's young students have revolutionized the sport in recent years with an arsenal of spectacularly athletic jumps that put them leaps and bounds above the rest of the world. But their phenomenal success and short careers have underscored the cut-throat nature of Russian women's skating and the steady clip of a conveyor belt that has produced champion after champion, making them seem interchangeable.

Russian training strategies have also raised concerns about the welfare of underage athletes in the most-adored event of the Olympics. The issue will linger even after Valieva's legal situation is resolved. Tutberidze is the coach of the two other ROC female skaters in the women's event, 17-year-olds Anna Shcherbakova and Alexandra Trusova, and they could take gold and silver in her absence.

The Russian Anti-Doping Agency said Friday that it was launching an investigation of Valieva's team "to identify all the circumstances of the possible anti-doping rules violation." The agency didn't name Tutberidze and there has been no suggestion of wrongdoing on her part. The IOC said it would wel-



Eteri Tutberidze's young students, including Kamila Valieva, have revolutionized figure skating in recent years.

come an investigation into the entourage of an athlete.

Olga Ermolina, a spokeswoman for the Figure Skating Federation of Russia, characterized Tutberidze as a talented coach and dismissed criticism of her methods, saying that if the complaints were accurate, "then Tutberidze wouldn't have a line of people who want to train with her."

"Any leader, even yours, must be tough at times, because people by nature don't always want to work and give 100% every day," Ermolina said. "And her fanatical dedication is paying off."

Instantly recognizable for her steely rinkside demeanor and striking curly blond hair, Tutberidze is known in Russia as the "Snow Queen" and has provoked extreme reactions for years.

To others, she's a genius. To others, she's a tyrant. They say the woman named the best coach in figure skating by the International Skating Union in 2020 has transformed the sport—or destroyed it.

Until this week, those reactions were often split down old East-West lines, with Tutberidze equally comfortable embracing the adulation of Russia and being seen

as the cartoonish villain in the U.S.

The Court of Arbitration for Sport is due to decide by Monday on whether Valieva would be allowed to compete in the women's figure skating singles event.

After practice on Saturday—where Valieva, her fate still in limbo, gave Tutberidze a long hug—the coach said she is sure her skater is innocent.

"For us this is not a theorem but an axiom—there is no need to prove it," Tutberidze told Russian television. "Either this is a fatal coincidence, or a well prearranged plan. We really hope that

justice will prevail."

Ermolina said that Tutberidze and other federation officials weren't available for further comment during the Olympics.

Tutberidze has made her coaching philosophy clear: Like the Russian skating federation, she believes the price of training is worth the glory of victory. She has also said she monitors skaters' weight, though not their diet, because of the demands of what they are trying to do.

"I feel infinitely offended if I understand that an athlete could have done this training much better," Tutberidze said in a December interview with Russian state television. "If I don't force them, this athlete will not have a medal and the joy of standing on the podium and hearing the anthem in their honor."

Other skating coaches have been accused of abusive methods, including in the U.S. and Japan, but they're typically less brash about their approach. They also haven't had the same success: over the last eight years, Tutberidze's students have dominated the senior and junior levels, snagging two Olympic gold medals and a silver before Beijing.

"Tutberidze keeps her little girls under tremendous pressure," coach Alexander Volkov told Russian state newswire RIA Novosti in 2019. "They do whatever she says."

Tutberidze's supporters say she takes great care of everyone under her tutelage, occasionally supports her athletes financially and makes herself available to help them on and off the ice.

Tutberidze has said that she believes in transparency. Others can flatter her skaters, she says.

"The truth, as it is, they will hear only from me," Tutberidze said in December. "If our athletes are good, they will be welcome everywhere. If they are bad, then no one needs them."

—Ben Cohen  
contributed to this article.







## OPINION

## REVIEW &amp; OUTLOOK

## The New World Disorder

A Russian invasion of Ukraine would be a seminal event that accelerates the new world disorder. The signs have been building for years, but America and its allies are unprepared, as democracies usually are, for the trouble to come. President Biden has a particular obligation to explain the stakes and unite the country as other Presidents have done to meet the challenge.

The Biden Administration has done a decent rear-guard job of mobilizing Europe and NATO in opposition to Russia's designs on Ukraine—despite his blunder in dropping Nord Stream 2 sanctions. The allies are mostly on board the U.S. promise of “massive consequences” if Russia invades, though we wonder how long Germany, France and Italy would stay the course. The weak Western sanctions after Russia's invasion of Georgia in 2008, and Crimea in 2014, encouraged Vladimir Putin to believe Europe lacks the will to resist with anything serious.

What Mr. Biden hasn't done is explain to Americans the new global dangers and what must be done to protect U.S. interests. The problem goes far beyond Ukraine. China wants to capture Taiwan and dominate the Western Pacific. The new Russia-China condominium means they'll work together against U.S. interests. Iran is close to getting a nuclear weapon, and jihadists are far from vanquished.

Advancing technology and its proliferation also put Americans at risk—at home and abroad. The cyberattack on the Colonial Pipeline last year was a modest show of the damage a foreign actor can inflict on the U.S. homeland. Hypersonic and antisatellite weapons could take out U.S. defenses around the world in minutes and with little or no warning. Imagine a high-tech Pearl Harbor.

None of this is alarmist or far-fetched to anyone paying attention. Yet most Americans seem indifferent or complacent about the risks. Partly this is the result of fatigue at the wars in Iraq and Afghanistan. The last three Presidents have also fed the desire, on the left and right, to come home, America.

Barack Obama responded meekly to Mr. Putin's advances and to Beijing's in the South China Sea. Donald Trump struck a stronger pose, and he increased defense spending, but he also fed the illusion that the U.S. could retreat from the world and remain safe. Mr. Biden mostly ignored the world in the 2020 campaign, and his botched withdrawal from Afghanistan has convinced adversaries, and even many allies, that the U.S. is in retreat.

But reality eventually bites, and now it is doing

so on Mr. Biden's watch. Presidents have to respond to the world as it is, not as their campaign promises wanted it to be. The question is whether he will meet the moment as his predecessors did, or let the disorder spread.

His first obligation is to explain the dangers, why they threaten the U.S., and what must be done in response.

This isn't merely about human rights and democracy—Mr. Biden's go-to themes.

The spread of aggression and disorder threaten American freedom and prosperity. No one is about to invade the homeland, but cyberattacks could cripple chunks of the economy. Allies that have long been at our side could turn away and appease the new rogues. U.S. economic interests will be at risk.

Mr. Biden will also have to shift the focus of his Presidency away from expanding the domestic welfare state to improving national security. His defense budget requests will have to increase substantially. His assault on U.S. energy production—an act of strategic and economic masochism—will have to end.

He will also have to do much more to unite the country. This means dropping his partisan approach to governing and the polarizing divisions of identity politics. He won the Presidency on a theme of national unity, and he has no hope of doing it if his Administration is dividing the country by race, gender and class.

Above all, Mr. Biden will need to build bipartisan alliances on national security, as FDR and Harry Truman did at other hinge points in history. Isolationist forces always emerge when the world becomes more dangerous, in the hope the U.S. can hide behind a Fortress America. Mr. Biden will need to find allies in both parties to defeat that siren call.

In 1940 Roosevelt named Republicans Henry Stimson Secretary of War and Frank Knox Secretary of the Navy. They began to rebuild U.S. defenses in anticipation that the country could be pulled into the conflicts then raging in Europe and Asia. Truman worked with Arthur Vandenberg, the once isolationist GOP Senator, to build NATO and fight the Cold War against Communism. Mr. Biden should bring GOP hawks into the senior ranks of his Administration to get better advice and underscore the dangers ahead.

None of this will be easy in our divided politics, and there are those who believe Mr. Biden is too weak and spent to do it. But you cope with disorder, and deter war, with the President you have. Mr. Biden has three years left in his term, and the world's rogues won't wait until 2024 for the U.S. to get its act together.

## American Gas to Europe's Rescue

To understand the strategic benefit of U.S. fossil fuels, consider how liquefied natural gas exports are riding to the rescue of Europe in the Ukraine crisis. Bloomberg reports that on Saturday all seven U.S. LNG export terminals had tankers docked or loading for the first time, with much of the gas headed to Europe.

Demand for U.S. exports helped set a record 13.3 billion cubic feet of gas loading at the LNG export terminals. Demand is so great that regulators have let tankers fill up at the Calcasieu Pass plant in Louisiana, which is still under construction.

Bloomberg adds that of the five dozen or so U.S. LNG tankers on the water, more than two-thirds are headed for Europe. Natural gas prices have soared on the Continent amid win-

ter supply shortages and threats from Russia. U.S. exports offer relief to a worried Europe, blunt the impact of Vladimir Putin's energy extortion, and expand the market for U.S. shale-gas drillers who are again increasing production after the pandemic crash.

The political left's assault on U.S. natural gas is one of the most self-destructive acts in history, as Vladimir Putin understands. Russia has financed green opponents of shale-gas drilling in Europe because he knows it makes the Continent more vulnerable to his controlling ambitions.

U.S. LNG will be even more important if Russia invades Ukraine, and Russia's Nord Stream 2 pipeline to Germany dies, as President Biden has promised. The U.S. anti-fossil fuel left is Mr. Putin's best friend.

## Annals of IRS Dysfunction

We've chronicled the Internal Revenue Service's many problems—from delayed tax refunds to tens of millions of unprocessed tax returns. Hard to fathom the dysfunction could get worse. But last week the National Taxpayer Advocate and Treasury Inspector General for Tax Administration revealed even more disarray.

The IRS is begging Congress for more money to improve taxpayer service. Only one in nine taxpayer calls for assistance were answered last tax season, taxpayer advocate Erin Collins reported last month. The backlog of returns has swelled to 24 million, and Treasury warns that 2022 could be a very “frustrating season.”

Much blame goes to Congress, which ordered the IRS to stand up complicated transfer-payment programs (especially the child allowance) overnight. Ms. Collins told a House Ways and Means Committee oversight panel that the IRS filled fewer than 200 of 5,000 open positions this tax season. Some new hires fail to show up. Welcome to the club, businesses might say.

The IRS complains it's struggling to compete for workers with private employers. Okay, but why not raise wages? The agency's appropriation went up 17% last year. That's a bigger raise than most Americans received. The agency began the fiscal year with more than \$1.4 billion of this money unspent. But no amount of money can fix IRS mismanagement.

“Despite this ongoing significant hiring shortfall, the IRS continues to close Tax Processing Centers,” the Treasury IG for Tax Administration noted in a report last week. The IRS has shifted work to processing centers in Kansas

City, Mo., and Ogden, Utah where it has struggled to hire new workers. The unemployment rate in Ogden is 1.3%.

Many businesses are investing in technologies that improve worker productivity. Not the IRS. The IRS's mail-processing equipment is “20 years old and has not had any significant technical upgrades in more than 15 years,” the IG reports. How many businesses haven't upgraded their Windows 2000 software?

The IG says it notified IRS management in April 2021 that mail-processing machines needed to be updated or replaced, noting “machines had been serviced almost 300 times” between January and March 2021. The IRS's response: “An expedited review was unnecessary.”

Such mechanical malfunctions cost the IRS \$56.2 million in interest from taxpayer remittances last year that were not deposited immediately, the IG reports, adding that “the cost to replace or rebuild the current equipment is only a fraction of those lost costs, ranging from \$360,000 to \$650,000.”

The IG also flagged “outdated dust collectors” jamming equipment. And in case you're wondering what happened to your letter that the IRS claims it never received: “Slicers at times cut the correspondence along with the envelope, necessitating IRS employees to reconstruct and tape this correspondence.”

IRS management has little incentive to improve efficiency or service since it can use taxpayer frustrations to demand more money from Congress. Any business as poorly managed as the IRS would have ceased to exist long ago, but there's rarely accountability in Washington.

## Biden needs to unite the country in response to the growing threats.

## LETTERS TO THE EDITOR

## Breaking Up Amazon: The Great Tech Debate

Joe Lonsdale makes “The Case for Splitting Amazon in Two” (op-ed, Feb. 8) on the theory that the high-gross-margin Amazon Web Services is supporting a retail operation that sells below cost. But is the retail business really running at a loss? All those warehouses and distribution centers are built with favorable depreciation rules, a legitimate part of the tax code that encourages job-producing business expansion. On a cash basis, Amazon's retail business is probably nicely profitable.

DAVID ROBINSON  
University of California, Berkeley

AWS's largest client is the U.S. government. That means we pay taxes that support AWS, enabling Amazon's retail side to sell products at a loss, driving competitors out of business. Without competitors, Amazon retail will eventually become very profitable by raising prices. Amazon sells nearly every product, so it can raise prices for nearly every product. We should not be subsidizing Amazon's efforts.

THOMAS TAYLOR  
Kenmore, Wash.

Mr. Lonsdale calls on regulators to break up Amazon, a competitor to companies he's invested in, because it offers consumers too good a deal. He claims that Amazon will drive other companies out of business with its low prices and then will have carte blanche to ratchet them back up, but this is pure speculation. In the 1990s, people made the same accusation about Walmart, and it never materialized. Today, Walmart, Target and Best Buy all compete with Amazon by incorporating Amazon's own successes into their businesses.

Market economies have a dynamism that consistently defies predictions. Companies that seem invincible one day fall to the wayside the next because the innovations of the multi-

tude of participants are impossible to anticipate. Regulators have enough on their plate without acting on a problem that does not yet exist and is unlikely to materialize.

JEREMY NIGHOHOSSIAN  
Arlington, Va.

Mr. Lonsdale commits a subtle but telling error by claiming that the consumer-welfare standard “holds that certain anticompetitive behaviors may be permissible if they provide value to consumers.” In fact, the standard holds that all practices that provide value to consumers are competitive, regardless of the impact on rival firms.

So how are consumers faring? Quite well! That the low prices enjoyed today by Amazon's customers perhaps result from Amazon's shareholders spending some of their wealth to make these low prices possible is no antitrust offense.

Mr. Lonsdale will reply that these low prices become an offense if they are “predatory.” But assertions of predatory pricing are like Bigfoot sightings: Proof is never found. The profit motive is too powerful, entrepreneurs too creative and markets too dynamic to make predatory pricing a viable monopolizing strategy in reality. History knows of no unambiguous instance of a private firm, operating in the market, that sold at predatory prices only to later gain monopoly power used to harm consumers for any length of time.

History does know of many instances of government officials and courts—especially before the consumer-welfare standard became dominant—mistakenly identifying competitive prices as “predatory” and then using antitrust to deny consumers the benefits of competition.

PROF. DONALD J. BOUDREAU  
George Mason University  
Fairfax, Va.

## Painting Minnesota With Too Broad a Brush

Lance Morrow's “How Minnesota Went From Tom Sawyer to Huck Finn” (Cross Country, Jan. 22) and subsequent letters (Feb. 5) paint the state of Minnesota with a broad brush based on a one-sided view of Minneapolis and St. Paul. Minnesota is very large, about the size of the U.K. While events in the Twin Cities make national news, there is so much more to our state than Mr. Morrow implies.

Living about 80 miles southwest of the Twin Cities, I find that Mr. Morrow's 1973 description of Minnesota is still accurate: “courtesy and fairness, honesty, a capacity for innovation, hard work, intellectual adventure, and responsibility . . . remarkably civil.”

Minnesota's violent crime rate is still lower than the national average.

NANCY ARMBRUSTER  
Mankato, Minn.

## Christian Anti-Semitism Is Not the Problem

While I appreciate Andrew Doran's efforts to raise awareness of anti-Semitism, his argument that “Christians Need to Confront Anti-Semitism” (Houses of Worship, Feb. 4) is outdated and deflects from the real problem. The Catholic Church realized 60 years ago that it needed to confront anti-Semitism, and it did so in the Second Vatican Council. The church eliminated doctrines of deicide and supersessionism, while issuing formal apologies for Christianity's role in centuries of persecutions.

