

## What's News

### Business & Finance

**U.S. stocks extended** their April losses, with the S&P 500, Nasdaq and Dow sinking 2.8%, 4% and 2.4%, respectively. All three indexes are on track to lose at least 4% this month. **A1**

◆ **A top EU regulator** cautioned Musk a day after he struck a deal to buy Twitter that he would need to follow the bloc's new rules on content moderation. **A1**

◆ **Tesla shares logged** their biggest one-day drop in more than a year, retreating 12% to \$876.42. **B1**

◆ **Mattel has held** talks with private-equity firms about a potential sale, people familiar with the matter said. **B1**

◆ **Fed governor Brainard** won confirmation in a 52-43 vote by the Senate to become the central bank's vice chairwoman. **A2**

◆ **Microsoft's revenue** and profit rose in the latest quarter as demand for its cloud services and software continued to climb. **B1**

◆ **Google parent Alphabet** posted slower sales growth as global economic turmoil disrupted digital advertising spending. **B1**

◆ **Warner Bros. Discovery's** Zaslav said the company wouldn't spend wildly to boost its various news and entertainment assets when it comes to streaming. **B1**

◆ **GM's profit slipped** 3% in the first quarter. The auto maker stood by its 2022 earnings forecast. **B2**

◆ **GE warned** that its business would be pressured by supply-chain disruptions this year. **B3**

### World-Wide

◆ **Russia's top diplomat** said the West was engaged in a proxy war with his country that could escalate into a global conflict with nuclear weapons, as Western nations elevated their commitment to helping Ukraine defend itself. **A1, A7-8**

◆ **China's Xi has told** officials to ensure the country's economic growth outpaces the U.S.'s this year, people familiar with the discussions said, even as its economy sags under a Covid-19 outbreak. **A9**

◆ **Biden signaled** to House Democrats this week that he is seriously considering taking action to forgive student-loan debt on a large scale, according to congressional aides and others. **A2**

◆ **The Supreme Court** heard the Biden administration's appeal of lower-court orders forcing it to maintain the so-called Remain in Mexico immigration policy. **A3**

◆ **Nearly 60% of people** in the U.S., including three in four children, exhibited signs of previous Covid-19 infection as of February, a CDC report said. **A3**

◆ **Harris tested positive** for Covid-19 and was exhibiting no symptoms, a spokeswoman for the vice president said. **A4**

◆ **Pfizer and partner BioNTech** asked the FDA to authorize a booster dose of its Covid-19 vaccine for children 5 to 11 years old. **A3**

◆ **Harvard pledged** \$100 million to redress its historical ties to slavery and released a report detailing its connections to slavery, segregation and discrimination. **A6**

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## Beijing Orders Mass Testing to Contain Latest Virus Surge



**IN LINE:** Residents wait for Covid-19 testing outside a hotel in Beijing on Tuesday, after the capital rolled out citywide testing and closed access to some neighborhoods to fight a new outbreak amid concerns for China's economic growth. **A9**

## Russia Says NATO Is Fighting Proxy War With Rising Risks

BY JAMES MARSON

Russia's top diplomat said the West was engaged in a proxy war with his country that could escalate into a global conflict with nuclear weapons, as Western nations elevated their commitment to helping Ukraine defend itself.

"The risk is serious, real. It should not be underestimated," Foreign Minister Sergei Lavrov of Russia said in a Russian state-television interview broadcast Monday night.

"Under no circumstances should a third world war be allowed to happen," he said, adding that "there can be no winners in a nuclear war."

Mr. Lavrov said the West was increasing the risk of a bigger conflict by providing arms to Ukraine: "NATO is, in essence, going to war with Russia through a proxy and arming that proxy."

U.S. Defense Secretary Lloyd Austin, speaking at Ramstein Air Base in Germany on Tuesday, said "any bluster about the possible use of nuclear weapons is dangerous and unhelpful."

Mr. Austin met with defense officials from more than 40 countries in Germany on Tuesday and said the U.S. and its allies would continue to meet Ukraine's needs, adding that the stakes of the conflict "reach beyond Ukraine and even Europe."

## Fear Grows for Ukraine's Missing

BY YAROSLAV TROFIMOV

VELYKYI BOBRYK, Ukraine—Columns of Russian armor streamed past this village in northeastern Ukraine, with its reed-fringed lake and a blue-domed church, on the first day of the war. For three weeks, it was left alone.

The Russians came back on March 16, this time looking for anyone with mobile-phone footage or anything else that Ukrainian insurgents might have used in a spate of hit-and-run attacks on their supply lines.

A tank had been destroyed nearby. Russian soldiers had killed the attacker, a local man named Ivan Demidov. They then went house to house through Velykyi Bobryk looking for potential accomplices before withdrawing from here and the rest of northern Ukraine in late March.

Only the wrecks of Russian tanks and army rations serve as a reminder of their presence here. But gone with the Russians were six local men, who are among the growing number of people who have disappeared from villages and towns across Ukraine.

"The Russians have taken my brother away, and we have

### The Ukraine Crisis

- ◆ Germany will send heavy weapons to Kyiv..... **A7**
- ◆ Russian oil sale fails as curbs resonate..... **A8**

◆ **Tesla shares sink 12% on Musk's Twitter deal**..... **B1**

◆ **Twitter buyout debt seen as credit-rating peril**..... **B5**

## Hands-Off Approach to Twitter Draws EU Regulator's Warning

BY DEEPA SEETHARAMAN AND MEGHAN BOBROWSKY

Elon Musk has pledged to adopt a more hands-off approach to speech on Twitter Inc., but a warning Tuesday from a top European regulator shows it might not be as simple as shelling out \$44 billion for the social-media platform and taking it private.

The internal market commissioner at the European Union cautioned Mr. Musk a day after he struck a deal to buy Twitter that he would need to follow the bloc's new rules on content moderation.

EU regulators are but one of a number of forces—advertisers, users, lawmakers, activists—who can complicate Mr. Musk's attempt to, in effect, return the platform to its early days, when its executives publicly described it as "the free speech wing of the free speech party."

In the years since, Twitter and other mainstream social-media platforms have imposed policies and practices designed to make them less susceptible to harassment, manipulation and falsehoods they see as

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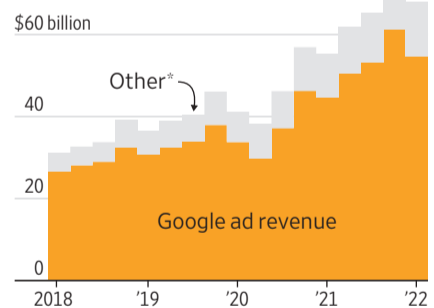
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## Alphabet Sales Growth Pulls Back

Google parent Alphabet Inc. posted slower growth in sales as economic turmoil around the world disrupted digital advertising spending. The company said first-quarter sales rose 23% from the year-ago period, the lowest rate for the tech giant since late 2020. **B1**

### Alphabet's quarterly revenue



\*Includes services, cloud, app-store sales, hedging gains/losses and 'Other Bets' segment revenue  
Source: the company

## INSIDE



**JASON GAY**  
The Nets, a team too good to fail, exit early from the NBA playoffs. **A14**



**U.S. NEWS**  
Lael Brainard wins Senate confirmation to become the Fed's vice chairwoman. **A2**

## Jorts the Cat vs. Scabby the Rat: Labor Needs New Mascots

Renewed interest in union activism means work for a fluffy feline

BY ALLISON PRANG

Preparing to support some workers going on strike last month, Courtney John, a parks and recreation worker in the Minneapolis area, designed her picket line placard. On it was an image of a chunky, ginger-haired fellow who has become one of organized labor's biggest cheerleaders.

He isn't a member of any union himself. Technically, he can't be. He's a cat.

The U.S. is seeing a renewed interest in labor activism at corporations small and large, including recent union votes at Starbucks Corp., and Amazon.com Inc. More activism also means more goofy mascots.

Jorts, the fluffy, pro-labor orange tabby, has graced picket signs after recently achieving internet fame.

"I would definitely consider him an icon of the labor movement," says Ms. John, 34 years old.

An employee brought a live chicken in a cage, with a sign reading "We Work For Chicken Feed" to a labor rally last week in Minnesota, says Matt Lelou, president of a union there. "People took turns rolling him around the rally," he says of the fowl. "He was hanging out in his cage, pecking and doing whatever chickens do."

Last July, the National Labor Relations Board ruled 3-1 that a union had the right to display a "12-foot inflatable rat with red eyes, fangs, and claws ('Scabby the Rat') targeting an employer near the public entrance to a trade show. An RV-components company had filed the complaint.

Please turn to page A6

## Inflation, Covid-19, Earnings Woes Hit Market

Indexes on pace to lose 4% or more in April; Microsoft, Alphabet slide after the bell

BY ORLA MCCAFFREY AND WILL HORNER

U.S. stocks fell, extending their April losses, as investors digested earnings reports from leading companies and weighed concerns about inflation and the spread of Covid-19 in China.

Stocks slid for much of Tuesday, dropping further late in the session. The S&P 500 closed down 2.8%, or 120.92 points, to 4175.20, a day after tech stocks led major indexes higher. The Dow Jones Industrial Average declined 2.4%, or 809.28 points, to 33240.18, while the Nasdaq Composite lost 4%, or 514.11 points, finishing at 12490.74.

All three indexes are on track to lose at least 4% this month, with the technology-heavy Nasdaq—which on Tuesday posted its largest one-day percentage decline since September 2020—down more than 12% in April. The small-cap Russell 2000 finished the day at its lowest close since December 2020.

Google parent Alphabet Inc. reported slower sales growth in the first quarter, sending its shares down more than 4% after the close. Shares of Microsoft Corp. fell more than 2% in after-hours trading after the software company announced first-quarter earnings and revenue above analysts' expectations.

Fears about a resurgence of Covid-19 cases in China, and strict lockdowns imposed to fight the outbreak there, have heightened investors' concerns.

◆ **Bond yields are burning** high-flying stocks..... **B1**

## Robots: 1 Inflation: 0

Software robots deliver productivity gains, fast.



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# U.S. NEWS

## Biden Considers Student-Loan Action

By Andrew Restuccia  
and Eliza Collins

WASHINGTON—President Biden signaled to House Democrats this week that he is seriously considering taking action to forgive student-loan debt on a large scale, according to congressional aides and others familiar with the discussions.

Following a Monday meeting with the president at the White House, members of the Congressional Hispanic Caucus said they felt confident that Mr. Biden is warming to calls from progressive Democrats to take executive action to erase at least some of the debt held by borrowers with federal student loans.

Mr. Biden didn't detail his plans, but responded positively when lawmakers pushed him to forgive \$10,000 in student debt, the people said, suggesting they would be happy with his final decision. He also indicated he is open to further extending the current pause on student-loan payments, which is set to expire on Aug. 31.

The president told the law-

makers that he was weighing the timing of any announcement and wanted to make sure it didn't contribute to inflation, one of the people said.

Some Democrats believe the issue could help motivate young voters and other progressives to go to the polls in November, though loan forgiveness also has the potential to anger voters who have paid off their loans, never took on debt or don't believe the government should step in to help current borrowers.

Earlier this month, the Biden administration extended through Aug. 31 the pause on payments of federal student loans. Payments and interest accrual have been suspended for borrowers with federal student loans since March 13, 2020, at the start of the Covid-19 pandemic. The U.S. has extended the pause on payments several times amid mounting pressure from prominent Democrats to offer relief.

About 40 million people owe around \$1.6 trillion in federal student debt, which makes up around 90% of student debt outstanding. Borrowers with private loans

aren't eligible for the pause in payments, though some lenders and servicers have offered flexibility to borrowers who asked to suspend payments.

Mr. Biden has previously expressed skepticism about issuing blanket student-loan forgiveness, arguing that people who attend expensive private schools and graduate programs shouldn't receive the same amount of relief as stu-

**Some Democrats believe the issue could help motivate young voters.**

dents who attend public universities. As a candidate, Mr. Biden endorsed canceling \$10,000 in student debt per borrower through legislation and proposed forgiving tuition-related federal debt for people who earned undergraduate degrees at public colleges and universities, as well as schools that historically serve Black and minority students.

Because legislation is unlikely to win enough support to pass Congress amid opposition from Republicans and some Democrats, lawmakers and advocacy groups have called on Mr. Biden to take action on his own.

Sen. Elizabeth Warren (D., Mass.) and Senate Majority Leader Chuck Schumer (D., N.Y.) have spent months pressing the president to embrace a plan to forgive up to \$50,000 in federal student debt per borrower, arguing that such a move would give millions of people saddled with burdensome loan payments new economic mobility.

Such proposals wouldn't do anything to help future borrowers, and some of Mr. Biden's advisers have privately expressed concern that across-the-board student debt forgiveness could benefit middle-to-upper-class professionals with advanced degrees, who tend to have large amounts of student debt. Those advisers have argued for a more tailored approach that would limit debt forgiveness to lower-income borrowers, according to people with knowl-

edge of the administration's deliberations.

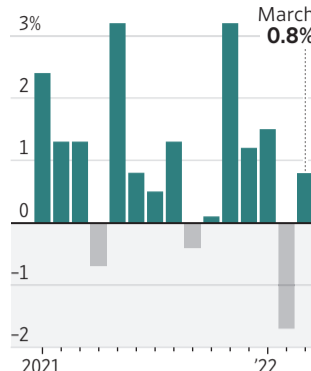
Advocates of student-loan forgiveness say the move would benefit minorities, pointing to studies that show that forgiving student debt could help Black borrowers, who are more likely to face long-term financial burdens from student loans.

Republicans, meanwhile, have largely opposed all such ideas. "Why should a trucker who didn't go to college have to pay off a lawyer's student loan debt?" Sen. Tom Cotton (R., Ark.) said on Twitter. White House press secretary Jen Psaki said the president would make a decision on whether to cancel student debt before loan payments resume, and that he reiterated to the lawmakers during Monday's meeting that he is considering executive actions.

CBS News and the Washington Post reported earlier about Mr. Biden's remarks at the closed-door meeting.

—Gabriel T. Rubin contributed to this article.

**New orders for U.S. durable goods, change from a month earlier**



Note: Seasonally adjusted  
Source: Commerce Department via the Federal Reserve Bank of St. Louis

## Durable Goods Orders Climbed In March

By David Harrison

Orders for long-lasting goods such as appliances, computers and cars rose in March, resuming gains after a sharp drop in demand at the end of the winter.

New orders for products meant to last at least three years increased by 0.8% to a seasonally adjusted \$275 billion in March following a 1.7% drop in February, the Commerce Department said Tuesday. The increase was driven by orders for autos, computers and other electronics and marked the fifth increase over the past six months.

Economists surveyed by The Wall Street Journal had forecast an increase of 0.8%.

First-time orders in February for all manufacturing industries were revised up to \$272.7 billion from the prior month's estimate.

Excluding defense, orders of durable goods rose 1.2%.

New orders for nondefense capital goods excluding aircraft, so-called core capital goods, a closely watched proxy for business investment, rose by 1% to \$80.8 billion in March compared with the previous month.

Strong consumer demand and limited inventories have boosted manufacturing demand, despite supply-chain bottlenecks and higher borrowing costs.

But the war in Ukraine, Western sanctions on Russia and manufacturing disruptions from a surge of Covid-19 cases in China could weigh on new orders in the coming months, economists said. At the same time, high inflation could cause consumer demand to cool.

U.S. consumer confidence fell slightly in April on inflation concerns, the Conference Board reported Tuesday. The consumer confidence index decreased to 107.3 in April from a revised 107.6 in March. Economists surveyed by The Wall Street Journal had expected the index to rise to 108.5.

## Brainard Is Confirmed for New Position at Fed

By Nick Timiraos

Federal Reserve governor Lael Brainard won Senate confirmation Tuesday to become the central bank's vice chairwoman with a 52-43 vote, securing her position as a top adviser to Chairman Jerome Powell as the central bank races to remove stimulus and contain rising inflation.

But absences of elected officials due to Covid cases delayed the confirmation process for another Fed nominee, Lisa Cook.

Seven Republicans joined 45 senators who caucus with the Democrats in voting to confirm Ms. Brainard. Nominees are confirmed with a simple majority.

Ms. Brainard's promotion isn't likely to change the central bank's near-term interest-rate policy plans because she has already been serving as a top lieutenant to Mr. Powell. They have steered the Fed since the start of the year toward pursuing a more rapid pace of withdrawing stimulus to prevent inflation from rising further.

In speeches, Ms. Brainard has often cited international developments in presenting her economic views, and heightened volatility in geopolitics and currency markets figure to influence her thinking over how the Fed should calibrate its more aggressive path of policy tightening.

On issues other than monetary policy, Ms. Brainard has advocated for greater surveil-



Fed governor Lael Brainard will become the central bank's vice chairwoman after the 52-43 vote.

lance by federal regulators of financial-stability risks posed by digital currencies and for exploring the development of a digital dollar that would be issued by the Fed.

"The financial system is not standing still, and neither can we," she said in a February speech.

Ms. Brainard voted against a series of steps by the Fed over the last four years to ease or modify certain regulations enacted after the 2008 financial crisis. The Fed doesn't currently have a vice chair for bank supervision, but she could be a reliable ally if President Biden's nominee for that job, Michael Barr, is confirmed by the Sen-

ate. Mr. Barr served with Ms. Brainard in the Treasury Department under President Barack Obama.

Ms. Brainard is one of four Fed nominees who Democrats had sought to confirm this week. Mr. Biden has nominated Mr. Powell to a second term leading the central bank and has tapped two economists, Ms. Cook of Michigan State University and Philip Jefferson of Davidson College, to serve as governors on the central bank's seven-person board.

The confirmation process for the Fed nominations stalled in February when Democrats refused to move Mr. Biden's picks individually and Republi-

cans refused to vote on his selection for vice chairwoman of bank supervision, Sarah Bloom Raskin. Her nomination drew opposition from Senate Republicans and from Democratic Sen. Joe Manchin of West Virginia, and she withdrew from consideration last month.

The nominations hit another roadblock on Tuesday when Democrats failed to secure the majority vote needed to end debate on Ms. Cook's confirmation. No Republicans support Ms. Cook, and two Democrats are unable to vote because they have Covid.

Ms. Cook received a tie vote last month on the Senate Banking Committee, which re-

quired an additional step to advance her nomination

Under Senate rules, a nominee who receives a tied vote in committee can advance to a vote in the full chamber through a motion by the majority leader. Democrats have 50-50 control of the Senate, with Vice President Kamala Harris able to break a tie. Ms. Cook's nomination advanced last month with a 50-49 vote; all Democrats voted in her favor, while one Republican didn't vote. Ms. Harris announced Tuesday that she had also tested positive for Covid, meaning she would have been unable to break a 50-50 tie on Tuesday.

As a result of Tuesday's failed procedural vote, Senate Democrats will need to wait until all of their members and Ms. Harris are healthy and able to vote.

Mr. Jefferson was approved unanimously by the banking committee and is expected to be easily confirmed. Mr. Powell, who has been serving as "chair pro tempore" after his four-year term expired in early February, won a 23-1 vote in the committee.

Mr. Jefferson is also unlikely to be seated before next week's rate-setting meeting even if he is confirmed this week. The Fed is expected to ramp up plans to withdraw stimulus by raising interest rates by a half-percentage point to a range between 0.75% and 1% and to start reducing its \$9 trillion bond portfolio at the May 3-4 policy meeting.