Protestant denominations, especially Lutheranism, have confronted their histories of anti-Semitism, too. U.S. evangelicals may be the best example

of the new warmth of feeling that has resulted. Extraordinary progress has been made in Christian-Jewish relations, so much so that the Christian community is now among the Jewish people's best friends.

The distresses we Jews face from anti-Semitism today do *not* come from Christianity. Anti-Semitism today is predominantly a political—not a religious (and certainly not a Christian)—phenomenon, and should be confronted as such. Portraying contemporary Christianity as the cause of this hatred, instead of beloved partners in combating it, threatens to drive a wedge between Christians and Jews after the years of work that has been done to bring us together.

DANIEL ROSS GOODMAN  
Longmeadow, Mass.

## How Many Nukes Is Enough?

Regarding Matthew Costlow's op-ed “The U.S. Needs More Nuclear Weapons” (Jan. 31): The U.S. has enough nuclear warheads to destroy the world more than 10 times over. While I advocate modernizing our nuclear triad, increasing the amount of warheads is a mistake. Even if China quadruples its arsenal to 1,000 weapons by 2030, as Mr. Costlow advertises, the U.S. will still have a 4:1 advantage. What is the proper ratio in his eyes? 10:1? 100:1?

U.S. efforts are better spent countering other countries' attempts to acquire nuclear capabilities. I will sleep more soundly knowing that Iran and Syria don't have any nukes than I would if we had 2,000 more.

OWEN POLZELLO  
Milford, Conn.

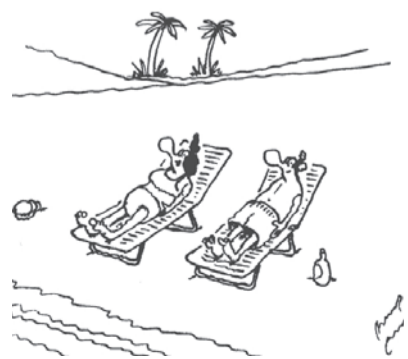
## CORRECTION

The 1936 Summer Olympics were held in Berlin. This was misstated in the Feb. 10 Wonder Land column.

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

## Pepper ... And Salt

THE WALL STREET JOURNAL



“Wasn't that a beautiful sunset after the ads?”





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Last Week: S&P 4418.64 ▼1.82% S&P FIN ▼0.02% S&P IT ▼2.91% DJTRANS ▼1.41% WSJ IDX ▲0.24% 2-YR. TREAS. yield 1.514% NIKKEI 27696.08 ▲0.93% See more at WSJ.com/Markets

## Inflation, Ukraine Threaten Stocks

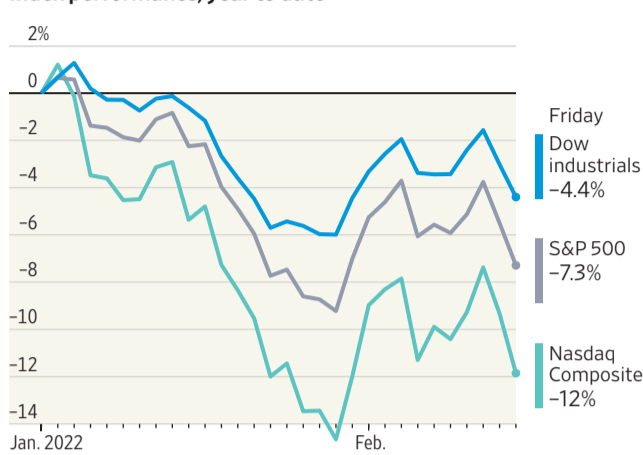
Investors weigh good news on earnings and employment against higher bond yields

By SAM GOLDFARB AND CAITLIN MCCABE

A turbulent start of the year for U.S. stocks has entered a new phase in recent days, with investors weighing good news about corporate earnings and the labor market against the stubborn challenges of high inflation, rising bond yields and geopolitical uncertainty.

One takeaway from the past week in markets is that 2022 is starting to look like what many predicted heading into the year. Stocks have generally fared better than in January, when they fell sharply in anticipation of tighter monetary policies but are still buffeted by conflicting trends that are expected to keep prices volatile.

Index performance, year to date

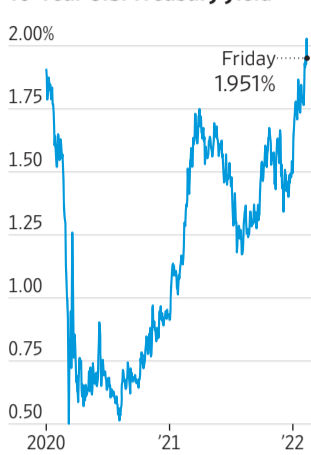


Sources: Fact (performance); Tradeweb (yield)

A driving force behind many market swings remains the increase in bond yields, fueled by escalating expectations for how high the Federal Reserve will raise short-term interest rates this year.

Yields, which rise when bond prices fall, are a bedrock gauge for investors because they help dictate borrowing costs on everything from mortgages to corporate debt. They are also a major component of financial models used to value

10-Year U.S. Treasury yield



stocks and other assets. All else being equal, the ability to earn higher returns on risk-free bonds makes the future earnings of businesses less valuable, dragging down share prices.

Analysts widely agreed that this simple relationship was paramount for stocks. The yield on the benchmark 10-year U.S. Treasury note surged from 1.496% at the end of last year to 1.866% on Jan. 18. Stocks fell, led by technology companies, many of which are especially sensitive to rising rates because their value stems largely from their potential earnings down the road.

Since then, the relationship between bonds and stocks has grown more nuanced. Stocks were able to rebound over a period when bond yields stabilized, but they still rose broadly even when yields climbed sharply on Feb. 4, following a better-than-expected jobs report. Yet stocks fell Thursday after consumer-price index data showed inflation reached an other four-decade high last month, and equities extended declines Friday amid

## Aramco Transfer Steps Up Effort to Diversify

By SUMMER SAID

DUBAI—Saudi Arabia transferred shares valued at about \$80 billion in Aramco to its wealth fund as part of efforts to diversify the kingdom's hydrocarbon-dependent economy.

The transfer of a 4% stake in state-owned Saudi Arabian Oil Co., known as Aramco, will support the Public Investment Fund's plan to increase its assets under management to over \$1 trillion by 2025 from about \$480 billion, the Saudi government said Sunday.

Stung by low energy prices in recent years that forced Saudi Arabia to cut investments and subsidies at home, the government under Crown Prince Mohammed bin Salman, the kingdom's day-to-day ruler, is attempting to widen its sources of nonoil income in a hurry.

The risk of deeper economic trouble as the world pivots away from hydrocarbons has accelerated that push. High oil prices are helping finance some of those plans.

The Saudi government, which will remain the largest shareholder in Aramco, with a stake of more than 94%, has sought to monetize the country's massive oil assets and use the proceeds to invest in industries outside of oil as part of Prince Mohammed's plan to restructure the economy by 2030.

To help meet that goal, Prince Mohammed has tasked PIF to invest in companies and industries untethered to hydrocarbons. The government had also transferred the \$29.4 billion it raised from Aramco's initial public offering in 2019 on the Saudi stock exchange to the PIF to deploy.

PIF plans to use the Aramco stake as collateral to raise lower-cost debt in the international markets, people familiar with the wealth fund's plan said Sunday. But other options remain open, they added.

Besides raising debt, analysts say PIF could sell the shares in the market in phases or in chunks to strategic investors. The wealth fund has multiple options to monetize the Aramco stake and, unlike the government, can be more discreet with its fundraising plans, they added.

Earlier this month, people

## Super Bowl Ads Featured Newcomers, Travel

By MEGAN GRAHAM

The second Super Bowl of the Covid-19 pandemic featured a variety of first-time advertisers, including several cryptocurrency players, plus the return of travel ads and the E\*Trade baby.

The game, which aired Sunday, included more than a dozen first-time Super Bowl advertisers, including shopping-rewards platform Rakuten Rewards, children's budgeting app maker Greenlight Financial Technology Inc., mobile sports gambling operator Caesars Sportsbook, at-home Covid-19 test provider Cue Health Inc. and Wallbox NV, which makes electric-vehicle charging technologies.

NBC said it sold several ad slots at \$7 million for 30 seconds of airtime.

The influx of first-timers continued a trend from last year, when a group of marketers that did well during the first part of the pandemic bought their first Super Bowl commercials. This year, cryptocurrency and gambling came on strong.

Cryptocurrency exchanges including Coinbase Global Inc., FTX and Crypto.com made their Super Bowl debuts as they try to become household names. Their ads were tasked with engaging both crypto superfans and a broader audience that is less familiar with the subject.

"If you do that right, everyone's smiling or laughing, or at least entertained at what you're putting on during the game, but there'll be a smaller



Planet Fitness's first Super Bowl ad shows actress Lindsay Lohan putting her party days behind her.

subset of that audience that definitely researches more, goes online and figures it out," said Lee Newman, chief executive of the Interpublic Group of Cos. advertising agency MullenLowe U.S.

Coinbase tried to intrigue viewers with an ad that displayed nothing but a slowly bouncing QR code, which led to an online offer of free bitcoin for new customers.

The Cue Health commercial wasn't the only ad with a theme of health and wellness. Planet Fitness Inc.'s first Super

Bowl ad showed actress Lindsay Lohan putting her party days behind her, while an ad from medical technology company Hologic Inc. was scheduled to feature singer Mary J. Blige encouraging women to get medical screenings.

It made sense to see health and wellness reflected in the Super Bowl ad roster following two years of a pandemic, said Ari Lightman, professor of digital media and marketing at Carnegie Mellon University.

"We're hopefully getting out of a very scary time, but

there's a lot of other issues that need to be tackled," Prof. Lightman said.

After travel marketers took a break from the Super Bowl last year, marketers like Booking Holdings Inc. and Expedia Group Inc. bought ad time this year as travel picks back up.

Advertisers in the first Super Bowl of the pandemic in February 2021 were tasked with setting the right tone for an event that took place before widespread vaccination against Covid-19 and soon after the divisive presidential election.

Some ads in last year's game alluded to the pandemic, though primarily with oblique references and humor. Jeep ran a somber two-minute commercial acknowledging the division in the country.

This year's Super Bowl advertising was more standard fare.

The ads delivered "the tried and true approaches that have always worked in the game to entertain people and engage them and be effective," said Mr. Newman of Mullen-

Please turn to page B2

## Private-Equity Deals Soar to Record in China

By JING YANG

Private equity accounted for a record share of Chinese mergers and acquisitions in 2021, and the country's well-funded buyout firms are likely to be busy this year too, as corporate restructurings and multinational disposals generate more targets.

The industry's rising influence contrasts with relatively muted overall M&A activity in China, which last year grew far more slowly than a booming global market.

Private-equity-backed transactions in China jumped 26% last year to a record \$108 billion, according to Refinitiv data, making up an unprecedented one-fifth of all deals by dollar value.

The figures include Western-style buyouts by privately owned financial firms, as well as smaller investments and deals led by state-backed investors.

In contrast, overall M&A with any Chinese involvement edged up 2.8% to \$580 billion, lagging behind a nearly two-thirds surge in global deal

making.

"You're starting to get sizable, China-focused, private-equity deals, and that is all fueled by a number of sources including institutional sources which have developed over recent years from within China, ranging from wealth management to insurance companies to municipal government funding and so forth," said Victor Ho, a Hong Kong-based lawyer specializing in M&A and private equity at Allen & Overy.

"As an asset class, putting money into private equity has taken off for Chinese investors," he said.

Overall cross-border M&A has been hindered by Beijing's tough anti-Covid policy and its desire for greater self-sufficiency, in part through a policy of "dual circulation," or sustaining growth by focusing on a huge domestic market.

"China M&A has been more inward-looking, reflecting the government's emphasis on its dual-circulation strategy," said Colin Banfield, head of Asia-Pacific M&A at Citigroup Inc.,

Please turn to page B9

### INSIDE



**BUSINESS NEWS**  
Nike's supply-chain snags bring pain to shops catering to sneakerheads. B3



**COMMODITIES**  
Soybean prices surge as dry weather dims the outlook in South America. B9

## Cathie Wood's ARK Holds To Its Bet on Innovation

By MICHAEL WURSTHORN

Cathie Wood's ARK Investment Management LLC is snapping up more shares of largely unprofitable companies, doubling down on a bet that many traders and investors expect to be tested this year by rising interest rates.

Over the past two weeks, Ms. Wood's flagship ARK Innovation exchange-traded fund has bought more than \$400 million of high-growth stocks, including Roblox Corp., Block Inc. and Robinhood Markets Inc. That's according to the firm's daily trading logs and stock-pricing data as of Friday. She says the companies, which span videogaming, digital payments, trading and other industries, have the potential to change the world.

Shares of Roblox, Block and Robinhood are down at least 25% each over the first six weeks of the year. More than half of all of the stocks in the ETF, which goes by the ticker ARKK, are down 20% or more in 2022, according to FactSet.



Most of the stocks in Ms. Wood's ETF fell 20% or more in 2022.

ARK was among the big winners of the pandemic era, which featured big gains in shares of many unprofitable companies and cryptocurrencies, such as bitcoin, as a result of low interest rates and extensive stimulus. Investors in these assets are now facing a rising interest-rate environment that stands to be much less forgiving to unprofitable firms or those trading at high

valuations. That doesn't bode well for Ms. Wood and her ARK funds, analysts said. When rates are low, companies often are freed to spend more on investing in their businesses and reduce the amount they spend servicing debt. Higher rates push up borrowing costs and potentially delay profitability.

"Aggressive growth stocks

Please turn to page B6

## 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	
Activision Blizzard.....B9	Hologic.....B1	SoftBank.....B9,B10
Advanced Micro Devices B9		Space Exploration Technologies.....B3
Airbnb.....B2	I	Spirit Airlines.....B9
Allstate.....A1	Interpublic Group of Cos.....B1	Stellantis.....A10
Altria Group.....A2, B10	L	Svlt Energy Technology B9
Arena Pharmaceuticals B9	LPL Financial Holdings B2	T
ARK Innovation ETF...B1	M	Take-Two Interactive Software.....B9
ARK Investment Management.....B1	Meta Platforms.....A2	Teladoc Health.....B6
B	Microsoft.....B9	Terminix Global Holdings.....B9
Bank of America.....R8	Moderna.....A2	Tesla.....B6
BASF.....A2	MoneyLion.....R8	Tsinghua Unigroup.....B9
BioNTech.....A2	N	Tuttle Capital Short Innovation ETF.....B6
Block.....B1	Nike.....B3	U
British American Tobacco.....B10	Nvidia.....B9	Under Armour.....B3
C	P	UnitedHealth Group...B9
Capital One.....R8	Panasonic.....B4	V
Change Healthcare.....B9	Pfizer.....A2,B9	VF.....B3
Coinbase Global.....B1	Philip Morris International.....B10	W
Cue Health.....B1	Putnam Focused Equity Fund.....B2	Wallbox.....B1
Dave.....R8	R	X
F	Rentokil Initial.....B9	Xilinx.....B9
Frontier Group Holdings B9	Robinhood Markets...B1	Z
	Roblox.....B1	Zillow Group.....B6
G	Roku.....B6	ZoomInfo Technologies B2
Gazprom.....A6	S	Zynga.....B9
Guardian Wealth Strategies.....R2	Saudi Arabian Oil.....B1	
	Sneakersstuff.....B3	

## BUSINESS & FINANCE

### Newcomers And Travel Buy Ads

*Continued from page B1*  
Lowe. "They're babies, they're puppies, they're big physical humor, cinematic productions, nostalgic music, those sorts of things."

An ad for Frito-Lay's Doritos and Cheetos Flamin' Hot varieties, for example, include a rendition of the 1980s hit "Push It" and the voices of musicians Megan Thee Stallion and Charlie Puth emerging from the mouths of a songbird and a fox, respectively.

"There was really a more serious tone in last year, and at that time, we continued to really provide what we thought was a moment of release," said Rachel Ferdinando, senior vice president and chief marketing officer at Frito-Lay North America, which is also



An ad for Frito-Lay's Cheetos Flamin' Hot variety was expected to make an appearance during the game.

running a commercial for Lay's potato chips. "In some ways, [this year] was staying the course for us. Maybe for others it's going to be a pivot."

MullenLowe's ad for Morgan Stanley's E\*Trade trading platform returned the brand's spokesperson, once a Super Bowl staple, to the roster after nearly a decade in retirement.

Anheuser-Busch InBev SA's Budweiser brought back its famous Clydesdales in this year's ad, titled "A Clydesdale's Journey." It features a horse becoming injured, then eventually recovering enough to run again, and concludes with the words, "In the home of the brave, down never means out." Daniel Blake, group vice

president of marketing for Budweiser and Value at AB InBev, said the company wanted to use the Clydesdale as a symbol of strength and perseverance. "I don't think there's any more unifying and hopeful message for Americans than reminding them that we always bounce back in this country," he said.

## INDEX TO PEOPLE

B	L-M	
Bordoff, Jason.....A1	Lipow, Andy.....A6	Shapiro, Glenn.....A2
Buchbinder, Jeffrey...B2	Musk, Elon.....B3	Spatt, Chester.....A2
C	N	Spielmann, Rosemary R2
Cavanaugh, Jackie...B2	Newland, Kathleen....A6	T
G	O	Tuttle, Matthew.....B6
Gopinath, Gita.....A2	Olson, Benjamin C.....R2	W
Greengold, Robby.....B6	R	Wehner, David.....A2
H	Reed, Matthew.....A6	Wendy De La Rosa.....R7
Harris, Ethan.....B10	S	Wenzel, Brian.....A2
Harvey, Christopher...B2	Segal, Ned.....A2	Wood, Cathie.....B1

### Aramco Shares Transferred

*Continued from page B1*  
familiar with Aramco's strategy said the kingdom has restarted plans to list more shares of Aramco, the world's most valuable oil company, with an ambition to sell as much as a \$50 billion stake, which at current valuations would be 2.5% of the company. The listing of shares would be by far the largest in the history of capital markets and could prove difficult to pull off.

The stake-sale effort is still in the planning stage and could still be delayed or changed, the people said.

Riyadh has floated several plans over the years aimed at raising funds via Aramco, some of which have ultimately faltered or been abandoned.

The share transfer to PIF will help bolster the fund's strong financial position and its high credit rating in the medium term, according to the government.

Ratings agency Fitch in February assigned PIF an A rating, while Moody's gave it an A1 rating, as the fund prepares to tap the international debt markets.

The fund started raising bank debt in 2018 with an \$11 billion facility, followed by a \$10 billion loan in 2019 that was repaid a year later. Its governor, Yasir al-Rumayyan, said in September 2021 that PIF was working with BlackRock Inc. on an environmental, social and governance framework and planned to issue its debut green bonds soon.

Meanwhile, the wealth fund will also start receiving dividends from Aramco and can market itself as a bigger fund while competing with others for global assets.

The fund, which had assets under management of about \$150 billion in 2015, has used the cash it has received or raised since then to invest in businesses as diverse as electric-vehicle manufacturer Lucid Motors Inc., Citigroup Inc. and Premier League soccer club Newcastle United. It invested billions in SoftBank's Vision Fund.

It has also played a more active role in the global markets after receiving \$40 billion from the kingdom's reserves in early 2020. It plans to invest an additional \$10 billion in listed stocks this year, according to people familiar with the fund's plan.

Some PIF officials, however, have privately questioned the fund's strategy, given its mixed record investing internationally and its struggles to attract significant foreign capital to help finance domestic projects.

The wealth fund is seen by the government as the engine driving the kingdom's economic transformation, with a five-year strategy to inject at least \$40 billion a year into the local economy. But it isn't clear if any of the international companies that PIF has invested in are looking at the kingdom for expansion. PIF doesn't publicly release its financial reports.

Foreign investment in Saudi Arabia has remained stubbornly low and some companies are scaling back their operations or delaying promised



The Saudis have sought to monetize the country's oil assets.

expansion plans. Foreign direct investment into Saudi Arabia was \$5.4 billion in 2020, less than half the level of a decade ago and well below the \$19 billion that the country had targeted. It was on track to top \$6 billion in 2021 based on data through the third quarter. That excludes the \$12.4 billion sale of a stake in a Saudi pipeline company to foreign investors.

Some foreign investors also became cautious on their plans

in the kingdom after men working for Prince Mohammed killed dissident journalist Jamal Khashoggi in late 2018. Riyadh says the crown prince wasn't involved in the killing.

The Saudi investment ministry has said interest in the country remains high, pointing to a 250% annual increase in new investor licenses in 2021.

The Saudi government is pushing ahead with multibillion-dollar plans to build a

spate of new cities, betting these projects would attract foreign investment and boost domestic consumption. The projects are designed to spawn industries such as tourism and entertainment that haven't existed before in cloistered Saudi Arabia.

They include a futuristic city-state called Neom in the country's remote northwest Tabuk province, a sports and entertainment city outside Riyadh, luxury tourism resorts spread across an archipelago of pristine Red Sea islands and an ancient Arabian trading post turned wildlife reserve called al-Ula.

Aramco said the latest deal is a private transfer between the kingdom and the PIF, and Aramco isn't a party to the transfer and didn't enter into any agreements or pay or receive any proceeds from it.

The transfer doesn't have an impact on Aramco's operations, strategy or dividends-distribution policy, it added.

—Stephen Kalin and Rory Jones contributed to this article.

## Stocks Under Pressure

*Continued from page B1*  
growing worries about a potential Russian invasion of Ukraine.

By the end of Friday, the S&P 500 had logged its fourth weekly decline out of the past six weeks, falling 1.8%. The 10-year yield settled at 1.951%, down from 2.028% on Thursday, setting up a week in which investors will track the latest developments on the Russia-Ukraine situation, earnings from the likes of ZoomInfo Technologies Inc. and Airbnb Inc., and clues from Fed officials about their plans for the March policy meeting.

"It's topsy-turvy," said Jackie Cavanaugh, portfolio manager of the Putnam Focused Equity Fund at Putnam Investments. "It's a very uncertain moment of time in the markets as we face a lot of crosscurrents that frankly a lot of investors of the current generation have never seen before."

In recent weeks, several factors have helped stocks, according to investors and analysts. One has been a solid round of fourth-quarter corporate earnings. The strong jobs data further bolstered the economic outlook, while January's stock slump made prices start to look more attractive to some investors. On top of all of that, inflation-adjusted returns on Treasuries remain negative even with rate increases looming, providing a continued incentive to reach for returns in riskier assets.

Few, however, found silver linings in Thursday's inflation data, a reminder of the hard-to-predict economic trends that could keep investors on edge this year. Reports that Russia is on the verge of invading Ukraine added another blow, sending both stocks and bond yields sliding as investors rushed into safer assets.

Such volatility, though, is to be expected, said Bob Doll, chief investment officer at Crossmark Global Investments. His prediction, unchanged from the start of the year, is for investors to swing between optimism over the economy and pessimism about rising rates.

"We're going to travel thousands of Dow Jones Industrial Average points but maybe not make a lot of progress point to point," he said.

The dynamics facing investors this year aren't unique. Whenever the Fed has started to raise interest rates, investors have typically had to balance the downsides of tighter monetary policy against the benefits of a growing economy.

Typically, the early years of rate-increase campaigns have worked out for investors. The past six times the central bank has raised rates, stocks have generated positive returns each time in the first year and five out of six times in the second year, according to a Bank of America report from November. The one exception came when rate increases possibly helped burst the tech bubble around the turn of the millennium.

Some analysts have noted that this rate-increase cycle could be more dangerous than some others because stocks have entered at elevated valuations. Companies in the S&P 500 traded late last year at nearly 39 times their cyclically adjusted earnings, higher than at any other point apart from the tech bubble.

Valuations, though, aren't quite as high by other measures and are lower after January's selloff. S&P 500 companies traded late last month at as low as 19.3 times projected earnings over the next 12 months, according to FactSet, falling below 20 for the first time since April 2020. That was down from 21.5 entering the year, though still above the five-year average of 18.9.

# 1.951%

Yield on 10-year Treasury note at settlement Friday

"We know that markets don't like uncertainty, but we think this cycle will play out like the others where the economy and corporate profits are strong enough that we'll be higher at the end of the year than we are now," said Jeffrey Buchbinder, equity strategist at LPL Financial. "The market will become comfortable with the path of rate hikes, we think, probably within the next several months."

Mr. Buchbinder said LPL Financial remains largely bullish on the U.S. stock market and is having discussions about buying shares of technology companies in the near term. In particular, he said the team sees opportunities to buy software companies and chip makers—companies it believes have strong fundamentals and attractive valuations after the recent selloff in growth stocks.

Still, Christopher Harvey, head of equity strategy at Wells Fargo Securities, said he was advising clients to be cautious.

"We're selective, we're disciplined, and we would buy weakness, but we are not chasing things," he said. "We think the upside is limited because...growth is going to slow and the Fed is going to get more aggressive."

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# Panasonic Gets Factory to Zero Emissions

By PHRED DVORAK

Panasonic Corp. got its highest-emitting Chinese factory to “virtually net zero” carbon dioxide. It took six years, showing how difficult it can be for companies to reduce their environmental footprints.

The Japanese electronics company pledged to eliminate or offset all of the greenhouse-gas emissions generated by its operations by 2030. But even tackling that one factory, which produces batteries in the city of Wuxi, near Shanghai, was tough, company officials say.

Panasonic incrementally trimmed its energy consumption through measures such as replacing workers with robots and fluorescent lights with LEDs. When that wasn’t enough, it bought carbon credits and renewable energy, finally letting it declare it had neutralized the plant’s emissions last year.

Large companies around the world are beginning to take similar steps to address their contributions to the greenhouse effect, as many make “net zero” emissions pledges to cut and counter their emissions, urged on by investors, corporate customers and consumers.

Panasonic, one of the biggest corporate carbon emitters in the world according to estimates by the company and outside experts, is just getting started. It has to repeat its Wuxi feat 37 times over to neutralize the roughly 2.2 million metric tons of greenhouse-gas emissions associated with the company’s operations.

And those emissions are 2% of the 110 million metric tons Panasonic estimates it is responsible for, when its suppliers and the use of its products are included. While the company has a 2030 goal for emissions from its direct operations, it has given itself until 2050 to deal with its entire carbon footprint—an amount five times the size of Apple Inc.’s,



Robots on a production line at the Wuxi factory. Their introduction helped lower the amount of energy, and emissions, per battery.

## Company Nudged On Its Green Goals

In 2017, Panasonic was targeted by Climate Action 100+, a group of global investors that presses the world’s hundred-or-so largest emitters to reduce their carbon footprints.

The California Public Employ-

ees’ Retirement System, which belongs to the group, reaches out twice a year to nudge Panasonic on emissions-cutting and other green goals.

At least one European car maker has asked Panasonic to ensure the parts it supplies are carbon-free in the near future, and more corporate customers are likely to follow suit, said Mr. Shimono, who declined to name

the car company in question.

Apple, which lists Panasonic as a supplier, has said it would “achieve carbon neutrality” for its supply chain by 2030.

Other Apple suppliers—such as chip maker Taiwan Semiconductor Manufacturing Co. and assembler Hon Hai Precision Industry Co., known as Foxconn—have set goals to cut carbon emissions.

and roughly equivalent to half of Spain’s annual emissions.

For Panasonic—a 104-year-old manufacturing behemoth that has more than 10,000 suppliers and makes everything from refrigerators and TVs to fuses for surge protectors—just zeroing out emissions at factories by 2030 will be extremely hard, said Ryuji Shimono, a general manager in charge of external affairs at Panasonic’s environment division. But these days, he said, decarbonizing “is a matter of competitiveness.”

Panasonic turned its attention to the Wuxi factory in 2015, the year that the inter-

national Paris climate agreement set a target to keep rising global temperatures to less than 2 degrees Celsius from preindustrial levels, to avoid the worst impacts of climate change.

The plant makes lithium-ion and nickel-metal hydride batteries—the kind that power devices such as laptops, electric bikes and emergency lighting. It uses a lot of energy—mostly electricity, which it consumes in especially large quantities to charge and discharge the batteries during the testing process, and fossil fuel-generated steam, used for equipment such as dryers and

dehumidifiers.

At the time, Panasonic calculated that electricity and steam was responsible for around 60,000 metric tons of carbon emissions a year—the highest amount among Panasonic’s 50-odd manufacturing sites in China and around a tenth of its total in the country.

Panasonic generally tries to reduce emissions by curbing the amount of energy it uses and by generating its own clean electricity. So the Wuxi factory started installing solar panels on the roofs of its buildings, bringing in enough to cut its estimated emissions by around 1,250 metric tons.

Managers had to think hard to come up with new ways of trimming energy consumption, said Peng Li, the plant’s business planning director. They introduced a more energy-efficient way of running the factory’s dust collectors, air compressors and exhaust fans, resulting in a reduction of 660 metric tons of carbon dioxide a year.

The factory tackled its worker-heavy production lines, automating processes and switching to robots. The moves reduced the number of employees by 38%, the amount of energy consumed per battery by 11% and emissions by 2,710 metric tons. It replaced 13,725 fluorescent and other types of lamps with lower-wattage LEDs and traded energy-saving tips with a nearby factory of Japanese office-machine maker Konica Minolta Inc.

Engineers consulted with one of the Wuxi factory’s equipment manufacturers, finding a way to collect and recycle some of the electricity produced when batteries discharge. Yet, after all that, the factory had only managed to

trim around a quarter of its estimated emissions by 2020.

“In the beginning we tried all kinds of energy-saving measures,” Ms. Peng said. “But for a time we were quite troubled over how we were going to get to zero.”

In the end, Panasonic, like other companies, turned to financial instruments that let it cancel out carbon emissions it was generating by buying units of clean energy or emissions reductions created elsewhere. To handle the Wuxi factory’s electricity, which accounted for around 80% of the remaining 44,000 metric tons of carbon emissions, the company bought renewable energy certificates, each of which represented a megawatt-hour of power produced by a local wind, solar or other clean-energy project. That purchase let the Wuxi factory replace the equivalent amount of electricity from China’s grid, which tends to be heavily dependent on coal-fired power plants.

To counter the emissions from the production of its steam, the factory bought carbon credits issued by projects—such as planting trees or protecting forests—that reduce the amount of carbon dioxide in the atmosphere or prevent emissions from increasing.

For now, the factory’s managers say, the cost to buy carbon credits and renewable energy certificates in China is affordable: roughly \$47,000 in 2021, or around half a percentage point of what the factory pays to power its equipment. That means Panasonic could reduce and offset Wuxi’s emissions without raising the price of the batteries it produces.

But the Wuxi factory’s managers worry the cost of such certificates will rise as more companies rush to go green.

“Everybody is going to be focusing on [these instruments], and the price will go up,” said Huang Hua, who heads the plant’s human resources and facility department. “We can’t just rely on them.”

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1. Beauty's top 100, WWD, May 2021
2. Like for like: based on a comparable structure and identical exchange rates
3. Diluted earnings per share, excluding non-recurring items, after non-controlling interests

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Used-Car Price Surge Frustrates Teen Buyers

By Nora Eckert

Chase Smith had been saving for her first car long before she had a license to drive. But when the 16-year-old was ready to buy, she saw the prices and hit the brakes. "It was definitely very frustrating, especially because all my friends have cars," said Ms. Smith, who was eager to end her one-hour bus trips to school in upstate New York and stop catching rides from her parents. "But in the end, I just know it's a smart decision," she said.