## Indexes Extend April Drop

Continued from Page One  
cerns about the global economy and prompted choppy trading in recent sessions. Inflation is weighing on companies and consumers, while the Federal Reserve's indications that it will quickly tighten monetary policy threaten to drag on growth.

"We're in a world-wide tightening cycle now, and so we have to let the air out of many of these assets," said Mace McCain, chief investment officer at Frost Investment Advisors.

Assets considered havens in times of trouble, such as Treasury bonds, are being pressured by inflation and expectations for tighter central-bank policy along with stocks, complicating matters for investors seeking shelter during recent volatility. Gold, another haven, rose 0.4% on Tuesday, but prices remain near their lowest level since February.

The yield on the 10-year U.S. Treasury note declined to 2.773% from Monday's 2.825%. The yield on the benchmark note remains close to its highest level since 2018 as investors have sold bonds in anticipation of higher interest rates. Bond yields rise as prices fall.

Meanwhile, a measure of the

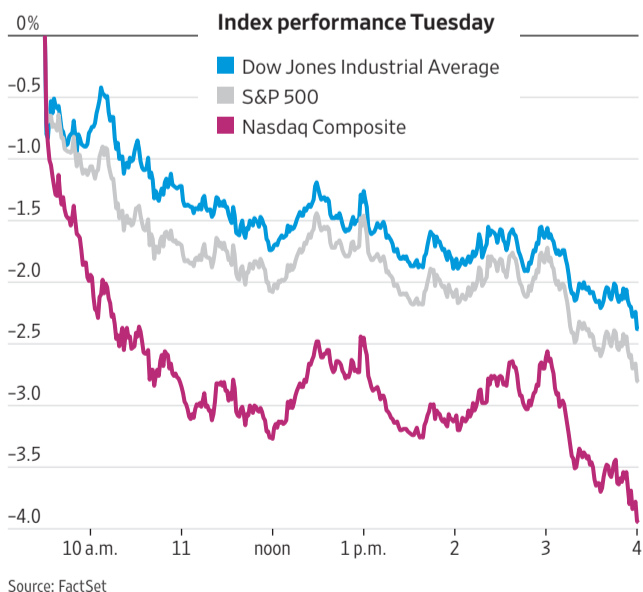
yield on 10-year Treasuries when adjusted for inflation—sometimes known as the real yield—has risen toward positive territory, closing Monday at minus 0.10%, which may make riskier assets less attractive to investors.

"We had a beautiful scenario over the last 18 months: Growth was accelerating and bond yields were falling—the perfect combination for risk assets," said Hani Redha, a portfolio manager at PineBridge Investments. "Now we have the complete opposite."

In other earnings news, General Electric Co. fell more than 10%, or \$9.29, to \$80.59 after warning that supply-chain disruptions would pressure its business this year. Universal Health Services Inc. lost nearly 10%, or \$13.44, to close down at \$125.32 after the hospital operator said earnings fell 27% in the first quarter from a year ago.

United Parcel Service Inc. fell about 3.5%, or \$6.59, to \$183.05. The company said quarterly revenue rose more than 6%, though it shipped fewer packages than it did in the year-ago quarter. 3M Co., which reported better-than-expected first-quarter sales, fell 3%, or \$4.38, to \$144.22.

Tesla Inc., shares of which jumped last week after the electric-vehicle maker reported quarterly results, were down 12%, or \$121.60, to \$876.42, retreating to levels last seen in late March. The stock is part of the S&P 500's consumer discretionary sec-



tor, which fell almost 5%.

A shift in consumer spending from tech-centric goods to in-person services in the latest phase of the pandemic is weighing on investors' enthusiasm for the sector, analysts said.

"We may now be realizing the group that experienced a lot of growth, your tech companies, that growth may have been over-extrapolated," said Jason Pride, chief investment officer of private wealth investments at Glenmede.

Brent crude futures rose 2.6%, or \$2.67, to \$104.99 a barrel. The international oil benchmark fell below the \$100 level Monday before rebounding. U.S. benchmark oil prices, known as West Texas Intermediate, rose 3.2%, or \$3.16, to \$101.70 a barrel Tuesday.

level Monday to \$38,127.90.

In economic news, U.S. consumer confidence fell slightly in April, the Conference Board said Tuesday. Orders for durable goods—consumer products designed to last for more than three years—rebounded in March following a weak February.

Overseas, the Stoxx Europe 600 finished the day down 0.9%.

In mainland China, the Shanghai Composite Index fell 1.4%, lower for a second consecutive day, as investors continued to worry about the threat of new Covid-19 lockdowns. The People's Bank of China vowed to step up support for the economy Tuesday in an attempt to calm the jitters. The index had dropped a further 0.7% by midday Wednesday.

Elsewhere in Asia at midday Wednesday, Tokyo's Nikkei 225 index had fallen 1.9%, South Korea's Kospi was down 1.2% and Hong Kong's Hang Seng Index had lost 0.9%.

—Rebecca Feng contributed to this article.

## CORRECTIONS & AMPLIFICATIONS

**Boeing Co.** is developing the MQ-25 drone for the U.S. Navy. In some editions Tuesday, a Business & Finance article about Boeing's defense-and-space unit incorrectly described the drone as the MQ-9.

**Mayur Gupta** was named chief marketing officer for cryptocurrency-exchange platform Kraken. A Business & Finance article on April 20 about his appointment incorrectly said Mr. Gupta is Kraken's first CMO.

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

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U.S. NEWS

# High Court Weighs Immigration Policy

By JESS BRAVIN AND MICHELLE HACKMAN

WASHINGTON—The Supreme Court on Tuesday considered the executive branch's leeway over immigration policy, hearing the Biden administration's appeal of lower court orders forcing it to maintain a Trump-era policy it sought to abandon.

At issue: the so-called Remain in Mexico program, which denies U.S. entry to asylum applicants from Central America while their cases are processed.

During the coronavirus pandemic, the Trump administration moved away from the program and relied on other authorities to deny entry to migrants, particularly public-health orders under a provision known as Title 42. The Biden administration continued that practice, but with the lifting of other Covid-related health measures officials are now planning to end Title 42 exclusions.

Rather than revive the Remain in Mexico policy, which President Biden says exposes asylum applicants to unsafe conditions, the administration plans to use other measures to ease the burden on the immigration system, including hiring more asylum adjudicators to cut processing time from several years to about six months.



Migrants from Central and South America wait to be processed by border patrol agents in Roma, Texas, after crossing the Rio Grande.

The states of Texas and Missouri challenged the Biden administration's plan to end the policy, formally called the Migrant Protection Protocols, and both a federal-district court in Texas and the Fifth U.S. Circuit Court of Appeals, in New Orleans, found several reasons to keep it in place. One provision of federal law says that noncitizens who enter the U.S. without authorization "shall be detained" during immigration proceedings, while another allows officials to deport those entering by land to the country they came from—in this instance, Mexico.

In her arguments Tuesday, U.S. Solicitor General Elizabeth Prelogar said several adminis-

trations had found it impossible to comply with the statute's exact language. Government lockups lacked enough space and Congress hadn't provided funding to expand them, she said. Meanwhile, expelling them required the cooperation of Mexico, a sovereign nation outside Washington's control.

"You're in a position where the facts have sort of overtaken the law," said Chief Justice John Roberts. "But, in that situation, what are we supposed to do? It's still our job to say what the law is."

Ms. Prelogar pointed to another statutory provision, allowing officials to release immigration detainees "on a case-by-case basis for urgent

humanitarian reasons or significant public benefit." That, she said, provided authority to permit asylum seekers to reside in the U.S. while their applications were pending. The public benefit of doing so, she said, was preserving space in immigration lockups for noncitizens considered a particular security risk, such as those with criminal records.

Justice Brett Kavanaugh asked whose benefit the statute contemplates.

"Is that the American public? Is that the noncitizen public?" he said. "And if it's the American public, there's no real explanation of how the public is benefited by more people coming into the United

States who are not lawfully admitted into the United States rather than trying, if feasible, [to arrange] for some of those people to remain in Mexico."

Ms. Prelogar argued that Homeland Security Secretary Alejandro Mayorkas had addressed the question in memorandums canceling Remain in Mexico.

Judd Stone, the Texas solicitor general representing the two Republican-led states that filed the suit, said it was a straightforward matter of making the government follow the statutory text.

"Has any administration ever complied" with those requirements? asked Justice Clarence Thomas.

"I assume not," Mr. Stone said. "That certainly doesn't prove that past administrations assumed those obligations essentially could be shirked in the event that they preferred not to" return migrants to Mexico as Congress has authorized, he said.

Justice Elena Kagan suggested that limiting the executive arm's choices that way would interfere with the president's foreign-relations power.

Texas's position "puts the United States essentially at the mercy of Mexico," she said. "Mexico knows that if we come out your way, Mexico has all the leverage in the world" to extract concessions from the president. "You want to comply with the court's order? Here are 20 things that you need to do for us."

Not so, Mr. Stone said. "The president undoubtedly has broad foreign-policy discretion," he said, but "that doesn't give the president a basis for ignoring a congressional command." If Mexico's demands were unreasonable, he said, the Biden administration could ask the district judge to modify the order requiring reinstatement of the Trump policy.

The Migrant Protection Protocols were introduced in 2019 at the height of a surge in Central American families coming to the U.S. border.

## Housing Prices Rose Sharply in February

By NICOLE FRIEDMAN

Home-price growth accelerated in February as demand remained robust and a shortage of supply limited the volume of home sales.

The S&P CoreLogic Case-Shiller National Home Price Index, which measures average home prices in major metropolitan areas across the nation, rose 19.8% in the year that ended in February, up from a 19.1% annual rate the prior month.

February marked the highest annual rate of price growth since August.

The low inventory of homes for sale has made it difficult for buyers to compete and pushed prices higher.

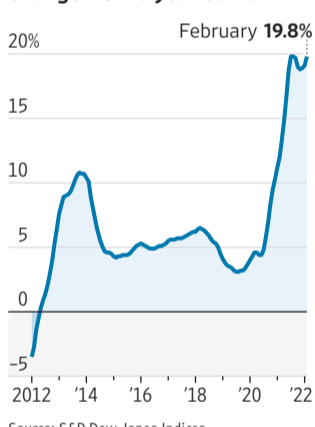
Economists expect home-price growth to begin to slow in the coming months as rising mortgage interest rates reduce buyers' purchasing power and push some shoppers out of the market altogether. Mortgage interest rates have risen in April to the highest level since 2010.

There are early signs that the market is cooling from its

frenzied pace. About 13% of sellers dropped their list prices in the four weeks ended April 17, the highest share since the end of November, according to real-estate brokerage Redfin Corp.

"The macroeconomic environment is evolving rapidly and may not support extraordinary home-price growth for much longer," said Craig Lazara, managing director at S&P Dow Jones Indices.

The S&P CoreLogic Case-Shiller National Home Price Index, change from a year earlier



Source: S&P Dow Jones Indices

## Home Buyers Chase Affordability

By NICOLE FRIEDMAN

Less expensive cities with strong local economies climbed The Wall Street Journal/Realtor.com Emerging Housing Markets Index in the first quarter, another sign that many home buyers are giving priority to affordability.

Fast-rising housing prices have pushed buyers from expensive coastal cities into cheaper housing markets in recent years. Expanded remote-work opportunities and a search for different lifestyles during the Covid-19 pandemic have accelerated the trend.

The migration is poised to continue as home prices set new highs and rising mortgage-interest rates increase borrowing costs for home buyers, economists say. The average 30-year mortgage rate jumped from 3.1% at the end of 2021 to 5.0% by mid-April, adding hundreds of dollars to the typical monthly mortgage payment.

"People are chasing affordability," said Sam Khater, chief economist at mortgage-finance giant Freddie Mac. In response to high housing prices and increased remote-work flexibility, he said, "people are reordering where they live."

The Rapid City, S.D., metro

The WSJ/Realtor.com Emerging Housing Markets Index

RANK	AREA	MEDIAN LIST PRICE, MARCH 2022
1.	Rapid City, S.D.	\$436,988
2.	Santa Cruz, Calif.	\$1,262,500
3.	North Port, Fla.	\$575,000
4.	Santa Rosa, Calif.	\$987,500
5.	Naples, Fla.	\$825,000
6.	Boulder, Colo.	\$797,500
7.	Coeur d'Alene, Idaho	\$1,007,891
8.	Fort Collins, Colo.	\$634,995
9.	Billings, Mont.	\$482,500
10.	Raleigh, N.C.	\$448,625

Note: Metro areas are ranked according to real-estate market data and economic health. Source: WSJ/Realtor.com

area of about 145,000 people near the Wyoming border was the top-ranked market for the quarter. It was followed by Santa Cruz, Calif.; North Port, Fla.; Santa Rosa, Calif.; and Naples, Fla.

The Wall Street Journal/Realtor.com Emerging Housing Markets Index identifies the top metro areas for home buyers seeking an appreciating housing market and lifestyle amenities.

The top-ranked markets in the first quarter had faster

home sales, higher wages and shorter commute times than the market as a whole, said George Ratiu, manager of economic research at Realtor.com. News Corp, parent of the Journal, operates Realtor.com.

North Port and Naples were the top two markets in the fourth quarter and held in the top five as Florida continues to attract migration from other states.

Rapid City, South Dakota's second-biggest city, is a tourist and retirement destination be-

cause of its proximity to the Black Hills mountain range and Mount Rushmore. The metro area's economy also depends on education, military and the healthcare sector, with Monument Health as the largest employer, Mr. Ratiu said.

Buyers have flocked to Rapid City in the past two years from Colorado, California and the East Coast in search of fewer pandemic-related restrictions, access to outdoor recreation and a small-city feel, said Shauna Sheets of Keller Williams Realty Black Hills. Investors also have been drawn to the market's affordable prices and rental demand, she said.

"What I hear more and more [is], 'Rapid City is what Fort Collins used to be, it's what Colorado Springs used to be, it's what Denver used to be,'" she said. "What I've heard is, 'Now we know how our state will react in a crisis, and I don't like how my state reacts.'"

The Wall Street Journal/Realtor.com Emerging Housing Markets Index ranks the 300 biggest metro areas in the U.S. In addition to housing-market indicators, the index incorporates economic and lifestyle data, including real-estate taxes, unemployment, wages, commute time and small-business loans.

## Nearly 60% in U.S. Likely Had Covid-19

By BRIANNA ABBOTT

Nearly 60% of people in the U.S., including three in four children, exhibited signs of previous Covid-19 infection as of February, a Centers for Disease Control and Prevention report said.

The estimated proportion of people in the U.S. with detectable, infection-induced antibodies jumped from 34% in December 2021 to 58% by February 2022, according to a study the CDC released Tuesday, highlighting the reach of the winter Omicron surge that washed over the country.

"We do believe that there is a lot of protection in the community both from vaccination, as well as from boosting and from prior infection," CDC Director Rochelle Walensky said. "Those who have detectable antibodies from prior infection, we still continue to encourage them to get vaccinated."

At the height of the winter Omicron wave, the seven-day average for known cases topped 800,000 a day, by far the highest level ever recorded. The rise in at-home testing and lack of testing access for many people, among other factors, likely meant that many more cases went uncounted.

In part because of the sheer number of infections, the Omicron surge in the U.S. was also one of the deadliest; the seven-day moving average went above 2,500 deaths a day

in early February, Johns Hopkins University data show.

To get a better sense of the true breadth of infection, federal researchers have attempted to estimate and track the seroprevalence, or the proportion of people in the population with detectable antibodies.

Looking at blood-sample data from the national commercial laboratory seroprevalence survey, which estimates the U.S. seroprevalence from infection, the CDC found that the proportion of antibodies from prior infection increased substantially across every age group from December to February.

People age 65 and above saw the proportion of antibodies increase from 19% to 33%, compared with those 50 to 65 increasing from 29% to 50%,

and those 18 to 49 having a prevalence increase from 37% to 64%, the study found.

The increases might be underestimates, because data suggest that infections following vaccination might be less likely to result in detectable infection-induced antibodies, said Kristie Clarke, co-lead for the Covid-19 Epidemiology and Surveillance Taskforce Seroprevalence team at the CDC and lead author of the study.

Infection-induced antibodies increased most sharply for children and adolescents, the least-vaccinated age group, with an estimated 75% of them having detectable antibodies by February. Approximately one-third of them became newly seropositive since December, the study found.



A CDC study shows the estimated proportion of people in the U.S. with antibodies jumped from 34% in December to 58% by February.

### Pfizer Seeks to Give Shot to Children 5-11

Pfizer Inc. and partner BioNTech SE asked U.S. health regulators to authorize a booster dose of its Covid-19 vaccine for children 5 to 11 years old.

The request Tuesday to the Food and Drug Administration comes after the companies said earlier this month that a third shot safely generated a strong immune response in the youngsters, including significantly increased antibody levels against the Omicron variant.

A thumbs-up from the FDA would expand eligibility of boosters to the roughly 28 million children in the U.S. Booster doses are now available for people as young as 12 years old in the U.S., and regulators recently green-lighted second boosters for people who are 50 years old and up or who have weakened immune systems.

The agency is expected to take a couple of weeks to conduct its review, according to a person familiar with the matter. Before taking action, the agency could ask its panel of vaccine experts to consider the application.

—Jared S. Hopkins

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U.S. NEWS

# Negative Ads Color Senate GOP Primary

### Pennsylvania hopefuls McCormick and Oz try to tarnish each other with big spending

By Aaron Zitner and John McCormick

LITITZ, Pa.—Voters in Pennsylvania knew almost nothing about David McCormick and Mehmet Oz as political figures when the men started running for the Republican nomination to the Senate a few months ago. Since then, more than \$37 million in largely negative advertising from the two candidates and their allies has gone a long way to filling the gaps.

As a result, the contest features two front-runners with highly successful professional résumés but political profiles speckled with ad-driven doubts that have prevented either one from taking command of the race, polling and interviews with voters show.

Mr. McCormick, 56 years old, is a West Point graduate and former Treasury Department official who until January ran the world's largest hedge fund, Bridgewater Associates. Mr. Oz, 61, is a physician and star of "The Dr. Oz Show," the health-focused program that ended its 13-season television run in January.

Now, each man is trying to turn the other's accomplish-

ments into liabilities. Mr. Oz's campaign casts Mr. McCormick as a "Wall Street insider" and highlights his former firm's investments in China. Mr. McCormick's allies portray Mr. Oz as a "Hollywood liberal" who has called for gun restrictions and praised Hillary Clinton and Dr. Anthony Fauci, whom most conservatives deeply dislike.

Each says the other is insincere in backing the Trump-style "America First" principles that many GOP voters support, though Mr. Oz won help in blunting that argument when former President Donald Trump endorsed him this month.

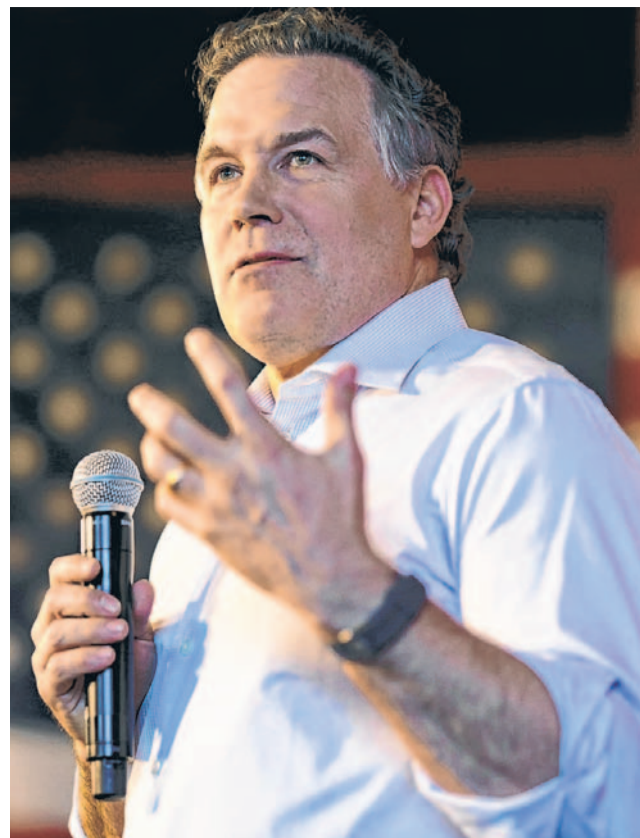
"All you're really hearing is them dissing each other," said Maryann Bricker, a Republican voter in the central Pennsylvania borough of Carlisle. "It's all very confusing to me, because you don't know what to believe." Her takeaway: "I don't personally care for either one of those candidates."

While negative ads are a staple of political campaigns, voters in Pennsylvania have little prior information to help them judge what they are hearing, as neither Messrs. McCormick nor Oz has run for office before or taken a high profile in the state's civic life. Though both have Pennsylvania roots, they had lived elsewhere for much of their adult lives and moved back only recently.

Both parties say the Penn-



Mehmet Oz, left, and David McCormick are spending heavily in negative ads as they seek the GOP Senate nomination in Pennsylvania.



sylvania race is particularly important in determining control of the Senate next year, one reason it has drawn significant campaign spending. Republican Sen. Pat Toomey is retiring, creating the only open GOP-held seat this cycle in a state President Biden carried in 2020.

Because it is easier to win an open seat than to defeat an incumbent, Democrats see a pickup opportunity. The winner of the May 17 GOP primary will compete in November against the winner of the Democratic contest, in which Lt. Gov John Fetterman and Rep. Conor Lamb are the leading candidates.

Both Messrs. McCormick and Oz have used their wealth to push to the front of the multicandidate scramble for

the GOP nomination. Mr. McCormick has lent his campaign nearly \$7 million and Mr. Oz about \$11 million, Federal Election Commission records show. The money, combined with millions of dollars from allied groups, has funded the second-most expensive Senate primary of the year so far as measured by TV ads, after the Republican contest in Ohio, data from the ad-tracking firm AdImpact shows.

Other Republicans in the May 17 primary include Carla Sands, the U.S. ambassador to Denmark under Mr. Trump; businessman Jeff Bartos, the GOP's nominee for lieutenant governor in 2018; and Kathy Barnette, an author and Fox News contributor.

The scant polling in the race shows Messrs. McCor-

mick and Oz leading the field, but tentatively. Few polls show any candidate winning more than one-quarter of the vote.

More than 40% of Republicans had yet to pick a candidate in a recent Franklin & Marshall College poll, and only a third said they were firmly decided. More GOP voters had an unfavorable view of Mr. Oz than a favorable view—39% to 27%. Mr. McCormick's image was more favorable than unfavorable, but half of voters said they didn't know enough to give an opinion.

For Mr. McCormick, Wall Street ties are a point of sensitivity. Connections to the finance sector have helped him raise significant sums: More than 60 employees of Goldman Sachs Group Inc. contributed to his campaign during the

first quarter of 2022, FEC records show. Mr. McCormick is married to Goldman partner Dina Powell McCormick, a senior national security official in the Trump administration.

His backers also include hedge-fund billionaire Ken Griffin, founder of Citadel, who has given \$7.5 million to a pro-McCormick super PAC that has spent more on TV ads on the race than any other entity.

Mr. Oz, for his part, has been working to rebut claims that his past statements show him sympathetic to some restrictions on guns and natural-gas fracking. "And they are saying Mehmet is not a conservative? What a bunch of crap," said Ben Carson, the housing secretary under Mr. Trump, at an appearance Thursday with Mr. Oz.

# Tech Privacy Bill Gains Traction

By John D. McKinnon

WASHINGTON—Congressional leaders are negotiating in earnest on long-stalled consumer-privacy legislation, raising the prospect that a bipartisan bill could become reality after years of false starts.

Congress is under pressure to act following recent disclosures of content potentially harmful to young people on social-media sites including Facebook, Instagram and TikTok.

And tech companies themselves, after years of resisting privacy legislation in many instances, have begun to push hard for a federal privacy standard—which to many is preferable to a jumble of state laws, and might ease demands for antitrust legislation that could hit the companies even harder.

Kent Walker, president of global affairs for Alphabet Inc.'s Google unit, said Monday that there was an emerging consensus on the need for a comprehensive federal privacy policy.

Important policy hurdles still loom, and if agreement isn't reached within weeks, the

effort could fall apart as partisan differences harden in the run-up to midterm elections.

Even so, Google is "optimistic that Congress will find a compromise that adopts the nationwide privacy protections Americans want," Mr. Walker said in an address at R Street Institute, a think tank that says it promotes free markets and limited government.

### Lawmakers seek to put guardrails on collection, storage and use of data.

Democratic and Republican leaders on both the Senate Committee on Commerce, Science and Transportation and the House Committee on Energy and Commerce are seeking to put guardrails on tech giants' collection, storage and use of consumers' personal information, according to people familiar with the discussions.

Under versions being considered, for example, consumers would be able to access their personal information with the option to make changes or deletions, or move the data to a different online platform, the people said.

Enabling consumers to opt out of sharing many types of data with third parties is also part of these deliberations, the people said. Protections against online discrimination—for example, in targeted advertising related to housing or employment—are also likely to be included, they said.

One selling point for the tech industry is that federal legislation is expected to supersede state laws, at least to some extent.

For example, four states have enacted comprehensive privacy laws—California, Colorado, Utah and Virginia. But the states use different standards to set out what kinds of entities and data are exempt, said Jessica Rich, a former head of the Federal Trade Commission's Bureau of Consumer

Protection, who is now at law firm Kelley Drye & Warren LLP.

The trade group Technet, which includes Apple Inc., Google, Amazon.com Inc. and Meta Platforms Inc., which owns Facebook and Instagram, is lobbying for a federal privacy law and recently tweeted images of its members meeting with leading lawmakers, including Senate Democratic leader Sen. Chuck Schumer (D., N.Y.) and House Speaker Nancy Pelosi (D., Calif.).

The group also met with Republicans including Sens. Steve Daines and Dan Sullivan, as well as Rep. Cathy McMorris Rodgers, the top Republican on the House Energy and Commerce Committee.

Mrs. McMorris Rodgers and Sen. Roger Wicker, the top Republican on the Senate Commerce Committee, are also involved in crafting the privacy legislation. Their Democratic counterparts include Rep. Frank Pallone, the House Energy and Commerce Committee chairman, and Sen. Maria Cantwell, the Senate Commerce Committee chairwoman.

# Harris Has Covid-19, Shows No Symptoms

By Tarini Parti

Vice President Kamala Harris tested positive for Covid-19 on Tuesday on rapid and PCR tests and is exhibiting no symptoms, spokeswoman Kirsten Allen said.

"She has not been a close contact to the president or first lady due to their respective recent travel schedules," Ms. Allen said. "She will follow CDC guidelines and the advice of her physicians."

Ms. Harris has taken Pfizer Inc.'s Covid-19 treatment pill Paxlovid after consulting with her physician, Ms. Allen said.

Ms. Harris, who is 57 years old, will return to the White House once she tests negative, Ms. Allen said. The vice president will isolate and work from her residence for now.

The vice president returned from California on Monday and was scheduled to receive a daily joint briefing with President Biden in the Oval Office Tuesday morning. She was tested before the briefing, a

White House official said.

In recent weeks, Mr. Biden and Ms. Harris have spent more time unmasked in large groups. White House officials acknowledged that the events posed risks, but they argued that it was important for Mr. Biden to project a sense of semi-normalcy. Officials said they are following Centers for Disease Control and Prevention guidance.

"We have a very, very contagious variant out there," White House coronavirus response coordinator Ashish Jha said Tuesday. "It is going to be hard to ensure that no one gets Covid in America. That's not even a policy goal. The goal of our policies should be...to make sure people don't get seriously ill."

Ms. Harris is fully vaccinated and has received two booster shots, precautions that generally reduce the severity of illness. Ms. Harris's most recent booster was on April 1.

—Natalie Andrews contributed to this article.

# Regulator Takes Aim At Twitter

Continued from Page One harmful. Those measures aim to make the services more appealing to advertisers seeking a safe venue, and to better accommodate politicians and regulators arguing that the platforms are responsible for all of their content. Some users, like Mr. Musk, said they go overboard.

How Twitter operates won't be entirely up to Mr. Musk.

"Be it cars or social media, any company operating in Europe needs to comply with our rules—regardless of their

shareholding," Thierry Breton, the EU regulator, wrote Tuesday on Twitter. "Mr Musk knows this well."

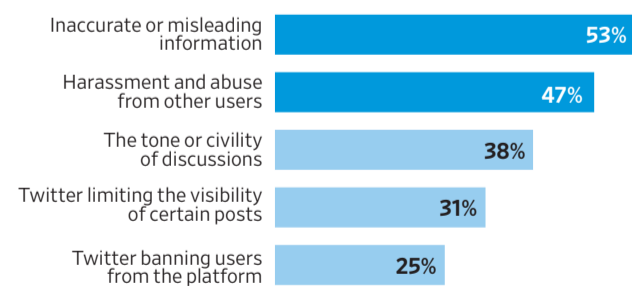
Mr. Breton expressed confidence that Twitter, under Mr. Musk's ownership, would conform to the bloc's new rules, which still need formal approval from the EU Parliament and representatives from EU countries.

Mr. Musk's planned changes at Twitter, and the response, will be closely watched. Twitter is smaller and less profitable than other social-media companies. It claims 217 million so-called monetizable daily users, compared with 1.9 billion daily users for Meta Platforms Inc.'s core Facebook platform and a billion-plus monthly users for TikTok. But Twitter users include media personalities, politicians, activists and tech aficionados who help shape social discourse.

"It has influence way beyond its user base and way beyond its valuation, and so we care about it," said David Kaye, former United Nations special rapporteur focused on free speech and now a law professor at the University of California, Irvine.

Mr. Musk, chief executive of Tesla Inc. and Space Exploration Technologies Corp. as well as the world's richest person, is one of Twitter's most prominent users, employing the plat-

### Percentage of U.S. adult users who say each of the following is a major problem on Twitter



Note: Respondents could submit multiple responses. Source: Pew Research Center survey of 2,548 U.S. adults conducted online May 17-31, 2021; margin of error: +/-3.4 percentage points

form for everything from promoting his companies to battling rivals and critics. In Monday's deal announcement, he said he wants to open up Twitter's algorithms to public scrutiny, "defeat" spammers and authenticate users' identities.

On Tuesday, Mr. Musk said he views "free speech" as that permitted by the law—a far broader definition of what is allowable than most major social networks have adopted. "I am against censorship that goes far beyond the law," he wrote in a tweet. "If people want less free speech, they will ask government to pass laws to that effect. Therefore, going beyond the law is contrary to the will of the people."

Some industry executives and analysts said Mr. Musk is

in for an awakening. Reversing Twitter's efforts risks stoking advertisers' worries about the placement of their ads, potentially pushing them toward competitors like Snap Inc. and Meta, said Ben Black, co-head of internet research at Deutsche Bank.

"Do you really want to have your Mercedes-Benz commercial against a beheading?" he said. "If someone falls overboard on a cruise ship, do you want your vacation message being advertised against that content?" He said less moderation could also drive away some users, potentially slowing growth.

In the company's early years, Twitter executives were loath to remove content unless it broke local laws. The platform often took a hands-off

approach even to content from officially designated terrorist groups, drawing criticism from researchers, lawmakers and victims' families.

It stepped up moderation over the years, removing accounts connected to the terrorist group ISIS in 2014, for example. That accelerated during and after the 2016 U.S. presidential race, which saw a jump in complaints about white nationalists and others using the platform to attack and harass minority users.

Other industry leaders who favored looser policies, including Meta co-founder Mark Zuckerberg, have gradually embraced more intervention. Platforms including Meta's Facebook and Instagram, TikTok, Pinterest Inc. and Reddit Inc. all have added staff or bolstered rules to monitor content, though each draws the lines differently.

Their efforts target a range of potentially problematic content, from hate speech and false information about elections to what they see as fringe views on health, along with other issues the platforms consider harmful.

Twitter and other platforms also have systems allowing users to report claims of abuse by other users, which can lead to account suspensions that some of those involved have said can be arbitrary or unfair.

More moderating has required complex, and often confusing, guidelines for employees and users. Such efforts have led to some divisive decisions, including bans by Twitter and Facebook of then-President Donald Trump for posts encouraging the rioters who attacked the U.S. Capitol on Jan. 6, 2021, seeking to halt certification of President Biden's electoral victory.

Mr. Trump, a Republican, and his supporters have backed rival social-media apps with fewer restrictions that so far have gained limited traction, including Parler, Gab, and Gettr, which former Trump adviser Jason Miller launched last year.

Mr. Trump told Fox News on Monday that he doesn't plan to return to the platform and would instead use his social-media startup, Truth Social. Despite those comments Monday, many observers and Twitter employees are focused on Mr. Musk's handling of the former president's account as a potential indicator of his plans.

During an all-hands meeting on Monday, Twitter CEO Parag Agarwal was asked if the company might reinstate Mr. Trump once Mr. Musk's ownership is completed. Mr. Agarwal said it wasn't clear.

—Patience Haggin contributed to this article.

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U.S. NEWS

# Biden Pardons 3 People, Eases Sentences of 75

By SADIE GURMAN

WASHINGTON—President Biden granted his first pardons and commutations to 78 people convicted mostly of nonviolent drug offenses Tuesday, part of a broader White House effort to address inequities in the criminal-justice system.

Mr. Biden is issuing pardons to three people and reducing the sentences of 75 others, many of whom had already been released to home confinement in an effort to reduce Covid-19 spread in prisons. Most won't see their sentences shortened for another year.

The president has faced criticism from prisoner-rights groups and other activists who said the White House was

moving too slowly on clemency and changes to sentencing policy, issues that played prominently in his campaign.

Mr. Biden promised to confront the legacies of the "tough-on-crime" laws that he once supported in the Senate and that most congressional Democrats backed at the time. Critics say those policies disproportionately affected minorities and filled prisons with nonviolent offenders.

White House officials also plan to unveil a number of other measures aimed at expanding employment opportunities for people after leaving prison, helping people with convictions start small businesses and providing access to healthcare, housing and educational opportunities.

The policies come amid ris-

ing rates of violent crime in some cities, which have become potential flashpoints ahead of the midterm elections.

"Helping those who served their time return to their families and become contributing members of their communities is one of the most effective ways to reduce recidivism and decrease crime," Mr. Biden said.

Those receiving pardons include a former Secret Service agent who spent several years in prison after being convicted of trying to sell a copy of his Secret Service file; a 51-year-old woman who received a seven-year sentence for trying to transport crack cocaine for her boyfriend and an accomplice; and Dexter Jackson, 52, who pleaded guilty in 2002 to

letting marijuana dealers use his pool hall to facilitate transactions.

All three have sought to improve their lives and communities in the years since they were released from prison, the

## Those receiving pardons include a former Secret Service agent.

administration officials said. Mr. Jackson, for example, converted his pool hall into a cell-phone repair shop and hired local high-school students to work there.

Those receiving pardons

and commutations were chosen through an effort that involved the White House Counsel's Office and the Justice Department, the officials said, a shift away from former President Donald Trump's approach to clemency that largely relied on the recommendations of political leaders, criminal-justice advocates and his friends and allies.

The Justice Department recently named Elizabeth Oyer, a former public defender from Maryland, to serve as its first permanent pardon attorney since 2016.

She will oversee an office responsible for vetting clemency petitions, a workload that is likely to grow as Mr. Biden evaluates more such requests in the coming months.

The administration officials

said many of Tuesday's clemency recipients would have received a lower sentence if they had been charged with the same offense under current laws that lightened federal penalties for some drug offenders, including a criminal-justice overhaul Mr. Trump signed into law in 2018. They have spent an average of 10 years in prison for nonviolent drug offenses, the officials said.

Advocates of criminal-justice overhauls welcomed the action but voiced disappointment that it didn't go farther. Amy Ralston Povah, the founder of the pro-clemency group CAN-DO Foundation, said it was disheartening to learn that many on the list won't see their clemency granted for months or, in some cases, another year.

# Anti-Semitic Incidents in U.S. Rose 34% Last Year

By OMAR ABDEL-BAQUI

The number of reported anti-Semitic incidents in the U.S., including assaults, vandalism and harassment, rose to a new high last year, according to data from the Anti-Defamation League.

There were more than 2,700 reported anti-Semitic incidents in 2021, a roughly 34% increase from 2020 and the highest number on record since the ADL—a Jewish advocacy group that examines anti-Semitism in the U.S.—began

tracking these figures in 1979.

"When it comes to anti-Semitic activity in America, you cannot point to any single ideology or belief system, and in many cases, we simply don't know the motivation," said Jonathan Greenblatt, chief executive of the Anti-Defamation League. "But we do know that Jews are experiencing more anti-Semitic incidents than we have in this country in at least 40 years, and that's a deeply troubling indicator of larger societal fissures."

Most of the reported inci-

dents were in New York, followed by New Jersey and California, according to the ADL.

The ADL said it tabulates anti-Semitic incidents through criminal and noncriminal incidents as reported to the organization by victims, law enforcement and the media.

The organization says it doesn't conflate general criticism of Israel with anti-Semitism, but it does count disparaging Jewish people for their support of Israel and the picketing of religious or cultural institutions for supporting Is-

rael as anti-Semitic.

A majority of the reported incidents last year were classified as harassment, defined by the ADL as cases where people were harassed with anti-Jewish conspiracy theories, slurs or stereotypes. There were also 850 reported incidents of vandalism and 88 assaults against Jews or people perceived to be Jewish, according to the ADL.

In January, a gunman held hostages in a Texas synagogue for hours before they were freed by an FBI rescue team. In February, anti-Semitic and

white-supremacist material was distributed in multiple cities across the U.S., prompting an investigation from local and federal authorities.

The increase in reported anti-Semitic incidents comes amid a broader trend of rising hate crimes across the U.S. There were 8,260 hate crimes in the U.S. in 2020, according to the most recent available data from the Federal Bureau of Investigation. That was up from 7,290 in 2019 and 7,090 in 2018, according to the FBI.

About 35% of hate crimes in

2020 were against Black people, while 8% were against Jews. Incidents related to religion decreased 18% in 2020 compared with 2019, with anti-Jewish incidents down 28%, according to the FBI. Anti-Asian incidents rose sharply in 2020.

The FBI defines a hate crime as a committed criminal offense motivated by the offender's bias against a group. The 2020 FBI hate crime statistics are based on data received from 15,138 of 18,625 law-enforcement agencies in the country that year.