Used-car prices were rising before the pandemic hit, but in the past two years, they have hit more records as supply-chain disruptions slammed the auto industry, leading to a shortage of cars new and used. The average listing price for a preowned model hit \$28,500 in January, a 31% jump over the same prior-year month, according to Cox Automotive. Comparatively, new-vehicle prices rose 12% during that same time frame, the firm's data shows. The surge has walloped price-sensitive buyers, especially younger ones, analysts say. The number of 16-to-25-year-olds purchasing a used vehicle dropped 35% between 2019 and the end of 2021,

more than for any other age group, according to data provided by research firm J.D. Power. Purchases of new cars also slipped for this age group over the past couple of years, the firm's data shows. Gen Zers are being held back by the rising prices and paltry selection of low-cost vehicles, analysts and industry executives say. "As an industry, I think there should be some concern," said Jack Hollis, senior vice president of auto operations at Toyota Motor North America. Capturing younger buyers, who will be the driving force behind the economy in the next 20 to 40 years, is critical for the car business because it ensures brand loyalty,



Chase Smith, with her parents, Kevin and Katie Smith, gave up on her ambition to buy a car.

At current price tags, the average monthly payment on a financed used car was about \$540 last month—up 33% from \$407 in January 2020 and close to what some consumers would have paid on a new vehicle two years ago, according to Edmunds. The availability of used vehicles has grown scarce over the past two years, in part because the typical channels for restocking lots faced challenges. Rental-car firms are holding on to vehicles longer because they can't secure new ones, and fewer leased cars and trucks have returned to dealerships for resale. While preowned inventory

levels are starting to bounce back, the supply on dealer lots in December was down nearly 20% from the same time in 2019, according to Cox Automotive. For those looking for a used car under \$10,000, there were about 8,500 available in the U.S. in January, a 34% decrease from April 2021, the firm's data shows.

ETF, has taken net inflows of nearly \$200 million from investors so far this year, pushing assets to \$309.8 million, according to FactSet data. The ETF, which goes by the ticker SARK, is up 24% in 2022. "There's demand out there to be short ARKK," said Matthew Tuttle, chief executive of Tuttle Capital. "We look at this as a better way to hedge your portfolio." Ms. Wood called the rollout of ETFs such as SARK "interesting" in her video before reiterating her view that disruption shouldn't be underestimated. "I think history tells us not to bet against innovation," she said.

ARK Keeps Its Bet on Innovation

Composite have fallen 7.3% and 12%, respectively, in 2022 after logging double-digit increases last year. ARK has largely stuck to its strategy of buying and holding shares of companies it believes offer the greatest potential for change and innovation. Tesla Inc., Roku Inc. and Teladoc Health Inc. were the top three holdings in the innovation fund as of Friday. That is similar to early 2021, when Tesla, Roku and Block were the top three, with Teladoc coming in fifth. Tesla, Roku and Teladoc are all down at least 19% in 2022, partly reversing large gains in 2020 when the pandemic turned them into stock-market

darlings. There have been some changes to the innovation fund, too. Zillow Group Inc., for example, was a top 10 holding last year and ARK frequently added to its position. It eventually unloaded the shares last fall, after the company said it was exiting the home-buying space following substantial losses. A spokeswoman for ARK referred to recent videos by Ms. Wood highlighting the firm's strategy and take on market conditions. "Today, we are still seeing things very differently from many others out there, particularly when it comes to inflation and interest rates and

most importantly, innovation," Ms. Wood said in a video to investors this month. Ms. Wood added that a rise in Treasury yields to 3% would be more of an issue for mature growth companies facing steeper competition rather than the "super growth companies" she favors. She likened the situation to the early 2000s, saying Amazon.com Inc. managed to achieve double-digit annual revenue growth. "You would've bought that stock all day long as a value investor," Ms. Wood said. "And of course the returns would've been phenomenal. We are in that same place with truly emerging growth right now." Ms. Wood's message ap

pears to be winning over some supporters. ARKK has gotten \$350.8 million of net inflows over the past week, including more than \$300 million on Thursday, its biggest single-day inflow since June, according to FactSet. But Ms. Wood's detractors remain. Bearish bets against ARKK account for nearly 16% of the fund's shares, according to data from S3 Partners. That is down from a peak of 17.3% in mid-January, but well above levels over most of the fund's lifespan. Besides that, an ETF designed to track the inverse of ARKK's performance, the Tuttle Capital Short Innovation

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Closed-End Funds

Listed are the 300 largest closed-end funds as measured by assets. Closed-end funds sell a limited number of shares and invest the proceeds in securities. Unlike open-end funds, closed-ends generally do not buy their shares back from investors who wish to cash in their holdings. Instead, fund shares trade on a stock exchange. NA signifies that the information is not available or not applicable. NS signifies funds not in existence for the entire period. 12 month yield is computed by dividing income dividends paid (during the previous 12 months for periods ending at month-end or during the previous 52 weeks for periods ending at any time other than month-end) by the latest month-end market price adjusted for capital gains distributions. Depending on the fund category, either 12-month yield or total return is listed.

Friday, February 11, 2022

Table with columns: Fund (SYM), NAV, Close, Disc, Yld, Ret. Includes sections for General Equity Funds, Specialized Equity Funds, and Convertible Sec's Funds.

Table with columns: Fund (SYM), NAV, Close, Disc, Yld, Ret. Includes sections for U.S. Mortgage Bond Funds, Investment Grade Bond Funds, Loan Participation Funds, and High Yield Bond Funds.

Table with columns: Fund (SYM), NAV, Close, Disc, Yld, Ret. Includes sections for Other Domestic Taxable Bond Funds and World Income Funds.

Table with columns: Fund (SYM), NAV, Close, Disc, Yld, Ret. Includes sections for National Muni Bond Funds and World Income Funds.

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Buyers: Feb. 2-4 Asana ASAN D. Moskovitz CEO 1,250 45.89-54.10 60,187 61.56 -17.4 Feb. 7-8 PennyMac Financial Services PFSI F. Nanji DI 256 58.87-60.19 15,227 61.09 -12.5

Sellers: Feb. 3 Magnolia Oil & Gas XOM J. Walker DOI 7,456 21.00 156,572 21.53 14.1 Feb. 2 Exxon Mobil MGY J. Ubben DI 1,500 80.05 120,075 80.21 31.1

Buying and selling by sector: Basic Industries 0 14,113,014 Health care 7,822,974 128,496,212 Business services 44,220 5,096,322 Industrial 0 0







# HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY



The global nature of Omicron's rise might also mean that supply-chain problems will dissipate as cases fall.

## Economy Set to Thaw Again

With Covid-19 cases in retreat, activity could heat up stronger than last year

A year ago, with Covid-19 cases falling and vaccines getting rolled out, the U.S. economy entered a remarkable period of recovery. The boost to the economy that comes with the fading of the Omicron wave could be even more pronounced.

Over the week ended Wednesday, there was an average of 215,418 newly confirmed Covid-19 cases each day in the U.S., according to the Centers for Disease Control and Prevention. That is 73% below the daily average peak of 806,107 registered in the middle of last month. And it isn't just the U.S. where cases are falling—they are dropping sharply across the world, from the U.K. to Brazil to India.

Omicron doesn't cause as much severe illness as the Delta variant, but the sheer number of people it infected means it is leaving a lasting mark. In the U.S., where a smaller share of the population is vaccinated than in other developed countries, the toll has been particularly high. An average of 2,313 people a day died from Covid-19 over the week ended Wednesday—a number eclipsed only by last winter's surge.

Even so, the drop in case counts, which precede deaths, has been sharp enough that a number of Democratic governors are now joining their Republican counterparts in relaxing mask mandates. And many consumers, judging from credit- and debit-card data from Bank of America, have already

started going to bars and restaurants again. That is a reflection, says Bank of America economist Ethan Harris, of people's growing impatience with the pandemic. As soon as there is a break in the clouds, they ditch their umbrellas.

As a result, the initial spending response to the fading of Omicron might be more pronounced than what occurred last winter. And there are other factors that could magnify that boost.

First, even though the number of new cases are still high, they are so far falling much faster than after last winter's surge. That is in part because the Omicron variant has infected so many people that it now has fewer of them left to infect. By the CDC's count, there have been 28.4 million Covid-19 cases in the U.S. since the start of December, an amount equal to more than 8% of the population. And that is probably a huge undercount, since many cases don't get recorded—which might especially be the case now, since Omicron's symptoms are often less severe, and since many people learn they are positive from at-home tests.

The many people who have been infected with Omicron, a large share of whom haven't been vaccinated, might throw up at least a temporary wall of immunity that could keep case counts low through the spring. That could induce people to return to activities such as going out to eat, returning to the office and getting back on airplanes like never before during the pandemic.

More people might also return to the workforce, easing some of the hiring strains that companies have been facing. The global nature of Omicron's rise might also mean that supply-chain problems will dissipate as cases fall. Rather than one place, and then another, getting hit by a surge in cases, leading to rolling production and shipping disruptions, Omicron hit a lot of places nearly simultaneously. With hope, that will ease the shortages of many goods that have been driving up inflation.

Even so, expanding workforce participation and a better supply-chain situation probably won't be enough to keep the Federal Reserve at bay. To the contrary, the increase in demand and boost to hiring that comes with the fading of Omicron could be stronger than the Fed—and most investors—now expect, leading the central bank to raise interest rates sharply. Bank of America's Mr. Harris now expects Fed policy makers to raise their target range on overnight rates by a quarter point at each of their remaining seven meetings this year.

Of course, the potential for yet another variant to rear its head remains. Over the next several months, however, a belief that the wall of immunity from Omicron will be lasting, which is possible, could take hold. It might be too early to say that the all-clear signal has been sounded on Covid-19, but people could act as though it has just the same.

—Justin Lahart

## Rally in Tobacco Stocks Could Burn Out Fast

Tobacco stocks are fashionable again, but investors' taste for nicotine may not last.

In this year's rocky markets, the U.S.-listed shares of cigarette producers **Philip Morris International** and **Altria** have risen 14% and 6%, respectively, making tobacco the fourth biggest gainer among the S&P 500 index's more than 60 subsectors. London-listed Lucky Strike owner **British American Tobacco** has fared even better, up more than a fifth.

It is a pleasant change for the industry, whose stocks have underperformed since late 2017 because of worries about stricter government tobacco controls and investors' screening out cigarette companies for ethical reasons. The United Nations' Tobacco Free Finance Pledge has been signed by firms that manage \$12.2 trillion, equivalent to around 10% of the assets overseen by the world's top 500 asset managers.

The companies reported robust full-year results last week. On Friday, BAT said sales of its smokeless products like Vuse e-cigarettes grew more than 50% in 2021. In the second half, Vuse broke even for the first time in the U.S. market.

Philip Morris, which sells Marlboro cigarettes outside the U.S., said net revenue from "reduced risk products" like its IQOS heated tobacco sticks accounted for 31% of the group's total in the last quarter of 2021. Altria, which sells Marlboros in the U.S., hasn't made as much progress building smoke-free brands since its disastrous 2018 bet on e-cigarette maker JUUL Labs. However, it pointed out that recent weakness in U.S. cigarette volumes is in line with long-term averages when

looked at over a two-year period.

Although the latest numbers were broadly encouraging, the recent rise in tobacco shares is probably driven by hedge funds' switching from growth to value stocks rather than an influx of long-term investors, Jefferies analysts say. The funds may be looking for companies that pay generous dividends as an inflation hedge. The S&P 500 High Dividend Index is up 2.4% this year, compared with about a 7% fall in the wider blue-chip index. Tobacco companies generate a lot of cash and pay it out: Even after its recent rally, BAT's dividend yield is 6.5%.

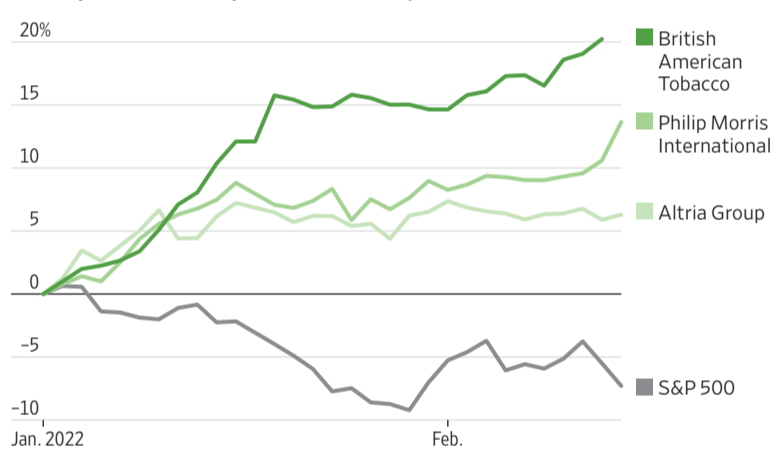
For the revaluation of tobacco stocks to continue, investors would need to be convinced that regulatory threats are easing, or that profits from smokeless products are rapidly replacing those from lucrative traditional smokes. Here, the signs are mixed.

PMI and BAT are making progress in developing less-risky products like e-cigarettes. However, the European Union, where smoking rates are much higher than in the U.S., is reviewing how it taxes all tobacco products. If it raises levies on smokeless products, tobacco companies could find it harder to persuade smokers to switch over, or to make a big profit on them if they do. The U.S. Food and Drug Administration wants to ban menthol cigarettes, a move that would hit Newport-owner BAT hard.

The run-up in tobacco shares is a sign that investors see them as a haven amid rising interest rates. It shouldn't be taken as a vote of confidence that the industry's problems are going away.

—Carol Ryan

Share-price and index performance this year



Source: FactSet

## MARKETS

STREETWISE | By James Mackintosh

# SoftBank Should Reconsider Tech-Stock Nasdaq Move



British finance is having a moment of existential angst after the owner of Arm Ltd. said it was leaning toward listing the chip designer—Britain's biggest tech company—on Nasdaq rather than the London Stock Exchange.

Weighing on the British mind: Is London, for centuries a center of global finance, becoming a backwater? It has few of the go-go technology and biotech stocks that offer growth. The total value of the FTSE 100, the local benchmark, is only fractionally more than that of Apple. The index has only four tech stocks, and partly as a result it is one of the cheapest markets.

Yet, **SoftBank Group**, the Japanese owner of Arm, should reconsider. Sure, Nasdaq is the go-to global market for tech. But that is exactly why London should be appealing, as local investors starved of growth stocks lavish it with attention. There are solid reasons to think London would provide at least as good a valuation as New York.

London's tech sector may be small but it has a higher valuation, on price to 12-month forward earnings, than the U.S., Europe or Japan, according to MSCI's definitions, which differ from FTSE's. Still, MSCI includes three U.K. tech stocks (accountancy software firm Sage, industrial software group Aveva and safety, health and environment group Halma), so look to Arm's own

history. Before SoftBank bought it in 2016, Arm—then with its primary listing in London—traded at a significant valuation premium to U.S. chip makers and was among the most expensive on forward PE and on enterprise value to earnings before interest, taxes, depreciation and amortization.

London's naysayers will point to two high-profile local flotations that flopped: food-to-the-door group Deliveroo and online retailer THG PLC. Investors soured on THG after the founder and CEO blamed short sellers for poor stock performance, and worsened when he told GQ magazine that he should have IPO'ed in the U.S. to avoid attention.

Deliveroo plunged by a quarter on its first day of trading last March, and is now down more than 60% from the listing price. But its float coincided with pandemic winners falling out of favor as Covid-19 retreated. By the end of November, Deliveroo shareholders would be unhappy, but the stock lost exactly as much (adjusted for currency) as operators of rivals, Netherlands-listed Just Eat Takeaway and Uber Technologies. Deliveroo stock fell faster in the past couple of months, but there is no reason to blame that on its listing experience.

What if Deliveroo had chosen Nasdaq? It's impossible to be sure, but British companies Cazoo Group and Arrival are useful comparisons. Cazoo, an online car retailer, announced a deal to list in the U.S. via a special-purpose acquisition company two days before De-

liveroo started trading. Since then the stock has fallen very nearly as much as Deliveroo—and the same applies since Aug. 27, when the SPAC deal was completed. Electric-bus maker Arrival completed its SPAC deal on Nasdaq a few days before Deliveroo's float, and tumbled 17%, before recovering—but is now down even more than Deliveroo.