## U.S. WATCH

WASHINGTON, D.C.

### U.S. to Make It Easier To Get Pills for Covid

The Biden administration on Tuesday outlined plans to make it easier for infected people to get Covid-19 treatments, which some health leaders and patient advocates say are too difficult to obtain.

The administration has touted vaccines to reduce the risk of serious illness from Covid-19. Officials also have been urging greater use of two pills: Pfizer Inc.'s Paxlovid and Merck & Co.'s and Ridgeback Biotherapeutics LP's molnupiravir, also known as Lagevrio. Both were cleared for use by the Food and Drug Administration in December.

The authorization of those pills marked a turning point in the treatment of Covid-19 because people can take the therapies at home shortly after they develop symptoms, helping prevent hospitalization.

To expand access to the pills, the administration in coming weeks is planning to double the 20,000 pharmacies, community health centers and hospitals where the antivirals are currently available for patients. Pharmacies would also be allowed to order free antivirals from the federal government.

—Stephanie Armour



PRACTICE: Firefighters trained under simulated emergency conditions Tuesday in Valley Center, Calif.

WASHINGTON, D.C.

### Firms Seek Incentives For Clean Energy

More than 40 companies, including consumer brands such as Airbnb Inc., Lyft Inc., Sierra Nevada Brewing Co. and IKEA, are calling on Congress to adopt federal energy legislation to provide additional financial incentives for clean-energy projects such as wind turbine farms and solar installations.

In a letter to lawmakers Tuesday, the companies said that federal spending for such projects would help reduce energy costs for U.S. businesses, along with their employees and customers.

They called for federal tax credits for developers and suppliers of major wind, solar, nuclear and energy-storage projects, as well as for electric vehicles and charging-station tax credits, which could benefit company-run fleets.

—Katy Stech Ferek

NEW YORK

### Medical Helicopter Crashes, Killing Two

Two people aboard a medical helicopter were killed Tuesday when it crashed in western New York, according to state police.

The Mercy Flight helicopter went down in the Genesee County town of Elba while on a training flight, Maj. Eugene Staniszewski said.

—Associated Press

# Harvard Sets Funding To Redress Slavery Ties

By CAMILLE FURST

Harvard University has pledged \$100 million to redress its historical ties to slavery.

The announcement Tuesday coincides with the university's release of a 134-page report detailing its connections to slavery, segregation and discrimination.

The Ivy League school's faculty and staff enslaved more than 70 Black people between its founding in 1636 and 1783, when slavery became outlawed in Massachusetts, according to the report.

The university also profited from slavery during the 17th, 18th and 19th centuries through its financial connection to donors, some of whom are memorialized on campus. Those donors helped the university build its national reputation, the report said.

Slavery was "integral to Harvard," according to the report, and its legacy affected the university well after human bondage became illegal. Segregation and discrimination were a part of campus life well into the 1900s, the report said.

"The truth is that slavery played a significant part in our institutional history," Harvard

President Lawrence S. Bacow said in a letter Tuesday to the university community.

The report recommended that the university support descendants and Native American communities, establish an endowed Legacy of Slavery Fund and collaborate with Black colleges and universities.

Mr. Bacow said a new committee would begin to move to enact the recommendations, with \$100 million in funding set aside.

The recommendations are a step in the right direction, although the report doesn't address the harm to the descendants of slavery, said Lezli Baskerville, president and chief executive of the National Association for Equal Opportunity in Higher Education. Nafeo is an advocacy organization for presidents and chancellors of Historically Black colleges and universities.

"The specific recommendations provide an excellent framework that, once fleshed out, can become a model program not only for Harvard, but for other American colleges and universities who embrace their affirmative duty to take responsibility for their past," Ms. Baskerville said.

## FROM PAGE ONE

# Labor Needs New Mascots

Continued from Page One

The dissenting NLRB member wrote that "the rat in particular, a dominating physical presence, plainly created a symbolic confrontation."

An enormous inflatable rat popped up on the campus of Truman State University in Kirksville, Mo., in December when a group of maintenance and custodial workers protested.

"It was a little odd," says Travis Miles, a university spokesman. "I was surprised by how tall it was."

Nonetheless, he says, "On a college campus, there's always weird things going on."

Union organizers in Chicago helped popularize "Scabby the Rat" decades ago, and the scowling, gray blowup rodents draw attention to companies being picketed. An Illinois company, Big Sky Balloons & Searchlights, says in its "Rats Brochure" that the rodents are

available from "6 to 25 tall!" and suggests you "Order your rat today!" (The company also touts "Our new Corporate Fat Cat" and "Our new Corporate Greedy Pig" inflatables.)

More than 200 of Starbucks's 9,000 U.S. corporate stores have petitioned for union elections since last year. Amazon employees at another warehouse in New York are set to vote this week on whether to unionize. Jorts the cat has weighed in on Twitter at unionization pushes at both companies. Starbucks and Amazon didn't return requests for comment.

Restaurant workers, teachers, university instructors, grocery workers and others have also staged walkouts and strikes.

In the past year or so, "groups just starting to get formed—grad students, musicians—they don't have a rat. They'll call and say 'Hey, do you guys have a rat?'" says Ed Maher, spokesman for the International Union of Operating Engineers, Local 150 in Illinois. "Our answer is always, 'Yeah, we have a rat.'"

To meet new mascot needs, the Chicago Federation of Labor got a large inflatable loaner Scabby two months ago

and will "be adding another rat to the fleet," says President Bob Reiter. The federation has about 300 affiliated unions.

"He was double booked this week, but we were able to navigate it," Mr. Reiter says.

Hollywood assistants have used Instagram stories to organize a labor walkout. And last October, some employees at the Hooters restaurant chain went on TikTok calling new uniform shorts too short.

The brief publicity got their boss's attention. Hooters soon put out a statement, clarifying that the shorts were optional.

"Our Hooters Girls are providing input at every stage," said the October statement.

The world-wide web first heard about Jorts in December, when a Reddit user posted about cats at a place where the person worked, felines named Jorts and Jean. Jorts, the poster said, was the dim one, struggling to open doors. The post garnered huge interest on social media and was retweeted thousands of times, with Jorts becoming something of a relatable underdog (or cat).

That same month, a new Twitter account appeared—

@JortsTheCat—and, it turned out, Jorts was a union cat, frequently posting in support of workers actions. "2022 has already blessed the labor movement with a new icon," a blog devoted to unions said in Feb-

ruary. "Yes, it's time to talk about Jorts."

Jorts now has more than 178,000 Twitter followers—more than labor union giant the AFL-CIO.

"Let's rest up for more win-



An inflatable rat popped up on the campus of Truman State University in Kirksville, Mo., in December.

ning," the cat tweeted in early April, around the time it was announced that Amazon workers at a warehouse on Staten Island voted in favor of unionizing. The cat urged the public to attend a labor rally at a Pittsburgh Starbucks, inspired Jorts signs, and trolled California's Democratic governor.

While there is presumably a human behind the online presence (what cat would stay awake long enough to send all those tweets?), Sara Nelson, the international president of the Association of Flight Attendants-CWA, AFL-CIO, believes it's key that people think Jorts is a feline. "Jorts just has to remain Jorts the cat," Ms. Nelson says. "The second that we start trying to assign a human to Jorts all the magic will fall apart."

In an interview via direct messages through his Twitter account, Jorts declined to reveal his real identity and stayed in character as a cat.

"We are worker cats, so we stand in solidarity, even though nobody has figured out how to really exploit the labor of cats," Jorts said. He claims to send out his own tweets with his toe beans, or the small pads of skin on the bottom of cats' paws.



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# THE UKRAINE CRISIS

## Germany to Send Heavy Weapons

Berlin lifts ban to allow anti-aircraft cannon tanks to be shipped to Ukraine

By BOJAN PANCEVSKI

BERLIN—The German government has broken a long-standing taboo on allowing the export of heavy weapons to Ukraine, yielding to mounting domestic and international pressure on Berlin to help boost Kyiv's defenses against Russia. Anti-aircraft cannon tanks known as Flakpanzer Gepard, or Cheetah, that have been decommissioned by the German armed forces will be refurbished and sent to Ukraine, Defense Minister Christine Lambrecht said Tuesday. Germany will provide about

50 of the German-made self-propelled guns in what would mark a major delivery of non-Soviet weapons systems by a Western country to Ukraine, said two government officials. Boosting Western assistance is important because Russian President Vladimir Putin's invasion has led Moscow to depart from the community of civilized nations, Ms. Lambrecht said.

The move marks a U-turn by the government of German Chancellor Olaf Scholz, who has been under pressure to send heavy weapons to Ukraine. He had resisted the move, which he said on Friday could trigger a nuclear war with Russia. While several European allies have pledged to send Soviet-era armored vehicles to Ukraine, this would be one of the first examples of a country providing Western-made equipment.

Ms. Lambrecht announced the decision at a meeting of North Atlantic Treaty Organization defense ministers on Tuesday at the U.S.'s Ramstein Air Base in Germany. The Gepard self-propelled anti-aircraft cannons were removed from service more than a decade ago and are stored by their manufacturer, Krauss-Maffei Wegmann GmbH, a German company military experts say makes some of the world's most advanced tanks.

Ukraine approached KMW and other leading German arms manufacturers and requested contracts for heavy hardware such as tanks and anti-aircraft systems. Most of these orders would be paid for by Ukraine, which receives funds from NATO allies to boost its defenses. In the case of the Gepard systems, Germany would pay for the en-

tire deal, Ms. Lambrecht said. The government will allow the firm to export the weapons to Ukraine, the officials said.

KMW was in talks with Ukraine about the transaction before the war broke out, and has long awaited export permission from Berlin, say people familiar with the negotiations. "Our tanks are in good shape, and they can be delivered very, very quickly," a KMW spokesman said.

As of Tuesday, the company, which also offers training and maintenance for its products, hadn't received government-export approval, said the spokesman. Such a procedure could be initiated swiftly, he said. Other leading German arms manufacturers also have sought permission from Berlin to send heavy weapons, said people familiar with the discussions.

German ministers earlier approved the supply of smaller arms to Ukraine. Berlin also agreed to supply German-made weapons systems to NATO nations that formerly were aligned with Moscow and still have Soviet hardware that Ukrainian troops easily can integrate into their arsenal.

The Gepards' complexity means providing training and maintenance to allow the Ukrainians to effectively use the tanks would take longer, but they will be useful in what is shaping up to be a long conflict, said Gustav Gressel, a military expert with the European Council on Foreign Relations. Moreover, he said, the decision to allow the export of the Gepards could pave the way for further transfers of heavy arms to Ukraine because it eliminates Berlin's previous objections.

## Lawmakers Will Shift To Provide Long-Term U.S. Aid

WASHINGTON—Lawmakers said they were prepared to quickly approve another package funding weapons and economic aid for Ukraine, as the U.S. shifted to a longer-term commitment to back Kyiv to fend off Russia's invasion.

By Natalie Andrews, Andrew Duehren and William Mauldin

Earlier this year, Congress approved \$13.6 billion in military, humanitarian and economic aid to Ukraine as part of a broader spending bill. With the war continuing to rage, the White House is expected to send a supplemental request to Congress for a second multibillion-dollar aid package by the end of the week, aides and lawmakers said.

"We're just waiting for the administration to state that number," said Sen. Ben Cardin (D., Md.).

Senate Majority Leader Chuck Schumer (D., N.Y.) called the conflict a war of "tyranny vs. democracy itself," and said the U.S. "has a moral obligation to help the Ukrainian people with the tools they need, for as long as they need them." He didn't provide timing or details on a vote.

Republicans said they also are on board, but want Democratic leaders to keep the Ukraine spending package separate from other pending agenda items, such as a stalled package funding Covid-19 vaccines and treatments, which has been caught up in a border-policy dispute.

"I'm concerned that Chuck Schumer and [House Speaker] Nancy Pelosi will try to politicize this by combining it with something that may not be attractive for Republicans, then somehow blame Republicans that they don't support aid for Ukraine," said Sen. Steve Daines (R., Mont.).

"The key is more, more of everything," said Sen. Lindsey Graham (R., S.C.), adding the U.S. should send "whatever they need in terms of economic assistance and military assistance."

## Another multibillion-dollar package is expected to go to Congress this week.

On nonmilitary aid, Ukrainian Finance Minister Sergii Marchenko said in an interview with The Wall Street Journal that he is seeking \$2 billion a month in U.S. economic support to cover the next three months. The Biden administration has released \$1 billion in funds to help Ukraine pay for basic government services and public employees' salaries.

"We want this bridge to the new normal, we are not seeking how to cover all expenses to the end of the year," he said. Lawmakers returned this week after a two-week recess with a renewed focus to help the embattled country, which Russia invaded in February. Many have visited the Ukrainian-Polish border.

The U.S. has supplied Ukraine with billions of dollars in munitions and lethal aid, including hundreds of Stinger anti-aircraft weapons and thousands of Javelin antiarmor systems, and along with allies imposed punishing sanctions on Russia.

In recent days, the administration has emphasized that weapons and aid provided to Ukraine are being put to good use in a fight that also is paying dividends to Kyiv and the North Atlantic Treaty Organization in terms of a weaker Russian military.

Now that Ukraine has beaten back the Russian advance on its northern cities and stopped President Vladimir Putin's attempt to topple its leadership, the U.S. and its partners want to redouble efforts to supply long-range weapons needed for the current phase of the conflict in the country's east and south.

## Blasts in Pro-Russia Enclave Roil Moldova

By MATTHEW LUXMOORE

Moldova said it is placing its security forces on alert following a series of explosions in Transnistria, a breakaway pro-Russian enclave that has stirred concern about the role that some 1,500 Russian troops stationed there could play in shoring up Moscow's military campaign in neighboring Ukraine.

Authorities in the separatist region alleged that three terrorist attacks on Monday and Tuesday targeted a military base, two Soviet-era radio towers broadcasting Russian-language stations and the headquarters of the state security service in Tiraspol. No casualties were reported.

Moldova has been tense since the Russian invasion of Ukraine, which put the country, a small impoverished former Soviet state, on the edge of an active war zone. Transnistria, a narrow strip of land bordering Ukraine, was carved out of Moldova in the coun-



Soviet-era radio towers that broadcast Russian-language stations were damaged after explosions in Transnistria. Photo was issued by the breakaway region's interior ministry on Tuesday.

try's 1992 civil war and is held by pro-Russian separatists.

Moscow has military forces—which it describes as peacekeepers—and a base there. A large part of the population of 350,000 have Russian citizenship following a campaign by the Kremlin to secure passports for them. Only a handful of authorities around

the world recognize the independence of Transnistria.

The government of Moldovan President Maia Sandu on Tuesday said the explosions were a provocation aimed at creating unease between the enclave and the rest of Moldova.

"Our analysis shows that there's tension between vari-

ous forces inside Transnistria who are interested in destabilizing the situation," Ms. Sandu told reporters after a Moldovan security-council meeting.

Following the explosions, authorities in Transnistria raised the terrorism threat to the highest level, increased the combat readiness of security forces and declared

a state of emergency, with military checkpoints installed near city limits.

"The danger has reached real levels. Explosions can be heard in the country," Vadim Krasnoselsky, the president of Transnistria, wrote on Telegram. "Naturally, every challenge will be met with an adequate response."

Ms. Sandu said the security council had recommended improving the combat readiness of security forces, increasing the number of patrols and checks near Moldova's border with Transnistria and monitoring critical infrastructure more closely.

"We denounce any provocations or efforts to draw the Republic of Moldova into acts that can endanger peace in the country," she said.

The Kremlin on Tuesday said it is following the situation in Transnistria closely. "Obviously the news coming from there is causing concern," said President Vladimir Putin's spokesman, Dmitry Peskov.

## Moscow Warns War Could Grow

Continued from Page One

President Vladimir Putin of Russia has repeatedly raised the specter of nuclear war, invoking his country's atomic arsenal in an effort to deter the U.S. and the North Atlantic Treaty Organization from getting involved in the conflict.

The West, meanwhile, has accelerated efforts to bolster Ukraine with fresh supplies of weapons and ammunition in a bid to thwart Russia, but the U.S. and NATO have said they won't deploy troops into direct combat.

Russia's attempt to oust Ukraine's elected government through a rapid military invasion at the end of February failed, and Moscow is now focusing on trying to seize territory in Ukraine's east with the help of mass artillery and aerial bombardments. Russian units were pushing southwest from the city of Izyum and attacking the village of Barvinskove, the General Staff of Ukraine's Armed Forces said on Tuesday.

On Tuesday, Germany said it would refurbish and send to Ukraine decommissioned anti-aircraft cannon tanks known as Flakpanzer Gepard, or Cheetah, ending its longstanding reluctance to give tanks to the country. Germany will provide about 50 of the German-made self-propelled guns, marking a major delivery of non-Soviet weapons systems by a Western country to Ukraine, two government officials said.

Chancellor Olaf Scholz of Germany said last week his government was treading carefully to avoid a nuclear war.

The U.K. signaled a more aggressive stance on Tuesday when a junior U.K. defense minister, James Heappey, said it was "completely legitimate" for Ukraine to use Western weapons to hit logistics and supply lines in Russia.

For months, the U.K. has provided weapons on the proviso that they are used to defend Ukraine from Russian attack rather than offensively.



Russian Foreign Minister Sergei Lavrov, below right, and U.N. Secretary-General Antonio Guterres met in Moscow on Tuesday, while Kyiv removed a sculpture lauding Ukrainian-Russian ties.

tional community are now providing to Ukraine have the range to be used over the borders," Mr. Heappey, who is U.K. minister for the armed forces, told Times Radio. "That is not necessarily a problem."

Mr. Austin said Ukraine has received more than \$5 billion of equipment to defend against Russian forces, including two U.S. packages of military aid worth \$800 million each.

President Biden has said the administration would soon submit a request to Congress for more funding for Ukraine.

U.S. Secretary of State Antony Blinken testified on Tuesday on the administration's budget blueprint and told senators that "fully funding it is critical, in my judgment, to ensuring that Russia's war in Ukraine is a strategic failure for the Kremlin and serves as a powerful lesson to those who might consider following its path."

A day earlier, Mr. Austin said the U.S. aims to see Russia's military capabilities degraded and Ukraine's strengthened to prevent Moscow from attempting to conquer territory by force in the future.

"We want to see Russia weakened to the degree that it can't do the kinds of things that it has done in invading Ukraine,"



Mr. Austin said after he and Mr. Blinken became the highest-level U.S. officials to visit Ukraine's capital, Kyiv, since Russia invaded Ukraine Feb. 24.

Mr. Austin's Tuesday meeting with defense ministers at Ramstein Air Base included Ukraine's Oleksii Reznikov, and NATO Secretary-General Jens Stoltenberg. The topics on the agenda included updating the officials about the latest intelligence from the battlefield, security assistance and strengthening NATO's defense-industrial base in the long term

to support Ukraine's defense, a defense official said.

Speaking after the conference, Mr. Austin said U.S. and European officials attending agreed to meet monthly, either virtually or in person, to discuss ways to support Ukraine.

Russia, meanwhile, said it would halt gas flows to Poland and Bulgaria starting on Wednesday, the first time Moscow has followed through on a threat to cut off countries that don't pay for their gas on new, wartime terms.