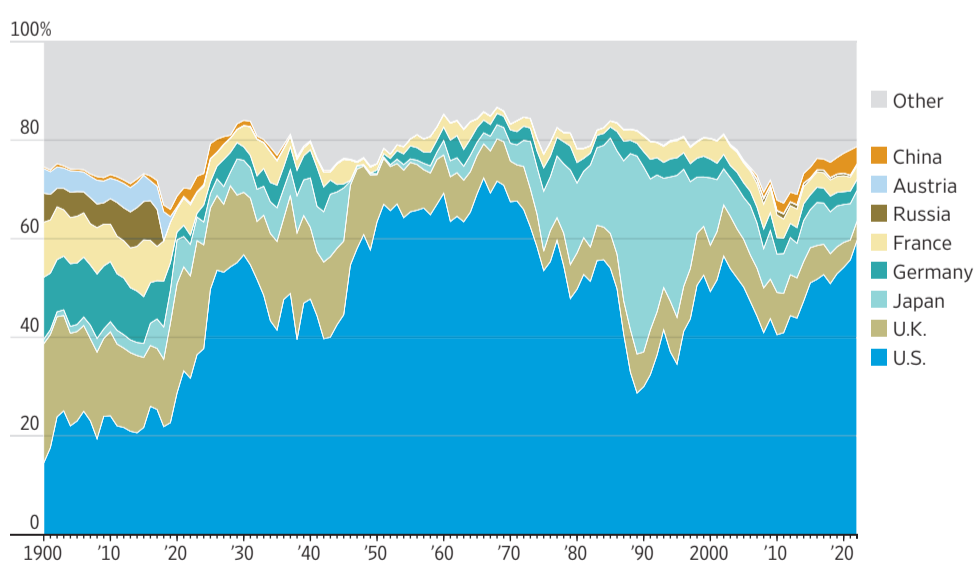
Arm would surely be treated differently from stocks such as Deliveroo, as it has a long-established business at the cutting edge of microchip design and is far bigger.

List in the U.S. and Arm would be just one among many. At \$40 billion, it would rank only as the 14th-largest semiconductor stock, and 80th in the Nasdaq. As a British company with global sales, it probably wouldn't qualify for the S&P 500, which brings large amounts of passive money, although it should be in the Nasdaq-100.

Whether SoftBank picks London or New York, it has serious work to do to get it ready by March 2023, as it hopes: Arm's latest accounts weren't passed cleanly by its auditor because of legal problems at its Chinese joint venture, a major black mark against an IPO on both sides of the Atlantic.

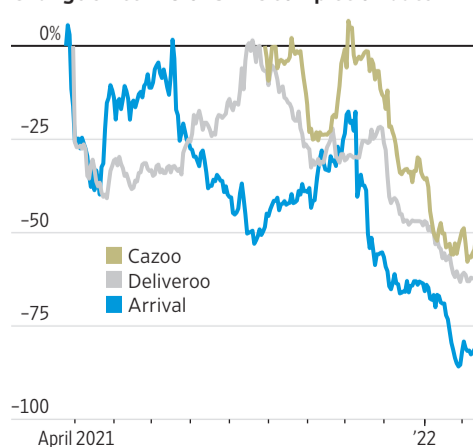
If Arm's new CEO does go with Nasdaq, at the very least he's going to need to have a decent justification to make his case to British politicians anxiously watching London's financial rankings.

Share of world stock market value\*



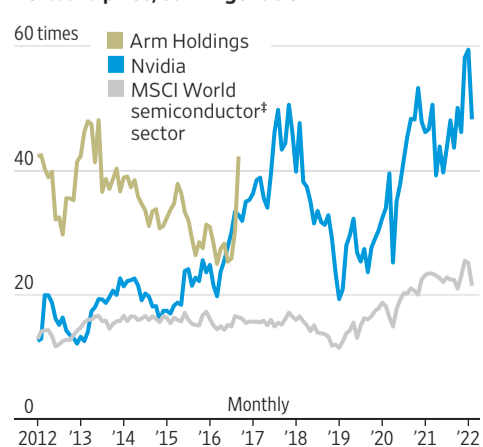
Three British fast-growth stocks chose different exchanges: Arrival on Nasdaq, Deliveroo in London and Cazoo on NYSE. Stock performance was grim for all three.

Change since IPO or SPAC completion date†



When Arm was listed in London the chip designer usually traded at a premium.

Forward price/earnings ratio



\*Free float investable weights; China at FTSE index weight since 1990 †In dollar terms ‡and semiconductor equipment Sources: Elroy Dimson, Paul Marsh and Mike Staunton (share); Credit Suisse (share); Refinitiv (change, P/E ratio)

# WEALTH MANAGEMENT



## THE BEST WAYS FOR COUPLES TO SHARE FINANCES

We asked financial experts—and readers—how they handle money in their own relationships. There are valuable lessons here for everybody.

BY CRISTINA LOUROSA-RICARDO

**M**oney can be one of the most contentious aspects of a relationship or marriage. One in five couples identifies money as their greatest relationship challenge, according to a 2021 Fidelity Investments survey of individuals ages 25 years and older in a married or long-term committed relationship.

Sometimes the challenge is about who spends too much or who doesn't save enough. But perhaps the most difficult issue is more basic than that. It's about how to combine finances, if at all. Is it better to keep everything separate? And if you do join forces, who keeps track of the spending and saving, and how do you do it?

Of course, there is no single right or wrong way for couples to divvy up their finances and financial

*Please turn to page R4*

### Inside

#### Taxes

Series I bonds have a hefty yield—and some tax advantages. **R2**



### Strings Attached

Why today's gift giver may hurt you tomorrow. **R5**



#### Good Timing

The demand for vintage watches has soared during the pandemic. **R6**

#### Philanthropy

##### Microgiving

New apps make it easier to donate small amounts. **R7**

#### Personal Banking

Fintech companies are stepping up their offerings. **R8**



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## JOURNAL REPORT | WEALTH MANAGEMENT



Taxes | Tom Herman

## The Tax Advantages of Series I Savings Bonds



Also: Don't miss out on the tax benefits of using qualified charitable distributions

**A**t first glance, a stodgy, government-guaranteed investment may not seem like the most thrilling investment idea. But for many investors that's exactly what U.S. Treasury Series "I" savings bonds are these days.

New I bonds sold by the Treasury from November 2021 through April 2022 earn interest at a mouthwatering annualized rate of 7.12%. (A new rate will be set every six months after that.) And that rate is attracting droves of safety-conscious investors looking for a hedge against inflation, plus a few tax advantages.

The bonds, which are backed by the full faith and credit of the U.S. government, are sold directly by the Treasury through its website TreasuryDirect.gov. There are no brokerage commissions or fees.

The minimum holding period is only one year. But the bonds earn interest for 30 years, or until you

decide to redeem them, whichever comes first, the Treasury says. If you redeem them before five years, you lose interest for the previous three months. After five years, you can cash in the bonds without a penalty.

Investors are limited to buying only as much as \$10,000 in electronic I savings bonds per person each year. But you can purchase up to an additional \$5,000 per person in paper I bonds using your federal income-tax refund. (Personal disclosure: My wife and I each bought \$10,000 of I bonds last year and plan to buy another \$10,000 apiece this year, for a total of \$40,000.)

While the current rate makes Series I bonds very attractive, there are also some tax advantages—and wrinkles—to consider.

The interest paid on savings bonds is free from all state and local income taxes. That can be an important feature for many upper-income investors who live in high-tax areas, such as New

### 7.12%

The current annualized interest rate for Series I bonds sold November 2021 through April 2022

York City, California, New Jersey, Hawaii, Washington, D.C., and Oregon, among others.

However, the interest income is subject to federal estate and gift taxes as well as state estate or inheritance taxes.

Savings-bond interest also typically is subject to federal income tax—but not always. Under certain circumstances, you may be able to exclude part or all of the interest earned from federal income taxes when the money is used to pay for qualified higher-education expenses for yourself, your spouse or a dependent during that tax year.

The IRS offers an explanation in Publication 970, "Tax Benefits

for Education."

Eric Smith, an IRS spokesman, says when filing your taxes you should attach IRS Form 8815, entitled "Exclusion of Interest From Series EE and I U.S. Savings Bonds Issued After 1989 (For Filers With Qualified Higher Education Expenses)." For more details, see IRS Publication 550.

You have a choice on when to report the interest income on your federal income-tax return. Not surprisingly, most people defer reporting the interest income until they file a federal income-tax return for the year in which they receive "what the bond is worth including the interest," the Treasury says.

The TreasuryDirect site also points out that when electronic I bonds in a TreasuryDirect account stop earning interest, "they are automatically cashed and the interest earned is reported to the IRS."

But there is another option many taxpayers should consider. Instead of deferring reporting the interest income, they can choose to report it each year. That could be a smart move for people with little or no taxable income.

For example, consider savings bonds held in a child's name. "The child may be paying taxes at a lower rate than will be true years later when the bond matures," the Treasury says.

Once you choose this option,

however, "you must continue to do so every year after that for all your savings bonds (or, for example, the child's bonds) and any you acquire (or, the child acquires) in the future."

For more details, you can go to the TreasuryDirect website.

With tax-filing season under way, some readers have raised questions about qualified charitable distributions, or QCDs. Many older investors prize this technique as a tax-savvy way to donate to charity from a traditional individual retirement account. But, as one reader indicated, it's easy to miss out on this benefit if you don't pay close attention to the details.

Here is a quick review of the basics: If you are 70½ or older, you typically can transfer as much as \$100,000 a year from your IRA directly to a qualified charity without having any of that transfer subject to tax. A properly done QCD counts toward your required minimum distribution for the year.

Pay close attention, however, to the words "directly" and "qualified." The transfer really must be made *directly* from the IRA to a qualified charity. And not all types of charities are qualified for a QCD. For example, one reader asked whether a donor-advised fund, or DAF, is a qualified charity for a QCD. The answer is no. Congress specifically excluded DAFs, a popular charitable-giving vehicle, for this provision.

When you make a qualified charitable distribution, be sure to write yourself a reminder to help you remember it at tax-preparation time so that you don't mistakenly wind up paying tax on the transfer. It's easy to make that error—and it can be very costly.

Lastly, here is an unrelated reminder for donors: If you plan to claim the standard deduction for 2021 (as most taxpayers usually do) and if you made charitable deductions during the year, don't forget about a charitable contribution deduction for non-itemizers. For 2021, singles who don't itemize deductions typically may deduct as much as \$300 of their gifts to qualified charities; joint filers can deduct as much as \$600. (But donations to donor-advised funds don't count.) On IRS Form 1040, enter the amount on line 12b.

"As with contributions for itemizers, be sure to have a receipt or acknowledgment letter in hand before you file," says Mr. Smith, the IRS spokesman.

*Mr. Herman is a writer in California. He was formerly The Wall Street Journal's Tax Report columnist. Send comments and your tax questions to [taxquestions@wsj.com](mailto:taxquestions@wsj.com).*

### The Game Plan

## When Her Husband Became Ill, She Needed a New Financial Plan

By DEMETRIA GALLEGOS

**Rosemary Spielmann** had hoped to be retired by now. But her husband's illness and the wrench it threw at their finances have altered that plan.

Mrs. Spielmann, 65 years old, makes \$53,400 a year as an administrative assistant in Arden Hills, Minn., a suburb of St. Paul. She loves her job, though she wishes for more flexibility.

Her 74-year-old husband was diagnosed with dementia in 2019, and he now lives in a memory-care facility. Most of his care cost is covered by his pension of \$3,981 monthly (which has a 100% survivor benefit), his monthly Social Security benefit of \$1,848, and Minnesota's Medical Assistance program.

Once her husband's retirement benefits were going completely to pay for his care costs, the family home was no longer affordable, Mrs. Spielmann says. She sold the house last summer for \$580,000, paying off the mortgage and other debt and buying a used car. She now lives in a \$260,000 townhome with a \$100,000, 30-year mortgage at

2.6%. Her new monthly payments for mortgage, insurance, property taxes and homeowner's association fees total \$971.

Other monthly expenses include: \$366 for her husband's health insurance and dental care, \$105 to his care facility; \$200 for phone, gas, electric and internet and \$410 for food. She had cut out Audible and Netflix subscriptions to pare expenses further, Mrs. Spielmann says, but she found she missed them too much. So she recently added them back for a total of \$30. Mrs. Spielmann also spends \$75 a month for her dog's care.

She will be the beneficiary of her husband's \$30,000 whole life policy, which is fully paid off.

"As I reduce, the person I am is fitting into the life I've been given, versus trying to keep the life I don't fit into anymore," Mrs. Spielmann says.

She has an emergency fund of \$39,900 in a money-market account, and retirement savings worth about \$90,000 total, including a 401(k) with \$24,000 and IRAs worth \$46,400. She also has a health savings account with \$15,000.



Rosemary Spielmann should file for Social Security, says an adviser.

She expects to receive about \$1,200 in monthly Social Security benefits when she reaches full retirement age this summer, and about \$1,052 from her own pension. She has prepaid funeral plans for her husband and herself.

Thanks to her steps to economize, Mrs. Spielmann has about \$2,700 a month available for home improvements and is able to offer occasional help to her four adult children. She also

makes an extra mortgage payment each quarter, which she hopes will help her retire once the home is paid for, whatever is happening with her husband. She would like one day to be able to travel and perhaps go back to school to study counseling.

**Advice from a pro:** Benjamin C. Olson, a wealth adviser with Guardian Wealth Strategies in Minneapolis, says, "Good deci-

sions made years ago are giving her choices today."

Among those decisions: the 100% survivor benefit on her husband's pension. If he predeceases his wife, she'll receive it, plus his full Social Security benefit, on top of her own pension. Together, this would add up to \$6,880 a month, which should allow her to retire comfortably, based on her current household budget.

But in the short term, Mr. Olson agrees, Mrs. Spielmann's finances are tight.

She has done a good job of reducing expenses, he says, but she should consider immediately filing for her own Social Security benefit. Although her full retirement age of 66 and 4 months isn't until July, she is missing out on "free money" between now and then. It won't matter if she loses out on a few dollars a month by filing early, he says, because when her husband passes, she'll be entitled to his full \$1,848, far in excess of her own benefit of \$1,200.

*Ms. Gallegos is an editor for The Wall Street Journal in New York. Email: [demetria.gallegos@wsj.com](mailto:demetria.gallegos@wsj.com)*





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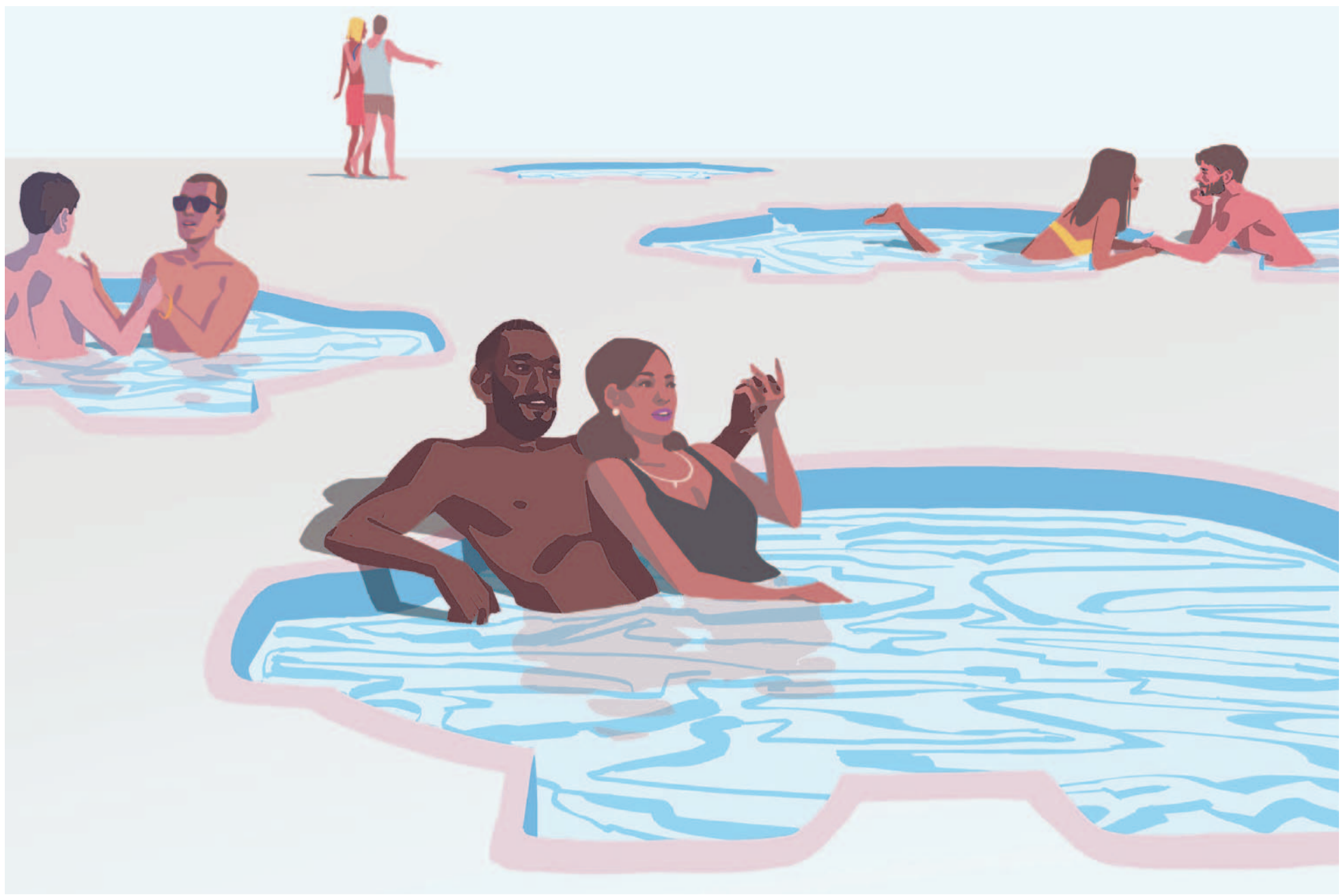
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# JOURNAL REPORT | WEALTH MANAGEMENT



PATRICK LEGER

## How Couples Handle Money

*Continued from page R1*

duties. How tasks and decision-making are split can depend on a partner's existing financial know-how, interest or willingness. Some people want a 50/50 split of duties; some defer all tasks to one partner. Others, meanwhile, have each partner focus on their individual strengths: One person may be a good at the nitty-gritty of budgets and bills while the other is a big-picture thinker when it comes to money.

We wanted to know the different approaches that couples and partners take. To that end, we asked three groups of people to tell us what they do in their own relationships: professional advisers, academics who study financial behavior, and Wall Street Journal readers. Here are some of their responses.

### There's my money, and there's your money

Unlike many working professionals, when we got married, my husband and I decided not to combine our finances. Although there is some empirical research showing that people who combine their bank accounts feel a greater sense of "financial togetherness," which can in turn promote relationship satisfaction, we prefer the feeling of personal control that comes with maintaining separate bank accounts.

We use an expense tracker to equally split bills and daily expenses. When it comes to personal items—like new clothes or videogames—we buy those from our independent accounts. This means we don't have to ask our partner for permission to make the occasional luxury or experiential purchase.

Importantly, this approach to keeping our bank accounts separate doesn't mean we don't talk about financial decisions. When it comes to both major decisions like investing and minor ones like making purchases for our home or buying a toy for our pet, we make these decisions together. Our general rule is that if the other person is going to split the expense, we ask for their input before making the purchase. Our daily purchase discussions about needs and wants for our family allow us to experience financial togetherness, despite having separate accounts.

—Ashley Whillans, assistant professor at Harvard Business School

### Three different buckets

In our family, it's all about setting up a "divide and conquer" strategy while maintaining our unique financial independence. We combine our income and it essentially hits three buckets monthly—after we've saved 20% off the top. Bucket No. 1 (a joint checking account) is used to pay monthly bills. That gets 70% of the income. Bucket No. 2, which gets 5%, is a savings account for my spouse for buying gifts, entertainment or personal items. Bucket No. 3, which also gets 5%, is a savings account that allows me to do the same. Giving each partner a safe financial space—where they can have some money

to do what they want when they want without having to ask—is a really important step to a healthy marriage when it comes to money.

My spouse is the chief financial officer and manages paying the monthly bills. She's also in charge of making vendor changes when she feels it's appropriate. My role is the chief investment officer, and I'm responsible for picking our investments, managing our real estate and allocating our 401(k)s. We act as a joint team when it comes to making financial decisions regarding our children—whether it's allowances, mobile phones or the credit cards they use.

We act as co-CEOs when it comes to mapping out financial family goals and objectives. Each year, we assess our one-

**'Giving each partner a safe financial space—where they can have some money to do what they want when they want without having to ask—is a really important step to a healthy marriage.'**

year goals in terms of savings, net worth or possible purchases. We review our long-term financial plan to make sure we are on track for goals such as college education and retirement. Having an open and transparent relationship with our money has allowed us to minimize arguments and discrepancies and focus on maximizing our mutual financial goals.

—Ted Jenkin, co-CEO and founder of oXYGen Financial in Savannah, Ga.

### It's all in the prenup

My husband and I have a prenuptial agreement and we are both responsible for our own debts. Because we live in my husband's condo, he pays the mortgage. I pay the association fee and buy the groceries. I am also responsible for my own car payment and car insurance. I collect rent from my former home. We both had assets when we got married, and he does have children from a prior marriage, so this arrangement seems very sensible for us. We both have separate bank accounts and credit cards. In addition, we have separate retirement accounts—both personal and from our employers.

When we purchase a house together (currently under construction), we should maintain our current arrangement, minus the mortgage; we'll just divide the mortgage payment in proportion to our salaries. If we eventually sell the house, we will split the proceeds depending on how much we've invested in it individually.

—WSJ reader Jessica Moran, Fullerton, Calif.

### A monthly financial meeting

My husband and I have been together for over 10 years and combined our finances after we married in 2015. One tradition

we introduced when we started living together was to have a conversation about our finances the first day of each month when we develop a spending plan created on a shared Google spreadsheet.

In the spreadsheet, each row represents a smaller category of purchases like groceries, entertainment, and clothing that we earmark a certain amount of money toward for the month. We then log any purchases we make on the spreadsheet, and typically don't discuss these purchases unless they are unexpected and large (like a dental bill).

During our monthly financial meeting, we assess how we did with our spending and adjust for the month going forward. We added two new categories to our plan this year: a personal spending account for me and one for him. These accounts allow us a bit of privacy if we make a purchase we don't necessarily want to share. (This was introduced after our tracking system ruined the surprise of gifts we gave each other over the holiday.)

Tracking all our purchases was painful when we first introduced it, because it focused us on the pain of parting from money. But it quickly became a source of strength, because it has encouraged us to have more regular check-ins with each other about the lives we want and how we can use our money to get us there.

—Grant E. Donnelly, an assistant professor of marketing and logistics at Ohio State University's Fisher College of Business

### Joint accounts (except retirement)

I am the appointed CFO in my household. I remember when I approached my wife and kindly suggested that we hire a financial planner to take a fresh look at

our own financial planning. She replied, "Isn't this what you do?"

We handle both of our incomes in a joint checking account from where expenses are paid. From this account, we have monthly electronic transfers going out to an online bank joint savings account for short-term goals. Other transfers go out to brokerage accounts for longer-term goals. We each have our own retirement plans that I manage.

Every year, we sit down and review every financial account we have. My wife gets a one-page report along with copies of the Dec. 31 statements of each account, which I place in the "If I get hit by the bus" estate-planning folder. To keep working in financial harmony, we have another joint account in the same online bank that gets funded monthly. The balance is available solely to my wife to spend as she pleases. This approach works for us. Harmony and simplicity are worth the peace of mind that follows. And always be mindful of making it easier for your spouse to carry on in case the unthinkable happens.

—George Papadopoulos, fee-only financial planner in Novi, Mich.

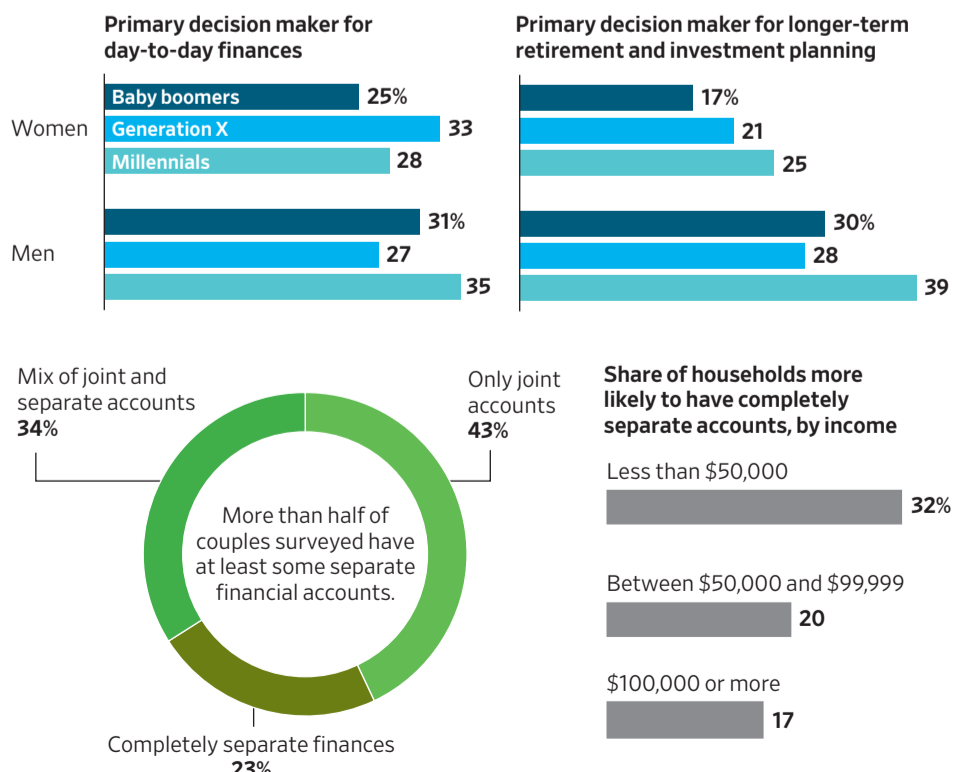
### A partnership, with guidance

When my husband, Ken, and I got married, we were well aware that money was one of the two primary issues that can come between couples and commonly lead to divorce (the other being sex). We decided early on to make sure our finances wouldn't ruin our marriage or create emotional or financial strife.

First, we tackled the obvious. Regarding living expenses and large purchases, we opened three checking accounts to pay bills: a joint account and individual accounts for each of us. Neither of us wanted to feel judged by our financial purchases nor be told what we could or

## Taking the Lead

When it comes to their finances, only half of couples surveyed say they make money decisions jointly. Others let one partner take the reins.



Sources: Fidelity Investments 2021 Couples & Money Study (decision); CreditCards.com 2022 survey (separate, income)

## JOURNAL REPORT | WEALTH MANAGEMENT

could not buy. We pay our household expenses, including large purchases that we agree on like a car, through a joint account and our discretionary expenses through our personal accounts. I took on the role of managing our household expenses, primarily out of practicality. We each had an individual 401(k) that we contributed to regularly, and we started a joint investment account as well. We fund charitable giving—a big priority for us—through our joint account.

We partnered on investment and charitable-giving decisions and it didn't take us long to realize that we needed professional guidance to educate us, help us make investment decisions, and, at times, arbitrate between us to determine the right financial strategies. While it's not a conflict-free strategy, it has really worked well for us.

—Maddy Dychtwald,  
author and co-founder of Age Wave  
think tank and consultancy

### Down the middle

My partner and I are very, very 50-50 in how we approach our finances. Anything shared—rent, electricity, internet, etc.—is split down the middle. I have a system for tracking discretionary expenses, and at the end of the month the total of regular shared monthly expenses and one-off expenses gets split. My partner then pays that amount to our credit-card ac-

count(s) used for the monthly spending.

zou packages are showing up at the door.

—Daniel Rodriguez, chief operating officer at Hill Wealth Strategies in Richmond, Va.

### A family finance meeting (kids included)

I did all of the finances at the beginning of our marriage. However, this inequity turned into a weird dynamic where my spouse felt like she needed to ask for permission to spend money. So, five years ago we developed a budget and financial scorecard.

Monthly, we track income, expenses and our personal balance sheet (assets, liabilities and net worth). The kids are involved in our financial meetings, where we discuss how much we plan on spending for vacations, eating out, etc. One month, the kids were overspending on school lunch (\$400 for the month), so they proposed we make home lunches for the next month to balance things out. It has been a really awesome habit for our family and our net worth has increased 8x during the last five years.

—WSJ reader Regan Fackrell,  
St. George, Utah

### Team effort

It's important that we are a team on our spending and saving, rather than the husband paying for certain expenses and the wife paying for other expenses. That approach tends to create conflict. So we have both of our direct deposits going to the same checking account, from which we pay for all of our fixed household expenses, and most importantly, our goals. We also have a joint credit card for all other spending. We decided that if we're going to make a purchase above a certain dollar amount—for example, more than \$500—we first discuss it so there are no surprises. We also take into consideration gifts for one another, such as for holidays and birthdays. During this time, we have an unwritten agreement that we don't check credit-card statements so that there is still an element of surprise.

—Lisa Tuttle, Ameriprise financial adviser and co-owner of the Tuttle Group, Edina, Minn.

### Separate and competitive

My girlfriend, Samantha, and I have been in a relationship for 12 years and have kept our finances completely separate. We use [money-management site] Mint to compare net worth to see which one of us is more effectively managing their portfolio. Whenever our combined net worth eclipses a new \$100,000 milestone, we grab a celebratory meal. Who pays? Honestly, Sam usually pays. Otherwise, we'll split the check using Venmo.

—WSJ reader Dave Cooper,  
Milwaukee, Wis.

### Cold, clinical and intimate

The financial three-way: yours, mine, ours. This is the guiding framework that my partner, Jay, and I use to handle our finances. We are both in our 50s, divorced, and thanks to this system have not had a single money argument over the five plus years we've been together.

We decide what expenses we want to treat as combined and we each pay 50% of those costs. That bucket includes: costs related to the condo we own jointly, vacations we take together, and any other forms of entertainment we do as a couple. We then keep the remainder of our finances—both the savings/investments we accumulated prior to meeting as well as each of our current income streams—in our own separate accounts. We use that money as we see fit, from charitable giving to personal grooming.

On the surface, this may seem to be a cold and clinical manner of handling finances. But in reality, it is shockingly intimate as it requires you to get financially naked and really talk about money with your partner.

—Manisha Thakor, founder of financial well-being consultancy MoneyZen in Portland, Ore.

Ms. Lourosa-Ricardo is a features editor for *The Wall Street Journal*. Write to [cristina.lourosa@wsj.com](mailto:cristina.lourosa@wsj.com)

## Beware of What Comes After Receiving a Gift

By EVAN POLMAN

**There's a lot** to be said for giving gifts. They enable givers to demonstrate their generosity, sensitivity and creativity. Givers receive emotional benefits from gifting, such as feelings of closeness with recipients, and the pleasure of shopping for an important relationship partner.

But giving gifts apparently also does something else for givers: It makes them feel entitled to behave badly in the future.

That's because of a human tendency to balance good behaviors with bad ones. Research, for instance, has documented that virtuous behaviors, such as voting, helping someone or donating to charity will greenlight self-indulgent or unethical behaviors. In one study, people were more likely to cheat and steal after buying environmentally friendly products than they were after buying conventional ones.