On the diplomatic front,

United Nations Secretary-General Antonio Guterres met with met with Messrs. Putin and Lavrov in Moscow on Tuesday.

Mr. Guterres called for group-led humanitarian corridors, particularly in the southern Ukrainian port city of Mariupol, and for a swift end to the war. Mr. Putin denied there were problems with civilian evacuations, state-run news agency Ria Novosti reported. The U.N.'s refugee agency now estimates that 8.3 million people will flee Ukraine by year's end, up from its forecasts in early March.

Mr. Guterres is scheduled to meet with President Volodymyr Zelensky of Ukraine in Kyiv on Thursday.

In a telephone call on Tuesday with President Recep Tayyip Erdogan of Turkey, Mr. Putin said the last remaining Ukrainian troops in Mariupol would be spared and offered medical attention if they surrendered to the Russian occupying forces, the Kremlin said. Ukrainian officials have claimed that there are up to 2,000 Ukrainian fighters and over 1,000 civilians holed up in the Azovstal steel complex.

Mr. Putin told Mr. Erdogan that Mariupol, which has suffered immense death and destruction after two months of Russian shelling, was now entirely under Russian control, the Kremlin said.

In his Monday interview, Mr. Lavrov said there has been no progress in peace talks with Kyiv, but that the conflict would end in a treaty that would depend on the situation on the ground. A senior U.S. official on Monday said the U.S. aimed to ensure that Ukraine "has the strongest possible hand" in any such peace negotiations.

Russia has removed some of its forces from around cities in northern Ukraine and focused instead on the eastern Donbas region, in a high-stakes conflict on wide-open terrain.

As Mr. Putin's army has faced fierce resistance from Ukrainian forces strengthened by large infusions of Western weaponry, concerns have grown that Russia could consider using a so-called tactical nuclear weapon to gain the upper hand on the battlefield.

—Bojan Pancevski, Max Colchester and Nancy A. Youssef contributed to this article.

## THE UKRAINE CRISIS

## Russian Oil Sale Fails as Curbs Resonate

State giant Rosneft strains to find buyers, pointing to impact of impending sanctions

By JOE WALLACE  
AND ANNA HIRTEINSTEIN

Russia failed to sell a huge batch of oil, a sign that soon-to-be-imposed sanctions against its state oil giant are playing havoc with the energy industry that undergirds its bruised economy.

Moscow maintained a brisk pace of energy exports in the two months after the invasion of Ukraine, bringing in revenue that Kyiv says funds the Kremlin war machine. Many U.S. allies left oil and gas shipments out of their harshest sanctions on Russia. Importers in India and elsewhere swooped in to buy cheap Russian barrels at a time of rocketing energy prices.

But exports hit a snag in recent days when Rosneft Oil Co. struggled to find buyers for enough oil to fill a fleet of tankers, traders familiar with the sale said. The producer, in which the government owns a large minority stake, invited companies to bid for the oil last week, according to traders and a document seen by The Wall Street Journal.

A Rosneft spokesman had no comment.

The problems with the sale give an early indication that European sanctions targeting Rosneft, and set to kick in on May 15, are starting to disrupt Russia's ability to move crude from oil fields to overseas buyers.

The sanctions are less stringent than a full ban on Russian imports. Many expect Europe eventually to adopt a phased outright ban on bringing in Russian oil—an embargo promoted by newly re-elected French President Emmanuel

## Gas Flows to Poland, Bulgaria Are Halted

Russia said it would stop gas flows to Poland and Bulgaria starting Wednesday, the first time it has followed through on a threat to cut off countries that don't pay for their gas on new, wartime terms outlined in March by Russian President Vladimir Putin.

The move marks a big escalation by Russia, which has tried to bolster its currency by insisting customers pay for gas in rubles, and introduces the possibility that more economies in Europe, deeply dependent on

Macron but resisted by Germany and Hungary, among other members.

But sanctions already in place, laid out by the Euro-

pean Union in mid-March, and replicated by Switzerland, will ban companies from reselling Russian gas outside Europe. This includes sales into the big

Asian market, especially India, which has soaked up some of the Russian oil demand since Moscow invaded Ukraine.

Traders will still be able to bring Rosneft crude and refined products into the EU and Switzerland, which were exempted in order not to worsen a shortage of diesel and other fuels. But many companies in Europe are rapidly finding non-Russian sources of oil.

The sanctions also target Transneft, the sprawling state pipeline system that carries oil to ports, creating an additional hurdle to handling Russian fuel.

If Rosneft keeps struggling to sell, it would represent a further shock for an economy already locked out of much of Western finance and commerce. The company says it is Russia's biggest taxpayer, contributing a fifth of budget revenue. In total, Russia's oil and gas sales made up 45% of the federal budget in

2021, according to the International Energy Agency.

"If they can't sell, they'll have to start shutting down," said Adi Imsirovic, senior research fellow at the Oxford Institute for Energy Studies and former head of oil trading at a subsidiary of Gazprom PJSC.

Rosneft, run by longtime Putin ally Igor Sechin, last week invited bids for about 5.1 million metric tons of Urals—or about 38 million barrels, enough to fill 19 large tankers—according to the traders and document. It asked for payment in rubles, an unusual twist, and said the oil would be loaded onto tankers at ports in the Baltic and Black seas in May and June. Smaller volumes of other kinds of crude—including Siberian Light, Espo and Sokol—were also on offer.

Reuters earlier reported about Rosneft's inability to sell the oil.

## Men Vanish From Freed Villages

Continued from Page One

no idea where he is, what happened to him. Is he alive? Is he dead? Nothing," said Natalia Honcharuk, who works in a village grocery store. "Mama keeps calling authorities every day and nobody can tell us anything."

During their 10-day occupation of Velykyi Bobryk, which had a prewar population of about 1,000 people, Russian forces didn't engage in the kind of killings that marked their stay in towns like Bucha, near Kyiv.

But during the occupation, the Ukrainian resistance encouraged locals to pass on images and GPS coordinates of Russian positions and convoys. The information was then used to organize ambushes or coordinate strikes by long-range artillery or Turkish-supplied Bayraktar TB2 drones.

"Every old lady in every village would send us photos of Russian convoys. Everyone was helping us," said Ihor, a Ukrainian intelligence-service official in the regional capital of Sumy who isn't allowed to disclose his surname.

In Velykyi Bobryk, residents created a neighborhood messaging group using the Viber app, sharing news about Russian movements in the area and sometimes photos of Russian convoys. When Russian troops began searching the village, the first thing they demanded to see was the residents' smartphones. The Viber group was quickly disbanded, but some of the images had auto-downloaded onto residents' phones.

Ms. Honcharuk, who lived with her mother and her brother, Serhiy, 45 years old, said she gladly showed the Russians her smartphone, which didn't have anything illicit. She said her brother, who was sickly after two severe bouts of Covid-19, owned just an old phone without a camera or internet access. The Russians didn't believe him. "Why are you lying?" they shouted as they dragged Serhiy out of the house, put him atop an armored personnel carrier—a common tactic of using civilians to thwart attacks—and drove him to their camp.

Ms. Honcharuk said she tried to look for her brother two days later at a Russian checkpoint, but by then a different group of Russian troops was there. They told her that her brother was in Boromlya, the nearest town where Russian troops had set up an interrogation facility in a local egg-packaging factory.

"They said, he will be investigated by competent organs and then sent back home, don't worry," Ms. Honcharuk said. "Now I understand they were telling everyone the same thing."

On the other side of the village, the first Russian search went well, thought Vita Yurina. The 36-year-old, who likes to get around on a bicycle, lives in one of Velykyi Bobryk's nicer homes with her mother-in-law and two daughters. Her husband, Viktor, 48, worked as a truck driver.



Nadia Velichenko, above, says Russian soldiers took her husband from Velykyi Bobryk, while Natalia Honcharuk said Russian forces looted the grocery store where she worked.

"Will you shoot us?" Ms. Yurina said she asked when Russian troops first appeared at their gate. "No, we won't," the Russians replied. They searched the closets, the kitchen, the shed, the cellar and, after finding nothing incriminating, proceeded to the next house, she said.

The next morning, Ms. Yurina said she saw a black Russian drone hovering over her courtyard. At about 11:30 a.m., a Russian armored personnel carrier roared up to their gate. Several soldiers with guns at the ready pushed in and one of them showed a phone, confiscated from another villager, with photographs of Mr. Demidov and two other men.

"Demidov, we already killed him," the soldier said. "Who are the other two with him? Why did they have to kill two of our tank crew?" When Mr. Yurinov said he didn't know the two men, the soldier cursed and hit him, Ms. Yurina said.

As the Russians led away Ms. Yurina's husband, they started interrogating her in



the courtyard. One of them cracked a joke about their age discrepancy. "What use can you have for an old man like that?" he asked.

Less than an hour later, the Russians returned to detain Ms. Yurina. In their headquarters, the basement of a grocery and coffee shop near the church on the main square, an interrogator scrutinized her phone. He found a photo of a friend wearing a military uniform and the number for a Territorial De-

fense member. He also found a photo of a Russian convoy that was auto-downloaded from the neighborhood messaging group.

"Shall we have our way with her?" one of the soldiers said, Ms. Yurina recalled. "No way, look at her, she looks too old and haggard," another said. Instead, he suggested bringing Ms. Yurina's 16-year-old daughter to the base. She said she pleaded with the guards to leave her daughter alone.

The Russians then brought Ms. Yurina out of the basement. Her husband was outside on his knees, his mouth sealed with duct tape, his hands tied, his nose bloodied and broken. Three other villagers were in the same group, with one of them trying to persuade the troops that he hadn't meant any ill intent in taking a snapshot of the convoy. A Russian soldier kicked Mr. Yurinov, another fired a bullet into the ground, she said.

She was then separated from the others, waiting in the dark of the basement until she was released around 2:30 p.m. "Go home and educate your children, not in the Nazi propaganda you have been fed, but to be normal people," a soldier told her.

By then, Ms. Yurina's husband and the other prisoners were gone.

Russian troops also came to Nadia Velichenko's home. "Are there any Nazis in the house?" she recalled them

asking. They took her son, Yuli, away the next day after learning he had previously fought with Ukraine's military against pro-Russian forces in the Donbas region of Ukraine.

"Mother, if his hands are not stained by blood, we will let him go," she recalled the Russians telling her as they drove off with her son.

Hungry Russian soldiers began breaking into empty local homes and into shops, taking everything they could. At the store where Ms. Honcharuk worked, owner Yevhen Demchenko said losses and damages topped \$10,000.

Ms. Yurina continued asking Russian troops about her husband. On March 24, she was told to inquire with a Russian officer who went by the name Travel and operated out of Velykyi Bobryk's school.

"Don't worry, he is in Belgorod," the Russian city about three hours drive away, Travel told her after making inquiries, she said. "If he is innocent, he will be freed, and if he's not he will be traded in a prisoner exchange."

"How can I not worry?" Ms. Yurina retorted, saying that her husband suffers from thyroid and liver disease.

Meanwhile, Russian forces had stepped up their sweep of their area.

At their interrogation site at the packaging factory in Boromlya, Russian troops used sophisticated equipment

to examine detainees' phones and ran their names through intelligence databases, the town's mayor said.

In the nearby village of Hrebnykivka, a resident whom The Wall Street Journal agreed to identify by his first name Serhiy, was picked up on March 14 along with four other men and taken for interrogation across the border in Belgorod about possible connections with the Ukrainian resistance. While three men still remain in Russian captivity, Serhiy said he and another villager were cleared and sent back to Ukraine on March 21, where they were taken to the interrogation site in Boromlya while waiting to be taken back to Hrebnykivka.

There he shared the basement with Mr. Yurinov and four other detainees from Velykyi Bobryk before they, too, were taken to Belgorod, he said. They were in bad shape, Serhiy said.

"One had a gunshot in the foot, one had a torn and broken nose after they dragged him with a hook, another had torn ears. They had been beaten into pulp," he recalled.

The Russian soldiers, by then, were fearful of constant ambushes and were taking it out on their prisoners. Ukrainian forces recaptured Trostyanets, the next town down the road from Boromlya, on March 25. Much of the central square there is still full of burned-out Russian armor and trash left by the retreating Russian soldiers, who spray-painted slurs about President Volodymyr Zelensky of Ukraine on several buildings.

The following day, the Russians left Velykyi Bobryk as part of a wider withdrawal from northern Ukraine.

Residents wrote "Glory to Ukraine" once again on the side of a central shop by the church where the Russians had painted over the previous version of the slogan. Someone had put a sign on the road saying "Marauders' street" where the Russians used to have their headquarters.

"Occupation was such a terrible thing, it's as if they strangle you and cut off the oxygen," said Natalia Varyonova, 47, as she was restocking the empty central shop with freshly arrived supplies. "Thank God we have survived this, we are a strong nation. I hope they never come back here."

Ms. Velichenko, tearing up, said she had been told that her son had been taken to Russia and his name had been put on a list of prisoners eligible for exchange. It was unknown when he might be traded.

Ms. Yurina said she was heartened by a recent call from Serhiy, the man who was imprisoned with her husband in Boromlya.

"At least we know that my husband is alive," she said. "Now we just sit by the phone, waiting for someone to call." As she showed a faded photo of her husband, her 16-year-old daughter, Katya, thrust forward her iPhone. "Please have a look at this one instead. My daddy doesn't look like that old photograph anymore," she said.

Ms. Honcharuk said she still has no news of her brother.



Vita Yurina holds a picture of her husband, Viktor, who was taken by Russian soldiers in Velykyi Bobryk, and her daughter.

# WORLD NEWS

## Xi Demands Faster Growth

China's president calls on officials to ensure GDP expands 5.5% in 2022, topping the U.S.

By Jason Douglas

SINGAPORE—Chinese President Xi Jinping has told officials to ensure the country's economic growth outpaces the U.S.'s this year, people familiar with the discussions said, even as its economy sags under its worst Covid-19 outbreak since the pandemic began.

In meetings over the past few weeks, Mr. Xi told senior economic and financial officials that ensuring the economy is stable and growing is important because it is critical to show that China's one-party system is a superior alternative to Western liberal democracy, and that the U.S. is declining both politically and economically.

In response to Mr. Xi's call to rev up growth, Chinese government agencies are discussing plans to accelerate big construction projects, especially in the manufacturing, technology, energy and food sectors, as well as to issue coupons to individuals to spur consumer spending, the people said.

The U.S. economy outpaced China's economy in the final quarter of 2021, growing 5.5% year-to-year compared with China's 4%. President Biden claimed credit at the time by saying it was the first time in 20 years the U.S. economy grew faster than the Chinese economy, which raised hackles among senior officials in Beijing.

China's cabinet, the State Council, didn't respond to a request to comment.

China should adopt "more vigorous" macro policies to hedge the impact of the pandemic, said Wang Yiming, a member of the monetary-policy committee of China's central bank.

The authorities should "make sure the economic growth rate in the second quarter can return to more than 5%,



China's moves to contain Covid-19, including a lockdown in Shanghai, have taken a toll on the economy.

which is particularly important for laying the foundation for the country to achieve the expected target of 5.5%," Mr. Wang told attendees at an economic forum in Beijing this week. China's GDP grew 4.8% in the first quarter, though many economists say that number likely overstates the strength of the country's economy.

Mr. Xi's push for bolder stimulus highlights how Chinese officials face a major test this year to keep the economy firing and meet Beijing's 5.5% annual growth target, a figure officials have repeatedly reaffirmed despite signs growth is faltering. As the Communist Party's most powerful leader in decades, Mr. Xi's instructions carry a great deal of weight, even if they are often hazy in their details.

Even so, many economists are skeptical that the target is achievable as long as Beijing sticks with its zero-tolerance

approach to Covid-19, which is hurting consumer spending and industrial production in an economy already struggling with a real-estate slump and fading demand for its exports.

At the same time, Chinese officials are proposing meetings with foreign investors and companies in an effort to mollify those that have been rattled by Beijing's crackdown on the private sector, people familiar with the meetings said.

Beijing is also reversing its policies in other sectors, such as real estate, to prop up the economy. Some local governments have in recent weeks eased their restrictions on home purchases, while China has also put off plans to expand a trial of a property tax, part of a push to restore confidence in the sector.

Official data show that China's economy expanded in the first quarter but that lock-

downs hit trade, retail spending and factory output in March as restrictions spread to major cities, highlighting the tension between stamping out infections and spurring growth.

Many economists are skeptical that China can meet the government's 5.5% goal, darkening the outlook for a global economy that must also digest the expected rapid withdrawal of easy-money policies in the U.S.

"With the 5.5% target, they've set themselves up for some real difficulty," said Mary Lovely, senior fellow at the Peterson Institute for International Economics, who heads the Washington think tank's China studies program.

### Watch a Video



Scan this code for a video on the impact of China's latest Covid-19 surge.

## Macron Faces Tests In His Second Term

By Stacy Meightry and Noemie Bissere

PARIS—President Emmanuel Macron once compared the French presidency to the reign of Jupiter. Like the Roman king of gods, he spent much of his first term impervious to political opposition, issuing directives with limited debate.

Mr. Macron's next five years in office will require a more conciliatory approach. The 44-year-old former investment banker knows that many people who voted to re-elect him in France's presidential runoff on Sunday were casting votes against far-right leader Marine Le Pen, not for him. Voters, lawmakers and even the president say he needs to ditch his heavy-handed approach and rebuild consensus across a country that has become deeply polarized along economic and generational lines.

The forces of Ms. Le Pen and far-left firebrand Jean-Luc Mélenchon are gearing up for parliamentary elections in June, emboldened after garnering their biggest share of the electorate ever in the presidential election. The French street, meanwhile, is ready to erupt with protests and paralyzing transport strikes.

Mr. Macron struck a tone of humility Sunday after notching a 17-percentage-point win over Ms. Le Pen, much narrower than his 32-point win in 2017.

"This new era will not be in continuity with my first five years in office, but a collective invention of a new method," Mr. Macron told supporters gathered at the foot of the Eiffel Tower after his election. He said he would be "kind and respectful because our country is so full of doubt and division."

The first test is his choice of prime minister, which he is expected to make in the coming weeks. The new prime minister will helm a government and lead the charge for Mr. Macron's party in June's

elections. Candidates from a newly elected president's party usually ride his coattails to office, but some analysts don't expect Mr. Macron's party to win the commanding majority that defined his first term.

Mr. Macron's centrist party, La République en Marche, has struggled to establish a grassroots presence since he founded it in 2016, having largely failed to win office in local and regional elections.

The party also lacks a deep bench of ministers who can step into the prime minister's role. The establishment parties that previously supplied Mr. Macron with cabinet members are in disarray after shedding voters during the election.

Members of Mr. Macron's party say candidates for prime minister include Labor Minister

### He is expected to drop lofty style, push for unity in a divided political landscape.

Élisabeth Borne, a former socialist, and two former conservatives: Finance Minister Bruno Le Maire and Interior Minister Gérald Darmanin. Mr. Macron is also considering Agriculture Minister Julien Denormandie and his chief of staff Alexis Kohler, party members say.

Those names resonate with Macron voters who lean to the right and approve of his pro-business agenda. People who cast votes for Mr. Macron after voting for leftist candidates in the first round, however, won't be happy.

Mr. Mélenchon, who nearly qualified for the runoff with 22% of the first-round vote, is trying to rally other left-leaning parties behind him to win a majority in Parliament and force Mr. Macron to pick him as prime minister.