### What's cheating?

My colleagues and I recently investigated whether the same holds true when it comes to gift giving—if, as people give gifts, they build up social capital that they can use later when doing something a little south of appropriate.

In one study, we looked at whether buying a gift for someone relaxes one's moral rules. Specifically, we measured givers' perceptions of the most concrete form of immoral behavior in a romantic relationship: in-

emails, providing more evidence that giving gifts leads people to pay their recipients less mind. Perhaps most surprising of all, we found that despite writing less polite messages, givers didn't detect a lapse in their behavior. In fact, participants believed their emails to be friendly and warm—even though our research suggested otherwise.

All told, our studies show that after giving a gift, givers behaved more crudely, casting a shadow on the widespread view that gift giving leads to "better" relationships. Gifts are undoubtedly important to relationships, but gifts cannot be assumed to improve relationships—at least, not without caveats.

### Be my Valentine

While hardly definitive, there are other suggestions for the validity of our findings. For example, we discovered that the dating website ashleymadison.com (a site for people who want to cheat on their partners) saw its highest or second-highest web traffic in February in seven of the 10 years from 2005 to 2014. (The following year, 2015, ashleymadison.com was hacked and featured prominently in the news.) The likelihood of this surge in February traffic happening by chance is 0.0002%. What's more, the month of February notched the highest average web traffic in the same 10-year period across all months. We can only speculate, but because February tends to be a month when people choose gifts for their romantic partners, it is possible that it is also a month when people might develop a "wandering eye"—because they are buying their partners gifts and then licensing their behavior.



## Gifts are undoubtedly important to relationships, but they cannot be assumed to improve relationships—at least, not without caveats.

fidelity. We found that when participants imagined they had given their partner a gift, they rated their personal use of a dating app as less likely to be considered cheating on their partner compared with participants who imagined the same circumstance but without a gift exchange. In other words, giving a gift to a partner appeared to loosen the giver's moral standards.

In another study, we tested how givers interact with their friends after giving them a gift. Some participants responded to a scenario where they imagined giving a birthday gift to a friend. Other participants responded to a scenario where they were talking with a friend. For all participants, the scenario ended with the participant and friend making future plans, but after parting ways, the participants realize they have a scheduling conflict and therefore must write an email to their friend with a note containing a change of plans.

We found that gift-giving participants composed emails in a less polite manner as compared with the other participants. We also found they spent less time writing their

Here's some more speculation: When people are still making and forming impressions of each other, it may be more important to be courteous and polite than in a longstanding, less tentative relationship. Research has found that people behave more selfishly around their close friends than with others who are less close. Thus, our findings might apply more readily to established relationships.

Our findings highlight the potential unintended consequences of consumer behaviors on people's interpersonal relationships. We find that gift giving, a behavior assumed to facilitate stronger relationships, also taketh away. Viewed this way, the best analogy may be to medicine. Giving a gift helps heal and strengthen a relationship, but not without adverse side effects.

*Dr. Polman is an associate professor of marketing at the Wisconsin School of Business at the University of Wisconsin-Madison. He can be reached at [reports@wsj.com](mailto:reports@wsj.com).*

Source: Fidelity Investments 2021 Couples & Money Study

### Proportionate spending

My wife and I have a joint account that all of our bills are auto-drafted from every month. Our mortgage, utilities, insurance, auto loans, everything. We figured what the total would be and then figured our proportionate income for the household. For example, my income accounts for 70% percent of the total household income. So, if our monthly bills are \$4,000, I would contribute \$2,800, or 70%, each month to the joint account and she would contribute her \$1,200, or 30%.

We did it this way so it would be fair and no one would feel like they are over-contributing or under-contributing, because it's all relative and subjective.

We also take 10% of any commission or bonuses and put it straight into savings. The remainder is put into our individual accounts for daily life. We use that money for buying whatever we want. It prevents the other person from being upset if they feel too many Ama-

## JOURNAL REPORT | WEALTH MANAGEMENT

# Demand for Vintage Watches Soared During the Pandemic

The story behind the watch has become more important than ever

BY KATE MURPHY

One of the more common psychological side effects of the pandemic has been a distorted sense of time. With work and school schedules upended and things like birthday parties and holiday celebrations canceled or curtailed, we've lost many of the ways we used mark time. Worse is the way time has seemed to alternately slow down and speed up as the virus rages, retreats and repeats, in a kind of disorienting and disquieting déjà vu.

So perhaps it isn't surprising (at least not to psychoanalysts or behavioral economists) that demand for objects that tell time, particularly vintage watches, has exploded during the pandemic. Indeed, some of the most coveted watches today are those that not only tell time but also tell of someone else's life and times. Sleuthlike, savvy collectors and dealers track down archival evidence of watches' provenance, posting the stories online, significantly increasing both interest and value. Call it genealogy with gears.

Stuck at home with more cash, and more time, on their hands, an influx of younger consumers has joined veteran collectors in the hunt for watches with stories to tell. Analysts say the preowned watch market (largely vintage) is now poised to be the industry's fastest-growing segment of the estimated \$67 billion premium or high-end market. Auction houses such as Sotheby's, Christie's and Phillips have seen their preowned watch sales nearly double over the past two years.

Watch nerds hotly debate how old a preowned watch must be to qualify as vintage. But whether a watch is 20 or 200 years old, the value—which can range from a few thousand to several million dollars—has always depended on three factors: condition, rarity and provenance. But, heretofore, unless the watch belonged to an iconic figure like Albert Einstein, John F. Kennedy or Paul Newman, provenance typically contributed least to the sale price. (Note: One of the highest prices paid for a preowned wristwatch was Mr. Newman's Rolex Daytona, which sold at auction for a hammer price of \$17.8 million in 2017.)

"Now all of sudden provenance counts for so much more than it

cal—a desire to capture time when feeling lost in time, and perhaps longing for better times, but also a watch with known provenance is one of a kind, giving watch owners a unique story to tell—and bragging rights.

## A price tag on fame

Before the pandemic, Mr. Michel says, you could buy watches worn by reasonably well-known cultural, political and sports figures for "virtually nothing above the value of the watch." The provenance of watches worn by lesser-known people who did extraordinary things like, say, flying reconnaissance missions during World War II, trekking through the Amazon, performing open-heart surgery or setting pole-vaulting records, might not even get a mention when offered for sale.

Contrast that to today, when auction catalogs and online listings may contain long narratives about watches' provenance. There might be letters from the original owners about their exploits, as well as photographs of them wearing the watch and related paraphernalia such as flight logs, scuba gear, auto-racing goggles and rodeo trophies. The listing may also include how the watch was discovered after decades languishing in a sock drawer or attic, and details about the detective work that went into tracing the watch's history.

An example is the tale of a 1968 Omega Speedmaster, which was sold at auction in December for a hammer price of \$667,800—60 times the estimate. The catalog described how the unsuspecting consignor, who bought the watch online in 2016 for \$5,600, spent years on a Sherlock Holmesian quest to document its provenance. Photographs and insurance papers buried deep within the archives of the Library of Congress ultimately revealed that the watch was worn by the author Ralph Ellison.

"We view it as our duty to tell the story that the watch holds," says Paul Boutros, head of watches in the Americas for Phillips, which handled the Ellison sale. "That's why we spend so much money and time on elaborate catalogs, sometimes multiple pages, dedicated to a single watch, to educate people about who owned the watch, why it's important and why it's culturally significant."

Of course, it's not an altogether



**\$667,800**

Price of a wristwatch worn by author Ralph Ellison that sold at auction in December 2021.

significant event, it tends to command a premium.

Economists say this halo, or good juju, effect is especially pronounced when it comes to watches because they are worn next to a person's pulse day in and day out, lending a greater sense of intimacy and connection. "It feels like you literally own a moment in time and can bring it forward with you," says Brendan Cunningham, a professor of economics and finance at Eastern Connecticut State University, who writes the blog Horolomics.

## Compelling stories

The preowned watch market is projected to reach \$29 billion to \$32 billion in 2025, up from \$18

by Steve McQueen fetched \$2.2 million.

Also in high demand now are so-called recognition watches, such as Rolex Air-Kings awarded to exemplary Domino's Pizza franchisees or to Winn-Dixie truck drivers with spotless driving records. One of those will run you in the \$10,000 to \$20,000 range. A Rolex Datejust given to IBM employees after 25 years on the job is roughly \$5,000 to \$6,000.

"People get excited by watches that the original owners didn't buy but earned," says Eric Wind, a dealer in Palm Beach, Fla., whom fellow watch aficionados call the "Indiana Jones" of watches for his ability to unearth watches with interesting provenance, such as a Rolex Explorer won in 1969 by a bull rider at the Calgary Stampede.

Figuring out a watch's back story can indeed be the stuff of a Spielberg film. Watch dealers like Mr. Wind have been known to travel to far-flung places to interview sources and hunt for documentary evidence. Again, provenance used to add so little value that it was often not conveyed when a watch was sold, particularly when it passed through multiple hands on multiple continents.

Provenance has now become such a selling point, though, that unscrupulous sellers have begun making up stories. So it pays to find a reputable dealer or commit yourself to doing serious research on your own. "People have discussed bringing watches into the blockchain universe and then the true stories would be tied to the serial number forever," Mr. Wind says. "I'm sure it will happen in the future."

As for whether the enthusiasm for storied, vintage watches will continue even after the pandemic, the consensus of collectors, dealers, market analysts and economists seems to be yes. "People are looking for ever more rare, ever more perfect, ever better objects to populate their collections," says Mr. Michel, who owns thousands of watches owned by a range of historical figures. "Watches worn by a particular person at a particular time are by definition the rarest of the rare."

*Ms. Murphy is a journalist in Houston and the author of "You're Not Listening: What You're Missing and Why It Matters." She can be reached at reports@wsj.com.*



ever did," says Roger Michel, a longtime collector of vintage watches and executive director of the Institute for Digital Archaeology, which recently mounted an exhibit on time and timekeeping at the University of Oxford's History of Science Museum in the U.K. "Even relatively modest forms of provenance can add significantly to the value of a watch."

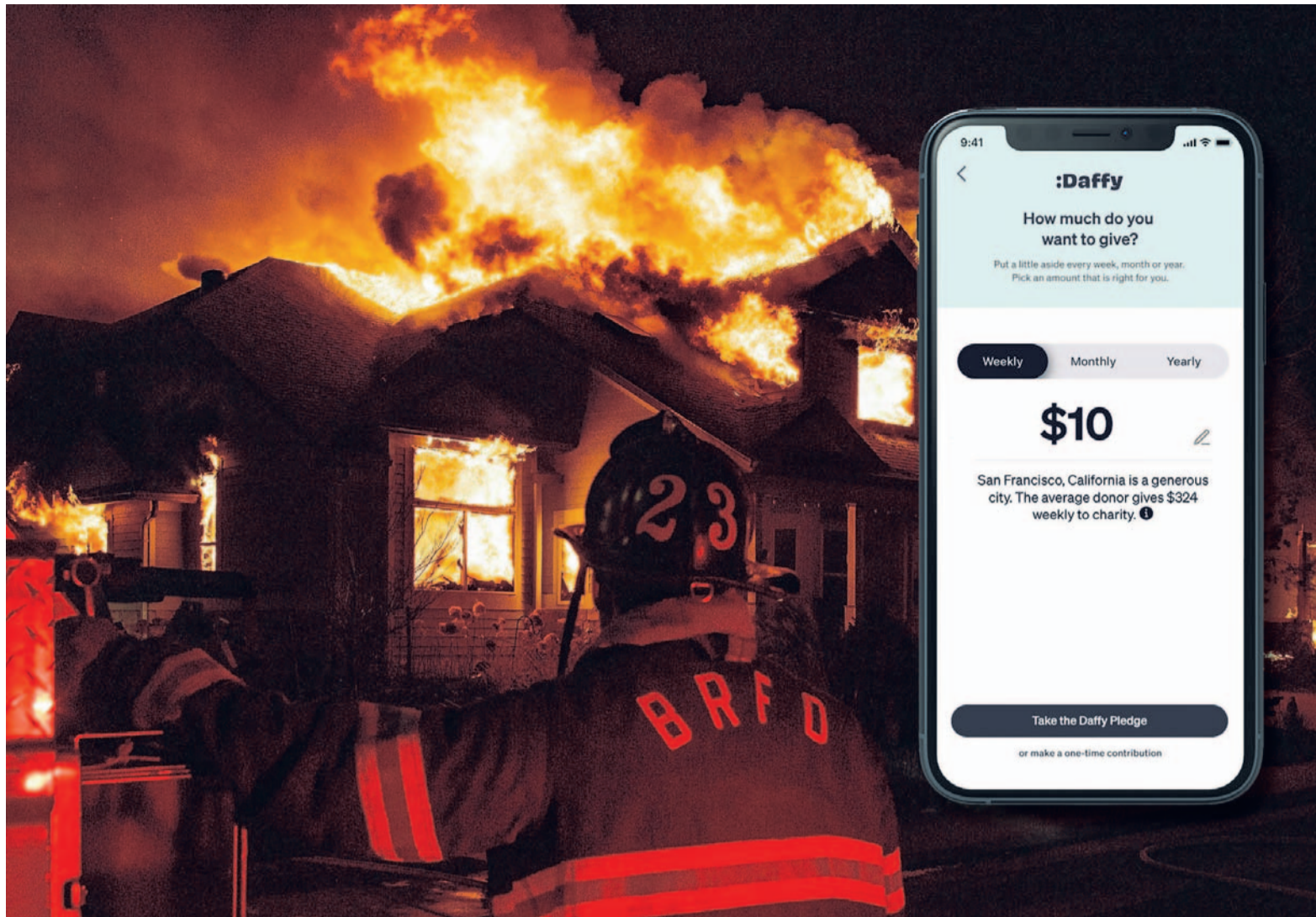
Part of the appeal is psychologi-

cal—altruistic or academic exercise. Highlighting provenance pays. Part of it is that when watch collectors lift their shirt cuffs to show off their latest acquisition, or post images or videos about it on Instagram or TikTok (yes, that is a thing), they want more to say about it than just its reference number. But it also is true that when an object takes on the buzzy aura of an accomplished person or

▲ Clockwise: A 1968 Omega Speedmaster worn by author Ralph Ellison; a Rolex Air-Kings given to Winn-Dixie truck drivers for spotless driving records.

billion in 2019, according to McKinsey—driven by blockbuster sales such as the Ellison watch, but also sales of watches with more esoteric provenance. For instance, a 1975 Breitling made for helicopter pilots and paratroop commanders in the Italian army went for \$18,900 last year. A U.S. Navy diver's watch from Tornek-Rayville in the 1960s brought \$126,000. In 2020, a 1969 Heuer Monaco worn

## JOURNAL REPORT | WEALTH MANAGEMENT



Community giving projects set up by Roundup App include the Marshall Fire in Colorado; the Daffy app lets users make small contributions to a donor-advised fund.

year. They can keep money in the DAF growing tax-free and make charitable donations over time.

The problem is that many DAFs require a large minimum contribution. At Vanguard Charitable, for instance, it takes \$25,000 to open a DAF, with a minimum grant to charities of \$500.

With Daffy—an app whose name stands for the Donor Advised Fund For You—required contributions are much lower: \$100 for a one-time pledge, or a standing contribution of \$10 a week or \$25 a month. The minimum grant to charity is just \$20, says Adam Nash, chief executive of the Los Altos, Calif.-based nonprofit.

Most users pay a \$3 a month membership fee to Daffy, then use a credit or debit card through Apple Pay to make continuing contributions. Members also can donate up to \$25,000 using a stock account or cryptocurrency. For a \$20-a-month fee, individuals can make unlimited stock and cryptocurrency donations. The contributions made through the app are held in a fund, where they are invested in one of nine portfolios, chosen by the user.

When donors are ready to distribute the money to charity, they can select from among nonprofits registered with the Internal Revenue Service, and they can choose whether to share their personal information with the charities.