## WORLD WATCH



A military parade marks the 90th anniversary of the founding of the Korean People's Revolutionary Army.

### CHINA Covid-19 Cases Drop Amid Testing Boost

China reported its lowest number of new Covid-19 cases in three weeks, as authorities in Beijing rolled out citywide testing in the race to stamp out the virus before it forces the kind of stringent lockdowns that have closed manufacturers in Shanghai.

China's health authority Tuesday reported 17,724 new locally transmitted infections nationwide for the previous day, more than 95% of which were in Shanghai. Beijing officials said there were 22 new cases, seven fewer than in the previous 24-hour period.

Beijing's leaders have said their rapid response to rising, albeit still low, case numbers is essential to wiping out the flares driven by the highly transmissible Omicron variant before it becomes too entrenched in the community. That is a key lesson from Shanghai, which didn't impose widespread lockdowns until daily infections topped 4,500 in late March.

The threat of a wider outbreak in Beijing is far from over and the central government's commitment to its zero-Covid strategy means China's capital may still resort to citywide shutdowns. That is a risk that clouds the outlook for many business executives in the country.

—Selina Cheng

### NORTH KOREA Kim Vows to Hasten Nuclear Program

North Korean leader Kim Jong Un vowed to step up the country's nuclear-weapons program as fast as possible, in a speech delivered at a military parade featuring the country's largest known intercontinental ballistic missile.

The Monday evening parade, marking the founding anniversary of North Korea's armed forces, showcased the Hwasong-17 ICBM, along with tanks, armored vehicles, artillery pieces and rocket launchers.

In the speech, Mr. Kim didn't mention the U.S. or the incoming South Korean administration, which has promised a tougher stance on Pyongyang. "We will continue to take measures for further developing the nuclear forces of our state at the fastest possible speed," he said, according to a Tuesday state-media report.

The dictator called the country's nuclear weapons a symbol of national strength. He noted they could be used against nations seeking to violate the fundamental interests of North Korea.

The event showcased at least three Hwasong-17 ICBMs—North Korea's largest and newest long-range missile which was unveiled in a 2020 military parade—and a solid-fuel missile that may be new, weapons experts say.

—Dasl Yoon

### JAPAN-SOUTH KOREA Leaders Aim to Reset Diplomatic Relations

Japan and South Korea must improve relations to work together with the U.S. to face challenges from rogue nations, Japan's leader told a delegation from the incoming South Korean president, raising the prospect of a thaw after years of frosty ties.

"With the rule-based international order under threat, there has never been a more vital time for cooperation," Prime Minister Fumio Kishida told a group of South Korean lawmakers and academics, who are in Tokyo this week to discuss how to improve relations between the U.S. allies.

The group passed a handwritten letter to Mr. Kishida outlining a desire for a new relationship with Japan from Yoon Suk-yeol, who takes office as South Korean president on May 10.

The ascent of Mr. Kishida, who became prime minister in October 2021, and Mr. Yoon, also a conservative, provides two of Asia's biggest democracies with an opportunity for a diplomatic reset. Their relations have stumbled into acrimony in recent years during the presidency of left-leaning Moon Jae-in, mostly over legacies of Japan's colonization of the Korean Peninsula for more than three decades through 1945.

—Alastair Gale and Timothy W. Martin

### A MOMENT IN THE SUN PATEK PHILIPPE SOLAR CLOCK

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Demonstrating the remarkable attention to detail and style that characterize all of Patek Philippe's timepieces, this solar dome clock is a wonder of horology. Its revolutionary movement is powered by a system of solar power designed so the solar panel can be turned manually to face a light source, and the clock can run accurately on its own for over a year. Patek Philippe introduced these solar clocks in the 1950s, and the firm earned a Swiss patent for the technology. Today, these timepieces are extremely rare and highly collectible. Circa 1955. 5" dia. x 8 1/2" h. #31-4918

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The University of Texas at Austin. Its business school says it lets some accepted students defer.

## Schools Woo M.B.A. Prospects

Young professionals weigh costs of taking two years out of a career to earn a business degree

By LINDSAY ELLIS

Business schools are facing their toughest sales pitch in years: Convincing prospective M.B.A. students to leave their lucrative careers for two years and go back to graduate school.

Applications to some business schools from U.S. students appear to be down this year, say some application consultants and school officials. The drop-off is due in part to employee wages, which rose rapidly through much of 2021. The biggest increases went to young employees, making it harder for them to walk away from work and into an expensive degree for the two years it takes to go to school full time, students and school officials said.

Admissions officers say this year is particularly unusual because prospective students are reconsidering business school not before applying, but after they are accepted. Companies used to funnel their workers to M.B.A. programs for executive training, often footing the bill. Now, business schools are increasingly competing against companies and the job offers and bigger pay that they are dangling to entice young professionals to skip school and keep working, uni-

versity administrators say.

Sam Drackett, a consultant, wondered if taking on debt to get another degree would be worth it. The sticker price of a traditional two-year M.B.A. from a highly ranked school can top \$200,000 when living expenses are added to tuition and fees. He decided

“It’s good to up your skill level and your credibility,” said Mr. Drackett, who is 26 years old.

To woo M.B.A. candidates into locking in for the fall, universities including Harvard Business School, Carnegie Mellon’s Tepper School of Business and the University of Virginia’s Darden School of Busi-

ness, invited their accepted prospects to campus for parties and sessions promoting how graduate school could boost their bankability and change their career trajectory. This year’s events were the first back-in-person gatherings since the start of the pandemic.

Several students who were admitted to top-tier M.B.A. programs told The Wall Street Journal that they were torn about whether to enroll this fall because new job opportunities or promotions have come up since they submitted their applications last year.

Kiana Feliciano, 26, took on new responsibilities at work in recent months and saw a chance to earn a promotion quickly, but she was also accepted to Virginia’s Darden School. She agonized over the decision, but ultimately decided on the M.B.A. because she wants to shift from marketing to consulting. Plus, a scholarship will help her defray the costs.

Students’ appetites are fluid as the economy shifts, said Dana MacFaun, director of graduate admissions for Boston University’s Questrom School of Business. “Until they step foot on our campus in August, their decision’s not final,” she said.

A clear picture on how many students choose to enroll in M.B.A. programs won’t be available for months. M.B.A. applications tend to fall when the job market is hot, and rise when it cools. Some highly ranked programs had lower-than-expected interest from prospective students last year after an uptick in 2020 when the pandemic created a recession.

Eighteen percent of prospective business-school students in the U.S. said they believed employers value a graduate business degree more than work experience, according to an April survey from the Graduate Management Admission Council, a nonprofit that administers the GMAT admissions exam. Program costs are the biggest barriers candidates say they have to overcome, the survey found.

Rodrigo Malta, managing director of M.B.A. recruiting and admissions at the University of Texas at Austin’s McCombs School of Business, said in a typical year, he hears from accepted students about scholarship offers from other business schools. This year more candidates have come back saying their employers are offering raises to defer admission by a year, he said.

“We are seeing competition from employers, when it comes to a need to hold on to talent,” he said, adding the McCombs school has let some people defer and extended the deadline for others to give them more time to make their decision. “If they need to wait a year, that’s perfectly OK.”

The University of California, Berkeley’s Haas School of Business isn’t allowing many admitted M.B.A. prospects to defer their enrollment, said Eric Askins, executive director of full-time M.B.A. admissions. That is because once most people defer, they never end up enrolling. Haas is seeing more students who are declining acceptance letters this year than usual say they are staying in the workforce instead of going to another competing business school.

Staying in the workforce this year will pay off for some. Companies have budgeted more money for pay raises in 2022 than at any point since 2008 so they can compete for new talent and keep good employees from walking out the door, according to the Conference Board, a business research group.

Taking two years out of a career has always required a strong return on investment, and the M.B.A. has historically paid off for most students. Nearly all graduates earn more money two years out of school than the amount they borrowed—and some saw their salaries double.

In Austin this month, UT’s McCombs school held a preview weekend for accepted students, introducing them to the business school’s faculty and facilities, and talked up the value of the M.B.A. network. Lillian Mills, the school’s dean, and other officials enthusiastically pitched the career opportunities that come to business school graduates, as well as Austin itself, as a great way to advance long-term aspirations. She urged committed future students to convince others to enroll, too.

“Try to bring your friends,” she said.



Kiana Feliciano has a scholarship to help with the costs of an M.B.A. Sam Drackett decided to enroll in a part-time, hybrid M.B.A. program so that he wouldn’t have to give up his job.

against giving up his job and against a full-time M.B.A., enrolling instead in a part-time, hybrid program offered by Duke University’s Fuqua School of Business.

He figures an M.B.A. will be a good career hedge should the economy cool off or promotions become more scarce.

ness, invited their accepted prospects to campus for parties and sessions promoting how graduate school could boost their bankability and change their career trajectory. This year’s events were the first back-in-person gatherings since the start of the pandemic.

Several students who were ad-

## More Carwashes Go the Extra Mile

By MIKE JORDAN

Atlanta  
Just a few blocks west of Interstate 75, the words Auto Spa Bistro are written in ornate gold letters at the top of a small building on 14th Street in midtown Atlanta.

Out front there is a wide parking lot where staff are cleaning soapy and shiny cars. It is obviously a carwash, but walking through Auto Spa Bistro’s lounge doors might make you forget that detail.

Past the walls of purple plush and faux alligator club chairs, there is a bar where guests can order margaritas, a bottle of SweetWater 420 local beer, premium bourbon, gin and other adult beverages. Depending on the time of day you can order omelets like “The Beamer” with gulf shrimp, mozzarella, tomatoes and spinach, or lunch and dinner options ranging from an assortment of fresh salads to even bourbon-glazed lamb chops. Sometimes, guests can enjoy puffs of cooled smoke from rented hookahs under golden chandeliers.

“A lot of people came in dropping vehicles off, then would go to dinner, to Starbucks, Dunkin’ Donuts or Waffle House. And I was like, it’d be cool to have something housed in one building to extend their stay and increase average tickets,” said Lemont Bradley, owner of Auto Spa Bistro, who came up with the idea to provide amenities after his first carwash business closed 20 years ago.



Mr. Bradley says he is getting creative with amenities and services to make his carwash more like a club. Others are doing it to entice interest from investors, particularly since carwash chain Mister Car Wash raised more than \$560 million in a June 2021 initial public offering.

At Clean Ride Auto Spa in Sioux Falls, S.D., customers can enjoy a freshly brewed cup of locally roasted coffee inside the Clean Bean, its coffee shop. Some aren’t even purchasing a car service; they just pull up for a caramel macchiato or chai, fresh-baked breakfast sandwiches and pastries such as the popular white chocolate raspberry scone, says Clean Ride’s administrator, Heather Dorhout.



At the Auto Spa Bistro, customers can enjoy a meal while their cars are cleaned.

Clean Ride car-cleaning and detailing packages range from \$12 to \$450. It also has a dog spa: self-serve pet-washing stations, which come with post-wash “pup cups” filled with doggy snacks and whipped cream.

Clean Ride opened in February 2020. Ms. Dorhout says the carwashing services equate to around 90% of revenue, but the additional amenities are fun ways of setting Clean Ride apart from competitors, particularly for the customers who she says like to “spill their stories” on friendly baristas while they await their freshly cleaned vehicles.

“Eventually we’d love to grow that side of the business,” Ms. Dorhout says of the Clean Bean and the Dog Spa. “We’ve done catering events recently, but right now it’s more to help with the experience and customer service.”

According to a March report from Grand View Research, the carwash market is expected to reach \$38.61 billion by 2030, at a compound annual growth rate of 3.1%.

Eric Wulf, chief executive of Chicago-based trade group International Carwash Association, says the mixed-model carwash business has high potential for success. Large carwash owners are likely going to focus on creating a scalable subscription-based business. The resulting market bifurcation would then motivate more independent entrepreneurs to launch unique models.

The mixed model is something Mr. Wulf has seen in many forms, particularly overseas. He says one of the most unique carwash operations he has seen is in Zurich, where one carwash occasionally has a dance club on the second floor where visitors dance while

they wait.

The carwash restaurant model isn’t for everyone, said Mr. Wulf. The risks include spending a lot of money to build something that simply doesn’t bring in more customers. There is also the risk that a private-equity-backed group builds a subscription model next to your business.

Setting up a carwash is much more expensive than it was decades ago due to technology advancements and rising real-estate prices. Mr. Wulf said it is part of the reason owners are turning to private-equity groups for investment. About 15 years ago, he estimates it was around \$2.5 million to set up an express exterior carwash. Now he puts that figure at \$7 million.

Mr. Bradley is banking on a loyal customer base and celebrity clients to keep Auto Spa Bistro in business. Former NBA star Shaquille O’Neal is a member of the company’s franchising advisory board, for example.

Mr. Bradley has already started with a new concept called Eco Car Spa just a mile south of Auto Spa Bistro. The “waterless” carwash uses biodegradable products and offers services that range from \$15 for an outside-only wash to \$500 for a full detailing. Mr. Bradley is pairing the environmentally friendly carwash with a healthier food menu that includes quinoa and kale salads with berry vinaigrette.

“I’m not saying it; I want to make sure we will be successful in their territories and we’ll be able to conquer new territory,” he said.

## PERSONAL JOURNAL.

MY RIDE | A.J. BAIME

## Beetlemania: He Caught the Bug in '71

Blair Neller has put 111,000 miles on the Volkswagen he bought back in college and now owns a 2015 model, too



Mr. Neller at home with his two Beetles, a yellow one bought new in 1971 and a black 2015 model.

**B**lair Neller, 69, a former president of a corporate-housing and furniture-rental company, on his 1971 Volkswagen Beetle convertible, as told to A.J. Baime

I grew up in Chicago and got a tennis scholarship to Rollins College in Winter Park, Fla. The fall of my freshman year, an uncle of mine died and left me \$5,000. That was a lot of money. So when I came home for a break, I went looking for a car. I found this new 1971 canary-yellow Volkswagen Beetle at North Shore Volkswagen in Highland Park, Ill. I asked my father if it was all right if I buy it. He said, "You earned a college scholarship, so

this money is yours." I bought the VW for \$2,300.

My father wanted to check the car out for me by driving it to Florida. The truth was, he was not comfortable with me driving it all the way down. And besides, he had never had the money to buy a new car. So it was really exciting for both of us. I will never forget the day I was standing on Fairbanks Avenue in Winter Park and I saw this Beetle coming down the road. My father stayed in Florida for a while to watch some of my tennis matches, and this car was like a bonding agent for the two of us. This was April 1971.

The Beetle was already an icon by this time. First dreamed up in prewar Germany as "the people's car"

under Adolf Hitler's regime, and developed by Ferdinand Porsche, among others, it was a contrarian car. The engine was in the back and the trunk was in front. It became an international phenomenon that crossed social and economic lines. It didn't matter if you were rich or poor. There was something chic about this affordable car, and in the 1960s and '70s, it changed the entire landscape of the automobile industry.

I drove my convertible Beetle throughout my college years. My now-wife Liz also went to Rollins College, and we went on our first date in this car—with the top down. After school, we moved to New York for a job, then Texas, Michigan and Arizona. The car wasn't always my daily driver, but

it came with me. My wife and I moved back to Winter Park in 2002, and it felt like we were taking the Beetle home. We had it restored by this father-son team, who put two years of painstaking work into it.

In 2016, I heard that Volkswagen was going to discontinue manual-transmission Beetles. I went on a hunt for a convertible manual

"Bug." By 2016, you couldn't find any. I called dealers all over the place. Finally, I called Volkswagen's corporate headquarters in the U.S., and I found a woman who could help me.

As I remember it, she told me there was only one new manual-transmission convertible Beetle left in the country—at a St. Louis dealership. So I bought this

brand-new 2015 black Beetle and a friend in St. Louis, who was a Rollins College buddy, drove it down for me. When I look at these two cars next to each other, it's a reminder of how fast time flies.

My 1971 Beetle now has 111,000 miles on it over 51 years. There are so many memories. If this car could talk!



The 1971 VW's dash had no screens and almost no instruments of any kind. The original Beetle had its engine in the rear. A new iteration appeared in 1997 with its engine in front.



  
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## ARTS IN REVIEW



TELEVISION REVIEW | JOHN ANDERSON

## The Movie Masterpiece That Almost Wasn't



Miles Teller, above left, Patrick Gallo and Dan Fogler, above right, and Matthew Goode, top, in the new Paramount+ series 'The Offer'

**S**poiler Alert: “The Godfather” got made. Non-spoiler alert: In “The Offer,” it almost doesn’t. “Godfather” cultists, and we are legion, will find the entire 10-part dramatic series—presented by the studio that almost didn’t make the movie—not just impossible to refuse, but nerve-racking: A world without Francis Ford Coppola’s masterpiece? The film that may well be the crowning achievement of American cinema? Unthinkable. And yet, in the early ’70s, it was very thinkable. In fact, the series more than implies that the film was a series of small miracles from the time it rose out of Mario

Puzo’s pulpy novel to the night it won the Best Picture Oscar for 1972. As never happened, Michelangelo might have fallen off the scaffold; Mozart might have been born to a butcher; Ronald Reagan might actually have starred in “Casablanca.” How masterpieces do happen is usually the result of fortuitous happenstance, pitfalls avoided, stupidity sidestepped. “The Offer” catalogs it all.

The series, created by Michael Tolkin, carries a very unusual source credit—“Based on Albert S. Ruddy’s experience of making ‘The Godfather.’” Not surprisingly, Mr. Ruddy (now 92 years old) is the hero of the piece, portrayed with heroic nerve and considerable cha-

risma by Miles Teller (“Whiplash”), as the producer who hurdles the myriad human obstacles preventing the Corleone family’s emigration from page to screen: Paramount president Robert Evans (Matthew Goode) is desperate to salvage his struggling studio, but not so desperate that he doesn’t foist his wife, Ali MacGraw (Meredith Garretson), on director Arthur Hiller (Jake Regal) for the lead in “Love Story.” Mob boss Joe Colombo (Giovanni Ribisi) is using his newly formed Italian-American Civil Rights League to convince America that the Mafia doesn’t exist, something “The Godfather” is insisting it does. Charles Bluhdorn (Burn Gorman),

head of Gulf+Western (which then owned Paramount), is inclined to go along with the charming Ruddy, though his unctuous functionary, Barry Lapidus (Colin Hanks), is undermining the film at every turn.

Meanwhile, a pair of like-minded gourmands—Puzo (Patrick Gallo) and Coppola (Dan Fogler)—are holed up in Hollywood, eating cannoli and sweating out one of the greatest-ever movie scripts.

One wonders whether the real-life Coppola will approve of “The Offer,” because tonally it’s all over the place. Mr. Goode is perhaps the most entertaining element in the series, his Evans impersonation perfect, from the nasal sing-

song to the glad-handing Hollywood smarm. But between that portrayal and Mr. Ribisi’s—whose Colombo is a dull-witted thug, though a ruthless one—the mood is often one of farce. Mr. Ruddy’s rise, from a programmer at RAND Corp. to the producer of “Hogan’s Heroes” to his eventful meeting with Evans that’s unplanned (by Evans), is got through, very economically, amid a small riot of Hollywood parties, pretty people and clichés. Chief among these is the romance that inflicts itself upon us, between Ruddy and Francoise Glazer (Nora Arnezeder), owner of the Chateau Marmont, to which “The Offer” pays an obligatory visit. Francoise is an increasing drag on the storyline and feels even more so in contrast to Juno Temple’s Bettye McCartt, the secretary who knows everything that the very green Ruddy doesn’t and shepherds him through his first big picture. Ms. Temple, as fans of “Ted Lasso” are well aware, is a natural phenomenon.

Messrs. Goode and Teller are first-rate, as is Stephanie Koenig as the casting director Andrea Eastman. Mr. Ribisi is oddly compelling and Mr. Gorman’s Bluhdorn is a bit grotesque, a man who doesn’t exactly abuse his power but does indulge his weaknesses, one of which is Bettye. In the end it’s the gnomish Mr. Fogler who’s really the heart of the series as Coppola, the consummate, single-minded artist.

It’s a Ruddy-centric story, though, and one will constantly question just how boldly the producer actually got through some of his film’s difficulties—his grace under pressure is Hemingwayesque; he’s as smooth as Genco olive oil. And he has problems aplenty: Frank Sinatra (Frank John Hughes), who has the Mob’s ear, hates the book because of the character Johnny Fontane; the corrupt Bronx congressman Mario Biaggi (Danny Nucci) is obstructing the film at the behest of the Five Families, whose *capo di tutti capi*, Carlo Gambino (Anthony Skordi), was the presumed inspiration for Vito Corleone. Colombo, who becomes Ruddy’s ally, is under fire from the Mob for attracting too much attention. And Marlon Brando (Justin Chambers) presents his own set of custom-cut eccentricities.

Much of the film’s backstory will be known to the fan base, but the fun is watching the lore come alive, however goofily; lines from Godfathers I and II pop up throughout the series. Mr. Chambers, re-enacting the famous Brando “audition” for Coppola and Ruddy, is a revelation. Anthony Ippolito is a wonderfully fidgety Al Pacino, initially turning down the role that would, ultimately, make him a star. A lot of actual people, living and dead, get trashed in “The Offer”—Sinatra, Biaggi, Crazy Joe Gallo (Joseph Russo) and Gianni Russo (Branden Williams), who played the doomed Carlo Rizzi, are portrayed as particularly vile. But if they were getting in the way of “The Godfather,” maybe they deserve it.

**The Offer**  
Begins Thursday, Paramount+

## OPERA REVIEW

## Despair Made Magnetic

BY HEIDI WALESON

**S**imon Stone’s remarkable new production of Donizetti’s “Lucia di Lammermoor,” which opened at the Metropolitan Opera on Saturday, updates the opera to a dying American Rust Belt community in the present day and dubs it “Lucia: Closeups of a Cursed Life.” The show is a feat of technical wizardry, encompassing a turntable that revolves almost constantly—during the action and while set pieces are moved on and off it—as well as a lot of live and pre-recorded video. Yet the most startling effect is how profoundly this thoughtful interpretation erases the opera’s Romantic aura and accentuates its universal despair, upending the traditional balance of tragedy elevated through beautiful sounds. Here, the singers, especially the two spindly leads, really seem to be singing for their lives.

Based on a novel by Sir Walter Scott, set centuries ago in a world of warring Scottish aristocrats, the story translates neatly to the present. Enrico (Artur Ruciński) plans to marry his sister Lucia (Nadine Sierra) to Arturo (Eric Ferring) to revive the failing family fortunes. Their shared commercial interests aren’t specified—here Enrico seems to run

a shady car business—but criminality is implied. Lizzie Clachan’s astonishing set, in which facades and cross-sections of buildings—including a pawn shop, a 24-hour pharmacy, a motel with a neon cross on its roof, and more—are jammed into claustrophobic proximity and viewed from constantly changing angles, evokes the seediness and desperation of the town. Video, some of it filmed in real time by onstage camera operators who follow the characters around, offers still more angles and close-ups. We can watch Lucia climbing out her bedroom window to join her lover Edgardo (Javier Camarena) in the mini-mart where he is a cashier while Enrico plots in his downstairs office. And that’s just the first scene.

The direction explicitly heightens the opera’s central themes of escape and violence. Lucia visits the pharmacy and swallows some opioids; she is high when she sees the ghost at the fountain (a water treatment plant). The ghost, seen on video, is a young woman bleeding to death after being stabbed by her lover. Lucia and Edgardo meet behind the screen of a drive-in movie that is showing a 1947 Bob Hope comedy (an unlikely choice, but certainly escapist); Edgardo leaves his dead-end job to join the army. Enrico, threatening Lucia, seizes her by the hair and shoves her, a warning of worse to come. As Edgardo and Enrico face off at the end of Act 2, after Edgardo interupts the forced wedding ceremony, a group of women in the background launch into a kicking, hair-pulling fight of their own.

Ms. Sierra’s Lucia, in tight pants, crop top and a pale pink bomber jacket, is no fragile flower. With her

crystalline soprano, bright, fluid coloratura and fearless ornamentation, she comes vividly alive and tries to resist her fate. Her mad scene feels more like a suicidal performance. Beautifully and confidently sung—especially the duet with the eerie glass harmonica—it is her construction of the wedding she wanted for the benefit of the guests. On the stage, she’s covered head to foot in Arturo’s blood (we’ve already seen his blood-soaked body in the motel room); in the video, she’s kissing Edgardo in the motel. There’s no collapse or vague death from the vapors—on the video, she grabs a gun and blood spatters on the wall behind her. There may be no way out for Lucia, but she took one male tormentor with her. There

is some loss of poignancy as a result, however. Can we feel for female operatic victims only if they go without a fight?

Interestingly, the production gives space to the struggles of the opera’s men as well. Mr. Camarena, a thrilling bel canto tenor, makes Edgardo sympathetic as well as amorous and hotheaded. Even the bully Enrico, stalwartly sung by Mr. Ruciński, seems caught in the toils of economic decline. The scene at the beginning of Act 3, when Enrico, waving a whiskey bottle, leaves the wedding to challenge Edgardo to a

Artur Ruciński and Eric Ferring



fight, suggests that their mutual male aggression stems from a hopeless lack of options. For sheer unexpectedness, this had some of the poignancy that the subsequent mad scene lacked. Bass Matthew Rose avoided the unctuous manner that can affect Raimondo, the priest/confidant who betrays Lucia; his singing and demeanor were chillingly accepting of his own powerlessness, even as he sat beside Arturo’s bloody corpse.

Conductor Riccardo Frizza’s stylish and buoyant reading of the score worked securely in tandem with Mr. Stone’s direction, reflecting its continual motion, yet knowing when to stop and expand into a moment, such as the long breaths of the Act 2 sextet. The chorus work improved after some coordination issues in the first scene. Costumes like Enrico’s drab plaid shirt and Arturo’s sharp pink suit, by Alice Babidge and Blanca Añón, helped cement the milieu. James Farncombe’s lighting made the set’s innumerable details pop, and evoked mood and time with clinical precision. As the buildings broke apart, turned, and were shoved together in different configurations, the audience could experience the disorientation that unmoors and destroys the opera’s characters along with them.

Ms. Waleson writes on opera for the Journal and is the author of “Mad Scenes and Exit Arias: The Death of the New York City Opera and the Future of Opera in America” (Metropolitan).

## ARTS IN REVIEW

THEATER REVIEW | CHARLES ISHERWOOD

# Apocalypse Now At Lincoln Center

New York

Unless you have been dozing for the past two years, you may have noticed that things are looking pretty apocalyptic out there. The pandemic has claimed the lives of almost a million Americans. Extreme weather events have become so frequent they hardly make headlines. Russia's brutal war in Ukraine is killing thousands.

People haven't yet taken to building arks—well, perhaps Elon Musk has—but it wouldn't seem such a frivolous endeavor.

So the time seems unhappily ripe for the Broadway revival of Thornton Wilder's epic comedy "The Skin of Our Teeth," which depicts an archetypal American family enduring, and enduring various calamities, soldiering on stoutly as the world judders and crumbles around them in an endless cycle of destruction and renewal. There are moments in the production, directed by Lileana Blain-Cruz, that are uncanny. When it is announced that several members of the cast have fallen suddenly ill, you may wonder if positive Covid-19 tests arrived a little late—but in fact the lines come from the original play, first produced in 1942.

And yet while the play does often seem joltingly timely, it paradoxically also feels a bit tepid, no more arresting than switching on the TV to hear news announcers detailing the latest grim dispatches. With its frequent breaking of the fourth wall, and surreal scrambling of world history—a dinosaur and a mammoth sheltering in a New Jersey living room, for instance—the play was radically strange when it first appeared, but the novelty has worn off as theatrical styles have evolved. What was visionary then seems almost quaint today—perhaps particularly the concentration on the fortunes of a tradi-

tional nuclear family.

The Lincoln Center Theater production is typically plush, with striking sets of spectacular scale by Adam Rigg and clever video "news-reels" created by Hannah Wasileski. The first act is set in the expansive Antrobus living room, where Mrs. Antrobus (Roslyn Ruff) fusses over the fire that the maid, Sabina (Gabby Beans), has almost let die, which is a problem since despite its being August, a giant wall of ice is swallowing the East Coast. Nonetheless Mr. Antrobus (James Vincent Meredith) arrives home in buoyant spirits, having just invented the wheel.

Against the wishes of both his

wife and Sabina, who pours forth complaints about her ill-usage at a spectacular clip, Mr. Antrobus welcomes a horde of refugees—another grimly current touch—desperate to flee the encroaching cold, including such notables as Homer and Moses. Mr. Antrobus's mood darkens to the point of nihilistic despair, however, when he learns that his young son Henry (Julian Robertson, deftly transforming from bratty boy to malevolent young adult) has again been up to no good: Henry is in fact Cain renamed.

Ms. Ruff gives an affecting and gently gallant performance as the stalwart Mrs. Antrobus, whose fe-

rocious dedication to her family steers them through each disaster. When Sabina is transformed from maid to all-purpose vixen attempting to seduce Mr. Antrobus into marrying her, Ms. Ruff's gravely dignified speech about the sanctity of the marital pledge strikes an affecting chord. As Sabina, Ms. Beans tends to push too hard, but she is a delight when she tosses aside the feather-duster to step outside the character and complain that she doesn't understand a word of the play. As Mr. Antrobus, Mr. Meredith effectively renders his character as a man alternately on top of the world—the wheel is just one of his innova-

tions—and buffeted by it to the point of desperation.

The second act, which takes place in Atlantic City, at a political convention celebrating Mr. Antrobus's rise to the presidency (of the human subdivision of mammals), feels both frantic—just why drag queens in sequins and feathers are cavorting across the boardwalk is unclear—and a bit sluggish, despite the arrival of Priscilla Lopez in the role of the Fortune Teller. She amusingly barks gruesome predictions at passersby—"Kidney disease!" "Cirrhosis of the liver!"—while encouraging Sabina in her man-trapping designs, and later urging the Antrobus family to board that conveniently waiting ark before it's too late.

Wilder's overriding message—and "The Skin of Our Teeth" certainly contains many a pointed message, particularly in its heavily moralistic final act—is that it is always too late for humanity to save itself, and yet it is never too late. Through an ice age, a world-leveling flood and a brutal war, the Antrobus clan perseveres, occasionally succumbing to despondency but somehow being reborn in hope, with the lodestars of the great philosophers offering solace and inspiration. (Spinoza, Plato and Aristotle are quoted.) Although it is couched in a play that often feels its age, the idea that one cannot go on, but will go on—to paraphrase a later theatrical explorer, Samuel Beckett—will do as well as any for those seeking a way forward in difficult times.

#### The Skin of Our Teeth

Vivian Beaumont Theater, 150 W. 65th St., New York, \$49-\$147, 212-239-6200, closes May 29

Mr. Isherwood is the Journal's theater critic.



Priscilla Lopez in 'The Skin of Our Teeth'

THE WALL STREET JOURNAL.

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SPORTS

JASON GAY

Tick, Tick...Broom! The Nets Get Swept in Brooklyn

A basketball team too good to fail exits early from the NBA playoffs

NCAA's Emmert Is Set to Step Down

By LAINE HIGGINS

The National Collegiate Athletic Association said Tuesday that president Mark Emmert would step down next year by "mutual agreement," ensuring that college sports will navigate a period of convulsive change with a new leader.

The surprise announcement comes a year after the NCAA's board of governors extended Emmert's contract until the end of 2025. The NCAA didn't give a reason for his departure in a statement, saying only that he would continue in his role until June 30, 2023, or whenever his successor was named.

The NCAA's new leader will inherit an organization that has recently lost much of its tight grip on how college sports operate. It has faced increasing scrutiny from state and federal governments, advocacy organizations and even its own members over issues like compensation for college athletes.

Last year, years of pressure from state legislatures and lawsuits prompted the NCAA to allow college athletes for the first time to make money from their name, image and likeness for the first time last July. In an interview with The Wall Street Journal in March 2021, Emmert said, "I genuinely believe that this year will be the most pivotal year in college sports history."

NCAA Board of Governors President John DeGioia hinted on Tuesday that the role of NCAA President might be due for an overhaul.

"With the significant transitions underway within college sports, the timing of this decision provides the Association...the opportunity to consider what will be the future role of the president," DeGioia said.

"Throughout my tenure I've emphasized the need to focus on the experience and priorities of student-athletes," Emmert said in a statement Tuesday. "I am extremely proud of the work of the Association over the last 12 years."



Mark Emmert took over in 2010.



The Brooklyn Nets, a comically underachieving basketball franchise based in New York City, are out of the NBA playoffs after being—*whooooooosh!*—swept out four games to zippo by the Boston Celtics in a best-of-7 opening round series.

The main reason the Nets lost, of course, is that the Celtics are a better basketball club than Brooklyn. How is that for analysis? Call Adam Silver! I should start working on my Hall of Fame speech for Springfield.

The Celtics were better, faster, deeper, and, it became clear over the past week, play the Naismith game with admirable aggression and heart. Boston is a very good team, peaking at the right time, and this column should really be about Jayson Tatum, Jaylen Brown, Marcus Smart and first-year Celtics coach Ime Udoka, an ex-Nets assistant who thoroughly outmaneuvered his former employer.

But let's talk about the Nets, because they're funnier.

I'm just spitballing here, but: have we ruled out the possibility that the Nets are a media fabrication, a plant created by the sports talk radio/TV industry to generate daily content? Stephen A. Smith must wake up every day like it's Christmas morning—these Nets are an endless buffet of blunders and head-turning choices and *did-he-just-say-that* comments to be plucked apart by the media outrage machine.

I'm not saying that's really what's going on. But I'm not saying that's really what's going on, either.

Please know that before this season began, there was serious discussion as to whether or not the 2021-22 Brooklyn Nets were the greatest NBA team ever assembled. I'll give you a couple minutes to pick yourself off the kitchen floor and splash your face with water.

But that really was an idea in the mix—and it was mildly defensible! The Nets had an undeniable trio of superstars: Kevin Durant, Kyrie Irving, and James Harden, three electric craftsmen who, combined, were too good to fail. Never mind that Durant, Irving and Harden had seldom played together as Nets—they were healthy now, and motivated, so Brooklyn wasn't only going to run away with the Eastern Conference, but also elevate the expression of basketball to an unprecedented, euphoric level.

The Nets talked about basket-



Kevin Durant and the Brooklyn Nets were eliminated in four games by the Boston Celtics in a first-round playoff series.

ball as art, and it was only a matter of time before they painted their masterpiece.

That is not what happened. It got weird from the start. Irving declined to get vaccinated, which due to NYC rules, meant he couldn't play home games. The Nets put him fully on ice, then changed course later in the season, and let him pop in for cameos in road games. Harden, out of shape and left to manage the backcourt, played like a guy stuck with the bill.

Durant remained exquisite, it should be said—in moments, he can look like the greatest to ever do this. But Durant couldn't lift the Nets alone, and then he missed part of the season with a knee injury. Brooklyn sputtered, dealt Harden to Philadelphia for exiled guard Ben Simmons, and even with Irving cleared to play home games, never got it together. The Celtics devoured them like a light snack, bullying Durant on defense and making the Nets scratch for every point.

Brooklyn apologists—they exist—are equipped with explanations. Every one of Boston's four victories was close. The Nets got nothing out of Simmons, whose status remains unclear, and it was missing Joe Harris, a key role player out for the season with an injury. Irving's vaccination limbo meant the remaining club had little time to gel—Irving actually cited this factor himself, as if his vaccination drama was something that happened to another person.

Never mind that there still doesn't appear to be a coherent strategy beyond hubris.

Never mind that the Nets, 10 years into their relocation, still feel more like a Brooklyn branding exercise than a franchise with identity. Never mind that head coach Steve Nash looks like he'd gladly accept a tall frozen drink and a one-way plane ticket to any destination on earth.

Even in defeat, the Nets act as if they're just a few bounces from greatness, and the thing is: *it*

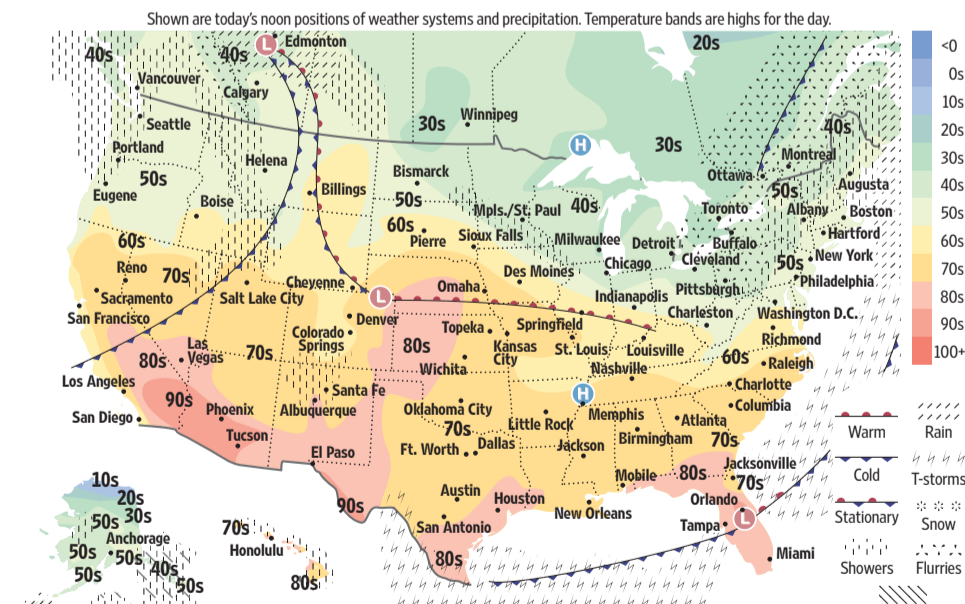
*could be true!* Durant and Irving really are that good, and if Harris and Simmons return to their full selves, the Nets could be a handful in 2022-23.

But maybe that's not their destiny. Maybe these Nets are a perfect team for their time—an irrationally confident era in which an alarming number of people seem to think that details don't matter, and just saying something makes it so.

Then again, maybe the Nets are here to bring us a different kind of satisfaction, which is to remind us that basketball, though a game of transcendent individual highlights, is fundamentally a team sport. It cannot be hacked by assembling a few pieces of otherworldly talent, it cannot be overcome by one person's excellence, or committed to part-time, it must be played coherently, together, and *that* is basketball's highest expression: teamwork.