#### Targeted causes

Some microgiving apps are targeting users interested in a specific cause. Gen E, short for Generation Environment and launched in April of 2021, currently features 25 nonprofits working to address climate change. Users can link a credit or debit card to donate the change from purchases, or they can choose to donate a percentage—from 1% to 20%—on top of every transaction they make using the cards. They can also make lump-sum gifts. Gen E also has an option that groups three selected nonprofits, swapped out quarterly.

Kristen Kammerer, Gen E's founder and chief executive, says users donate \$30 a month on average. The company retains a fee of 8% from the donations.

"The whole premise of microphilanthropy is you give a little," says Ms. Kammerer, "but cumulatively, our community will amount to a lot and make an impact."

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## New Apps Make It Easier to Donate Small Amounts

Financial-technology firms are targeting younger people who want to give over time

By DEMETRIA GALLEGOS

**F**inancial technology is increasingly making its way into the philanthropy sector, aiming to give people an easy way to engage in charitable giving, no matter their income.

Fintech firms have created apps that make it easier for people to set aside small amounts of money over time for donations. In many cases, these apps focus on microphilanthropy, allowing users, for instance, to round up the change from credit-card and bank transactions and later give what they have saved to specific charities. These apps often are aimed at people who feel they don't earn enough to make meaningful donations, especially younger adults who already tend to use fintech

apps for payments and banking and may want to get involved in philanthropy but don't know how.

Since the start of the pandemic, online giving to nonprofits has increased 42%, according to Blackbaud Institute, the research division of Blackbaud, a provider of technology services to nonprofits. Although the institute doesn't specifically track how much giving comes from donation apps, it says nearly 30% of all online gifts were made with a mobile device.

"We have seen growth in microphilanthropy, with gifts between 25 cents and \$10, though the bigger growth is with recurring monthly gifts of more than \$10," says Steve MacLaughlin, vice president of product management at Blackbaud and senior adviser to the Blackbaud Institute.

#### Questionable impact

How much impact donation apps will actually have on charitable giving, however, remains to be seen. For many organizations, the amount of money raised through microgiving platforms may be negligible, says Rick Cohen, chief

communications officer of the National Council of Nonprofits. The platforms often extract fees, which diminish the gifts. And not all of the apps make it possible for nonprofits to know who is donating, and for those relationships to grow.

"For a lot of microphilanthropy sites, 55% of the people give once and then they never give again," says Michael Nilsen, spokesman for the Association of Fundraising Professionals.

Roundup App, for one, says it is trying to change that. A spokeswoman for the Austin, Texas-based company, says the app has an 80% user retention rate.

As the name suggests, Roundup App, which can be downloaded free, rounds up each purchase made to the next whole dollar on a credit or debit card the user can link to the app. Users also can link a bank account, and the app will round up every transaction, including checks, debits and Venmo, Apple Pay or PayPal charges. Once a month, the app tallies the amount rounded up and sends it to the nonprofits chosen by users from an index available in the app. If users can't readily find the organization they're looking for, they can request it. Donors also can make one-time or monthly gifts of any amount. On average, a donor gives \$20 a month, the company says.

Nonprofits, meanwhile, can take ownership of a page on the platform for a \$15 monthly fee. They

receive a dedicated link to use in fundraising and can download contact information of the donors who have chosen them. Nonprofits that don't claim a page are still eligible to receive grants, but the donations are subject to a 15% processing fee. In some cases, Roundup App will create commu-

### The bigger growth in microphilanthropy 'is with recurring monthly gifts of more than \$10.'

nity giving projects in which fees are waived, as it did after Colorado's Marshall Fire in December. Three local nonprofits working to help victims who lost their homes received the donations.

#### Donor-advised funds

A different microphilanthropy approach seeks to broaden access to donor-advised funds, a popular way for high-net-worth individuals to manage charitable giving. With a donor-advised fund, or DAF, people typically make a donation to the fund and claim a tax deduction for the year in which the money is committed—assuming they itemize deductions for that

## One Way to Spend Less: Spread Out Your Paychecks

New apps and the rise of the gig economy mean workers can get paid more frequently. That has a downside for people trying to save.

By LISA WARD

**If we get** paid more often, do we spend more?

Yes, in many cases, new research says. Workers who get paid daily, whether through their normal salary arrangement or by accessing their wages in advance through an app, often spend more money than workers who receive their salaries in the more traditional one- and two-week installments.

The rise of new personal-finance technology and the gig economy have meant that workers increasingly can access wages more frequently. Some fintech apps such as DailyPay—whose customers include large corporations like Big Lots Inc.—make it possible to get paid daily, though such apps often charge fees for this service. Some gig-economy companies also give workers the option to be paid daily. Uber, for instance, gives its workers the option of being paid up to five times a day.

Advance access to one's salary and daily salary payments are often marketed to low-wage earners as a way to avoid late bill payments and bank-overdraft fees.

According to the new research, receiving daily paychecks appears to cause people to spend more money than those who are paid less frequently. "When people are paid more frequently they tend to spend more on the margins, maybe buying a latte when they otherwise wouldn't," says Wendy De La Rosa, an assistant professor at the University of Pennsylvania's Wharton School and a co-author of the study.

Prof. De La Rosa adds that study participants said that receiving daily paychecks made them feel wealthier and more certain about their ability to cover expenses.

On average, workers who were paid every weekday spent about \$18.56 more per month than workers getting paid once a week, and \$20.65 more than workers who were paid biweekly. Workers paid daily also had more expenditures.

While the researchers found a correlation between frequent paychecks and increased spending, they were unable to tease out causation from the data. So,



they did a series of laboratory experiments to better understand the relationship.

In one experiment, participants were either paid \$140 each weekday or \$1,400 biweekly. All participants started with \$875 in their checking accounts and were then asked to make 28 spending decisions, one for each day in the simulation. Throughout the experiment, participants could see the balance in their checking accounts.

Participants were asked to make decisions about covering basic expenses, such as: "Your heating bill is due. You owe \$95.

#### Some gig-economy companies, such as Uber, give employees the option to be paid daily.

What do you do?" They also were asked to make discretionary spending decisions, including: "You had a rough couple of days. You can cook dinner at home or order some takeout for \$45 for the family. What do you do?" The authors found that participants who were paid daily spent more money than participants who were paid biweekly—\$2,919.58 compared with \$2,816.52.

After the experiment, the authors asked participants whether they felt like they had a lot of money during the experiment. People with the daily paychecks felt subjectively wealthier, even though they often had lower daily balances in their checking accounts throughout the experiment.

The authors also found that those paid daily said they felt more certain that they would have enough money to get through the simulation.

One of the key implications of the study is that workers need to be more aware of what it costs them to receive daily paychecks. Some workers pay fees to access their paychecks daily, which can further erode savings in combination with the observed tendency to also spend more. Daily-paycheck fees in some cases could surpass interest rates charged on payday loans, Prof. De La Rosa says.

Prof. De La Rosa plans to follow up on this paper by studying if workers paid daily can be induced to save a portion of their paycheck. The idea, she says, is that since more frequent paychecks cause people to feel subjectively wealthier, they might be more open to setting aside a higher percentage of their wages than they otherwise might.

"Changes in liquidity can really change people's psyche," she says.

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## JOURNAL REPORT | WEALTH MANAGEMENT



compete effectively with banks by providing digital-based context and advice to consumers, taking all their linked accounts under advisement—something traditional banks don't generally do. MoneyLion, which charges a \$1-a-month administrative fee for mobile banking, offers other free or low-cost services.

While banks often recommend their own products and services, one of MoneyLion's goals is to help consumers find and access financial products more broadly. To this end, it recently signed a deal to buy Even Financial Inc., which digitally connects consumers with personalized financial-product recommendations from banks, insurers and fintechs.

### Multiple fronts

Other fintechs offer advantages over most banks on credit cards and interest-earning accounts. Chime, for example, offers a secured credit card—backed by the customer's collateral—that has no annual fee or interest charges, no credit check to apply and no minimum security deposit. And in May, the company expanded its overdraft protection to \$200 from \$100 on debit-card purchases and cash withdrawals, with no overdraft fees. "It isn't just one product or service" that Chime is relying on to remain competitive, says Aaron Plante, vice president of lending products and banking strategy. "It's lots of these improvements."

Last month, mobile-banking app Current began advertising a product that offers higher-than-average interest rates to customers. The product, which is similar to a savings account, allows customers to earn 4% annual percentage yield. The yield is variable, and the maximum a customer can earn depends on whether they have a basic or \$4.99-a-month premium account, up to a total of \$6,000 a year in interest. Current's users don't need to keep a minimum balance to start earning the 4% annual percentage yield and no other fees are involved, says Trevor Marshall, Current's chief technology officer. When asked how it can afford to pay yields so far above the average for this type of account, Current declined to comment other than to say it has a "treasury function."

While fintechs continue to roll out new products and services, some industry watchers say they have to be ever-mindful of competition from banks. "Banks still have huge advantages over most fintech companies," says Cornerstone's Mr. Johnson, including brand recognition, large existing customer bases and extensive financial resources.

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## Fintech Companies Are Stepping Up Their Offerings

They are taking advantage of their size and low costs. But can they stay a step ahead of mainstream banks for long?

By **CHERYL WINOKUR MUNK**

**F**intech companies have established themselves as viable competitors in the financial-services business, but now they face a new challenge: Some mainstream banks have started to offer fintech-inspired services such as early paycheck access and no-fee overdrafts.

So how are fintechs that offer banking services staying relevant? How are they competing with banks that have a long-standing customer base and deeper pockets?

Fintechs, taking advantage of their technological prowess and lower costs, are offering more features that banks generally don't, such as analysis of customers' spending and saving patterns, credit-builder products and lending products designed specifically for consumers who banks don't typically target, like individuals with little or poor credit history. Fintechs also are placing bets on up-and-coming services such as helping consumers plan to reach their savings goals, cryptocurrency investing and crowdfunding.

"They're all racing each other to introduce additional products," says Alex Johnson, fintech research director at Cornerstone Advisors, a management and technology consulting firm, referring to the fintechs. "The question really is what things are on fintech companies' road maps that will continue to set them apart?"

### Competitive advantages

Fintechs that offer banking services have some marked advantages over banks, especially when it comes to attracting younger consumers, many of whom traditionally have been underserved by banks. Fintechs typically have more-versatile technology than banks, and they have low overhead, giving them the ability to offer more low-cost or no-fee services than banks generally can, says Moutusi Sau, an analyst with research and consulting company Gartner Inc.

Banks are trying to keep up. In one recent example, **Capital One** said late last year that it would eliminate all overdraft fees and nonsufficient-funds fees for its consumer banking customers, while continuing to provide free overdraft protection. And **Bank of America Corp.** said in January that it would eliminate nonsufficient-funds fees in February and pare back overdraft fees to \$10 from \$35 beginning in May.

Fintechs hope that by con-

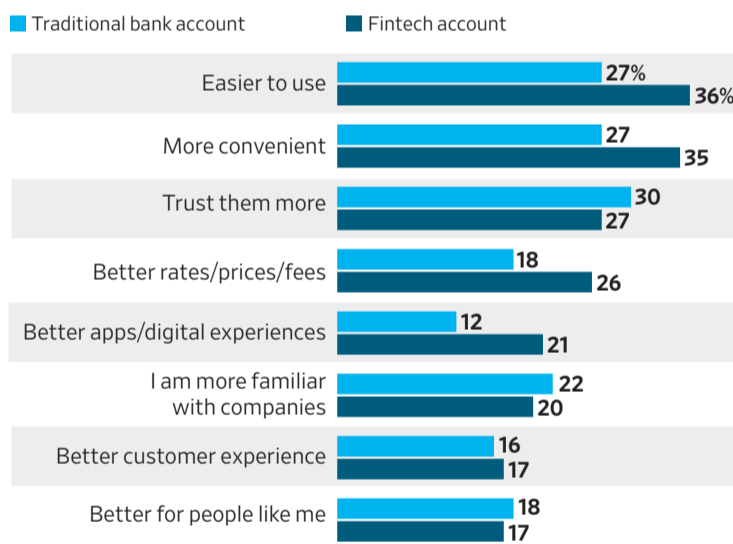
tinuing to add free or low-cost features, they will not only attract new customers they'll also become the primary provider of financial services for all their customers. The bet, says Mr. Johnson, is that, once hooked, customers won't switch back to a bank even if it offers a com-

offer a similar feature, there's usually a fee. Dave offers no-fee cash advances for funds that are delivered within three business days; customers can opt to pay a fee and receive their funds within eight hours.

Dave also recently added a feature that allows rent, cell-phone bills and utilities that are paid through a checking account with the company to be automatically reported to the credit-reporting companies. Automatically reporting this information can help customers improve their credit scores, says

### What's Important

Motivations for consumers considering opening an account within 12 months.



Source: McKinsey Financial Insights Pulse Survey 2020

selling new product or service.

Among those expanding its offerings is **Dave Inc.**, a startup that charges a \$1-a-month membership fee, which last year upgraded its cash-advance product to allow advances up to \$250, up from the previous limit of \$100. While most banks

Jason Wilk, Dave's co-founder and chief executive. The company also is building a feature to allow users to crowdfund for their savings goals, he says.

Dee Choubey, co-founder and chief executive of digital financial platform **MoneyLion Inc.**, says fintechs can continue to

## Artwork Flippers Incur Dealers' Wrath

Dealers say flips hurt artists. Investors say let the market work.

By **DANIEL GRANT**

**Chicago gallery** owner Rhona Hoffman has three or four collectors she won't sell to again. "They broke the rule," says the contemporary art dealer.

That commandment to collectors: If you later decide to sell your artwork, consign it back to the gallery—do not put it up at auction. When buyers ignore this rule and auction off recently purchased pieces, it's called flipping.

From the perspective of dealers, flipping is a problem because when auction-sale prices are publicized, it is often to the detriment of the artist. Dealers tend to create narratives for their artists, and they believe that in the long run, keeping control of that narrative and pricing is better for the artist. The idea is to build demand at a sustainable pace, rather than risk cre-



ating a bubble and then a bust.

"Flipping can harm an artist's career by creating enormous pressure," says Andrea Teschke, partner at the New York City gallery Petzel. "While not ideal, I don't think that one collector selling a work not long after buying it at the gallery poses a huge risk for the artist's career. It's more that it might kick off a chain reaction that could flood the market, either creating a bubble or drowning their primary price."

Ms. Teschke says she "includes a resale clause on our invoices, which is a reminder to come

Painter Tom Christopher says flipping 'brings attention to you. Otherwise, you just have works sitting around your studio unsold.'

back to us if someone decides to part with a work."

Other dealers go further, requiring buyers to sign agreements restricting what they can do with their art purchases. Such agreements "are not heavily litigated, but they are enforceable," says New York City lawyer Judd Grossman. He adds that he, on behalf of some dealer clients, has "threatened litigation" against

buyers looking to flip works. The threat, he says, usually is enough.

Many artists think they are better off when the free market is allowed to set prices. They believe the dealers may be looking out for the dealers' best interests—and not the artists'.

American painter Tom Christopher says buyers have flipped his works more than once, and to him the practice is "absolutely

wonderful. It brings attention to you. Otherwise, you just have works sitting around your studio unsold. It's exactly what you want. It's capitalism."

Some observers see the rise in flipping as a generational change in attitudes among owners of fine art. Evan Beard, managing director of private banking at Bank of America, many of whose clients are collectors of contemporary art, says the newest generations of art buyers "are market-driven, have a trading mentality, see the artworks they own as part of an asset class and are very comfortable moving in and out of different commodities."

John R. Cahill, a New York City lawyer who represents art collectors, questions these explanations. Some of his clients, Mr. Cahill says, are hedge-fund managers on the lookout for undervalued assets. Others, he says, "are true art lovers who also truly need the funds a sale will raise." There are art collectors, too, he adds, who "believe, sometimes correctly, that a big price splash at auction or at a major gallery will help an artist's career."

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