That's why Boston has a shot. And the Nets have the broom.

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Table with columns for City, Today, and Tomorrow, showing weather forecasts for various US cities.

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U.S. Forecasts

Table with columns for City, Today, and Tomorrow, showing weather forecasts for various US cities.

The WSJ Daily Crossword | Edited by Mike Shenk

Crossword puzzle grid with clues and numbers.

- List of crossword clues including: 67 Angle symbols, in trigonometry; 27 Encouraging words; 68 Bygone car amenities; 28 Narcissist's surplus; 32 In league; 33 Yale Bowl rooster; 35 Wish list opening; 36 All-access item; 37 Makers' market; 39 Does, say; 40 The "so few" in a WWII speech; 43 Barely manages; 45 Nurse; 47 Full and new, e.g.; 49 Beat against, as rain on a window; 50 March honoree, familiarly; 51 Robert of "Vega\$"; 52 Harris's predecessor; 53 WWE champion Rousey; 54 They sit next to the flutes; 58 Impress deeply; 60 MADD ads, e.g.; 62 Wand-waving grp.; 64 It's south of Eur.

AUTHENTICATION | By John-Clark Levin

- List of authentication clues including: Across 1 Has to call in sick, say; 9 Updates, cartographically; 15 Winter race vehicle; 16 Rock's \_\_\_ & the Blowfish; 17 \*Letter; 18 Joint tenant?; 19 Travel mug part; 20 Capacity of a pickup, perhaps; 22 Ichabod's rival; 23 Where you might take stock; 25 \*Number; 27 Richards of "The World Is Not Enough"; 29 Hangouts for Gls; 30 Two-tone treat; 31 "The Motorcycle Diaries" star \_\_\_ Garcia Bernal; 34 Mother of Luke and Leia; 38 Rollover target; 39 \*Capital; 41 Put away; 42 Manning's "helmet catch" receiver; 44 Istanbul bar tender?; 45 Talk back to; 46 French Foreign Legion hat; 48 Like some bar conversations; 50 \*Special character; 55 Notre Dame end zone?; 56 Very, in Versailles; 57 Desert dwellings; 59 "Mustache Hat" artist; 61 Winery offerings; 63 \*Pass words; 65 Put the blame on; 66 After-dinner cupful.

Previous Puzzle's Solution

Grid showing the solution to the previous crossword puzzle.



# OPINION

## Elon Musk Can Fix Twitter Culture



**BUSINESS WORLD**  
By Holman W. Jenkins, Jr.

Elon Musk has said he wants to run Twitter because of its importance as a free speech “town square” and not to make money, but the deal he just signed requires him to make money, and that’s fine.

The lenders, at least, will want their \$25.5 billion share of the \$44 billion purchase price back, some of it secured by Tesla stock. Mr. Musk’s own finances will be in a world of hurt if his Twitter turnaround fails and simultaneously the helium comes out of Tesla’s stock price. So financial realities will want to corral his impulses to some extent. He won’t be ending Twitter’s reliance on advertising, which accounts for 90% of revenue. He won’t be junking the “content moderation” needed to keep advertisers from fleeing.

In private hands, however, he can do things hard to do in a public company. What is that thing in Twitter’s case? A Pew survey finds the platform to be disproportionately one for liberals, accounting for “69% of highly prolific tweeters.” This may not be a problem but it points to a problem: Twitter’s content moderation overwhelmingly, almost completely reflects the priorities of the left. This is an institutional quagmire

that existing management got sucked into and has been powerless to correct or perhaps even to see clearly. Example: a ruling last week banning ads that don’t affirm the “consensus” of the U.N.’s Intergovernmental Panel on Climate Change.

In private hands, management will find it easier to dismantle this tendency and free Twitter from the albatross of excessive obedience to the progressive left—a sector, Pew tells us, overwhelmingly white, privileged and that accounts for just 6% of the U.S. population.

With this work done, don’t be surprised if Twitter shares are again offered to the public in a year or two. A detoxified internal culture, without any other major lifting by Mr. Musk, might by itself improve the potential valuation enough to make this week’s deal a winner for Mr. Musk and his backers.

I suspect this is what big investors heard over the weekend, if only between the lines. Nor is the job a stretch. Four years ago Google was a company riven by an internal reign of terror from its left-most employees. You don’t hear those stories now. In any company, management controls the rewards available to employees and can change their behavior if it wants to. Mr. Musk may be just so blessed with the combination of attributes to do this job at Twitter right now that other potential

bidders haven’t raised their hands.

Of course, those same Musk qualities explain the hysteria on the left. Sen. Elizabeth Warren has taken to breast-beating that the deal is “dangerous to democracy.”

So Mr. Musk’s real contribution may turn out to be a one-and-done move to relieve Twitter of its foolish overcommitment to the politics of the left—an overcommitment that

### Its new owner might tap Google for ideas on detoxifying a politicized workplace.

has characterized many institutions in society lately, and not because of conviction, revealed truth or any accumulation of evidence. The reason is fear and intimidation.

The examples are numerous, like when name-brand corporate CEOs denounce a Georgia voting law they haven’t bothered to examine because they were personally terrified not to be seen denouncing anything that progressive opponents labeled Jim Crow 2.0.

Or when academics and journalists gather to discuss the problem of disinformation and then get lockjaw when a student asks about liberal-promoted disinformation such as a claim that Hunter Biden’s

laptop was a creation of Russian intelligence.

Or when university presidents—oh, never mind, the instances of moral cowardice on campus are too numerous to need citing.

To borrow a phrase, Mr. Musk cannot fix the culture alone. Two things would help (though I might argue they are really one thing): if people in public life started to value their personal honor again, and if the news media rediscovered its interest in truth.

In polls looking forward to 2024, Donald Trump is again beating all likely Democrats, and liberals and the media should not kid themselves about one of the reasons: In the minds of millions of voters, the personal swinishness Mr. Trump on occasion exhibits is not a quality that distinguishes him from his opponents. Two words: Adam Schiff.

Which brings us to another institutional transition taking place alongside Twitter’s, with the diligent, smaller-than-life personality of Joe Kahn taking over the executive editorship of the New York Times from Dean Baquet, who despite his undoubted virtues became associated with too many episodes of institutional cowardice for anyone’s taste.

If Mr. Musk puts Twitter on a different path he will have made a signal contribution. But other institutions are going to have to pick up the ball here, starting with the press.

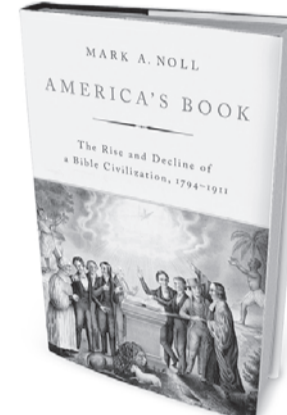
**BOOKSHELF** | By D.G. Hart

## The Word Out of Season

### America’s Book

By Mark A. Noll  
(Oxford, 846 pages, \$39.95)

Many Americans born after 1960 have trouble imagining that for much of the country’s history the Bible was a chief source of national identity. Older Hollywood directors sometimes get it right. Take “Liberty Heights” (1999), written and directed by Barry Levinson (born 1942). The film explores relations among Jews, blacks and WASPs during the 1950s when Baltimore’s public schools were integrated. In one scene the Jewish son of a burlesque-theater owner watches an African-American girl, the daughter of a surgeon, during their class’s recitation of Psalm 23. They have different takes. He likens it to singing the National Anthem before an Orioles game. She says it provides a brief respite before a busy day of study. Whether ceremonial or therapeutic, Bible-reading in public schools



was, by the 1950s, among the last uncontested conventions of America’s Bible civilization.

Mark Noll’s “America’s Book: The Rise and Decline of a Bible Civilization, 1794-1911” explains how the Bible achieved this status. The new nation’s rejection of European forms of Christendom such as sacred monarchy and state churches left the Bible to bear the burden of America’s attempt to create a Christian civilization. A completely secular republic was never a possibility except for the

most free-thinking of free thinkers. The Founders virtually to a man insisted that a republic depended on a virtuous citizenry, and that the best source of morality was religion. Despite the variety of Protestant denominations, church leaders and public officials agreed that the Bible was the best and most reliable guide for determining moral consensus.

“America’s Book” documents the extent of the Bible’s reach—from the printing and distribution of Bibles and the creation of Sunday schools to the intellectual dead ends into which unwise handlers of the Bible were led. The book’s breadth is a tribute to Mr. Noll’s career as an interpreter of Protestantism in North America, even if its encyclopedic quantity occasionally obscures the overarching argument.

One crucial component of Bible civilization, Mr. Noll explains, was the creation of public schools. Begun in Massachusetts in the 1830s to compensate for the commonwealth’s recent disestablishment of its state church, schools included the Bible to instill public morality and assimilate children (and indirectly parents) to civic norms. The heavy-handedness of Bible reading in public schools also generated lively political controversies—known as “Bible Wars.” Although many prominent Americans believed the Bible united the country—the founder Benjamin Rush, for example, and the education reformer and abolitionist Horace Mann—other groups, Roman Catholics and Jews among them, dissented. Tussles over the Bible in public schools became heated especially in places where Protestant elites squared off against non-British immigrants. In 1844 Philadelphia was the most violent front in these conflicts. Riots led to the deaths of 14 people and the destruction by fire of two Catholic churches.

### For much of its history, American society was awash in the biblical ideas, themes, names and gimcrackery—for good and ill.

If public-school controversies raised doubts about the Bible’s civic utility, the Civil War nurtured disbelief. Mr. Noll charts with great subtlety the range of pro- and antislavery arguments, chiefly from church leaders, on both sides of the Mason-Dixon Line. For defenders of slavery, who were mostly silent on the race-based character of the institution, it was enough simply to observe the prevalence of slavery in human history, including in biblical times, and to point out abolitionists’ flimsy interpretations of Scripture. The anti-slavery side, preaching to its own choir, appealed either to the Golden Rule or to the spirit of ancient texts about freedom or equality. Rarely did minds change. In the process, inevitably, the Bible’s cultural authority diminished.

The political aspects of the Bible’s history in America are not simply add-ons to a narrative that is mainly religious. Mr. Noll attends as much to national themes as to the believers who drew instruction and inspiration from Scripture. Americans from the beginning used the Bible to name their towns: Zoar, Ohio (Genesis 13:10), Ruma, Ill. (2 Kings 23:36), and a thousand more. And their children. Ten of the first 16 presidents had biblical names (Thomas, Andrew, James, John and Abraham). On the first ladies’ side, 14 of the first 17 came from the Bible (including Martha, Abigail, Sarah, Elizabeth, Hannah, Anna, Priscilla, Julia, Rebecca and Mary).

The Bible also infiltrated Hollywood studios with such epics as “Ben-Hur,” based on Lew Wallace’s 1880 novel. His book generated four remakes of the first screen adaptation from 1907. With the Bible’s implicit blessing, the movie generated whole lines of branded merchandise: cigars, flour, bicycle wrenches, canned tomatoes, paddlewheelers.

As attentive as Mr. Noll is to the gimcrackery of Bible civilization, his eye is never far from the Bible’s importance in shaping Christian nationalism. Biblical and political ideals in the United States grew up together, married, and only began to spat during the Civil War. Here Mr. Noll is equivocal in passing judgment. He acknowledges that the Bible was a necessary ingredient, even if not always decisive, in exposing the wickedness of slavery and white privilege. African-American conviction that the Bible “proclaimed an undivided message of both eternal salvation and temporal redemption” prompts Mr. Noll to give Bible civilization a passing grade. Still, this judgment isn’t progressive or Whiggish; he is quick to observe that appeals to Scripture “easily encouraged the absolutization of public principle” and inevitably resulted in “the demonization of opponents.”

Since Mr. Noll’s book ends with the tercentenary of the King James Bible in 1911, “America’s Bible” offers little help in understanding why the vilification of political foes has increased even after America’s Bible civilization has lost its grip. Perhaps the Puritan mind, once installed as the nation’s operating system, makes it harder to load new moral apps. Whatever the explanation for both the left’s and the right’s ongoing moralization of policy and law, Mr. Noll’s book is a valuable reminder that conceiving America in Christian categories is not a product of the 2016 election.

Mr. Hart teaches history at Hillsdale College and is an associate scholar at the Foreign Policy Research Institute.

## France’s Center Holds—for Now



**POLITICS & IDEAS**  
By William A. Galston

As French President Emmanuel Macron won an unexpectedly comfortable re-election over Marine Le Pen, leaders throughout the West breathed sighs of relief. But a closer look at the results reveals reasons for concern, and raises an intriguing question: Can what Mr. Macron has done—create a new party of the center and lead it to victory—happen elsewhere, even in the U.S.?

The French presidential election of 2012 was the last traditional contest between center-left Socialists, the heirs of François Mitterrand, and center-right Republicans, the heirs of Charles de Gaulle. François Hollande, the Socialist, won 28.6% of the vote in the first round, followed by the Republican Nicolas Sarkozy with 27.2%. Taken together, these parties of the center commanded a sizable majority of the electorate. Marine Le Pen’s far-right National Front received 17.9%, and Jean-Luc Mélenchon, the leader of the far-left, 11.1%, combining for only 29%.

In contrast, the 2022 French election marked the collapse of the traditional center parties. The Republicans received only 4.8% in the first round, and the Socialists did even worse at 1.7%. While these parties withered, the fringe flourished. With 22% of

the vote, Mr. Mélenchon doubled his 2012 vote share, while far-right candidates Ms. Le Pen and Eric Zemmour together garnered more than 30%. Mr. Macron, who began the latest transformation of French politics by assembling a new party of the center in 2017, managed 27.9% in the first round, up modestly from five years earlier.

In sum, the center’s share of the first-round popular vote declined from 55.8% in 2012 to 34.4% in 2022, while the extremes rose from 29% to 52.2%. Mr. Macron’s victory concealed the weakening of France’s center and rising support for its fringes. If the French president stumbles in his second term, his country’s political system will be left with no popular centrist party, and the door could open to the extremist forces he has managed to keep at bay.

Although there are many differences between the presidents of France and the U.S., there is one key similarity: Like Emmanuel Macron, Joe Biden was elected to revitalize the center of his country’s politics. But unlike Mr. Macron, Mr. Biden didn’t understand why the electorate made him president. As a result, he has lost the confidence of 1 in 5 Americans who voted for him less than two years ago.

The recently released Harvard-Harris poll reveals the magnitude of—and reasons for—the president’s decline. In 2020, Mr. Biden received majority support from key

groups of swing voters, including independents, moderates, suburbanites, and Hispanics. Since then, approval for his performance as president in each of these key groups has fallen sharply to a level incompatible with his re-election. As the poll shows, majorities of these groups (and many others) reject his approach to key issues such as crime, immigration, public schools and energy.

### Despite Macron’s win, the political fringes made huge gains in the 2022 election.

More than three-quarters of American voters support bills that would significantly expand federal funding for public safety and help communities hire 100,000 additional police officers. More than 60% want the Keystone pipeline to be completed and become operational as part of a broader plan to increase energy supplies and slow the transition from fossil fuels. Eighty percent of Americans (including 77% of Democrats) think that Title 42 Covid border restrictions should be extended, not scrapped, and 68% believe that the Biden administration’s immigration policies encourage illegal immigration. Six in 10 Americans believe that new state laws for restricting gender education in public schools make sense and that the left’s attack on

them is overblown.

Mr. Biden fares no better on the economy. Americans overwhelmingly identify inflation as their most important concern, and they blame the administration, not Vladimir Putin, for rising prices at the pump and in grocery stores. Only 20% think that their personal financial situation has improved under this president, while 48% say it is getting worse.

As of now, only 37% of Americans want Mr. Biden to run for re-election, and policy failures are just part of the reason. More than 6 in 10 Americans have concluded that he is simply too old to do so, a total that includes 60% of moderates, 68% of independents, 69% of suburban dwellers, and 73% of Hispanics.

At the same time, only 45% of Americans want Donald Trump to run again, and a race between Mr. Biden and Mr. Trump in 2024 could feature the least popular combatants ever seen in a U.S. presidential contest. This could open the door for something we have not seen since Ross Perot in 1992—a serious insurgency from the center. In the Harvard-Harris poll, 58% of respondents said they would be willing to consider a “moderate independent” as an alternative to unappealing major-party candidates.

Unlike in France, this strategy has never succeeded in the U.S. But serious elected officials in both parties are beginning to wonder whether they should follow the trail Mr. Macron has blazed.

## Ukraine Needs Far More Firepower

By Bing West

The first step in winning is believing you can win,” Defense Secretary Lloyd Austin said in Kyiv on Sunday. “They believe that we can win; we believe that they can win if they have the right equipment, the right support.” Yet U.S. and North Atlantic Treaty Organization aid to Ukraine has been too little, too late.

The war is being waged in the air, on sea and on land. The air war was conceded to Russia a month ago when President Biden, unnerved by Vladimir Putin’s threats, vetoed the transfer of Polish MiGs to Ukraine. With Russia bombing civilians daily, that timorous decision must be reversed.

At sea, Russian ships bombarded Ukraine, while U.S. warships pulled out of the Black Sea. Ukraine can’t export grain without NATO protection. In 1987 President Reagan ordered the escort of

oil tankers in the Persian Gulf and successfully deterred Iranian attacks. At some point, Mr. Biden must deploy U.S. warships to assure freedom of the seas.

The immediate crisis is the ground battle in eastern Ukraine. The U.S. is providing 90 artillery pieces and 144,000 shells, a small quantity likely to be expended

### NATO military aid is one-tenth of what Europe is paying Russia for energy.

quickly. In the August 1944 attack on Saint-Malo, France (14 square miles), the U.S. Army fired 45,000 shells. In a single day in October 1944, 18,000 shells struck the mid-size city of Aachen, Germany. During peak bombardments against Grozny in 1995, estimates are that the Russians fired 4,000 an hour. In a few

months in 2017, Marine howitzers fired 35,000 shells at ISIS targets.

The arithmetic of battle in any war is one of large, large numbers. In the Vietnam War, Moscow showed it understood that. In contrast to our aid to Ukraine, the Soviet Union massively supplied North Vietnam with offensive weapons—400 MiGs, 2,000 tanks, 7,000 artillery pieces and more than 5,000 anti-aircraft guns. In 1968, in two weeks at our remote Khe Sanh base, we dropped 40,000 artillery shells and 1,000 tons of bombs upon attacking North Vietnamese. Outside Khe Sanh, the enemy trapped my reconnaissance patrol. To get us out, in less than two hours the Marines fired 20,000 pounds of high explosives, followed by two 2,000-pound bombs. Those heavy fires were in support of only five men.

Russia will sit at the border and launch hundreds of thousands of shells into Ukraine. Ukraine must strike

back at gun positions and munitions sites inside Russia. No sanctuary can be granted. This is a war with sledgehammers. Ukrainians can’t retake cities in the east and south without massive support—far beyond the paltry aid the allies have supplied to date. Since the war began, the U.S. and NATO have given Kyiv about \$4 billion in military aid, while the European nations have paid Russia \$38 billion for hydrocarbons.

Having conceded control of the air, the odds of Ukraine taking back the cities held by the Russians are low, and approach zero without massive artillery. Ukraine doesn’t have the weapons or stockpiles of the weapons for the slugfest that has begun. The U.S. and NATO must urgently provide \$40 billion in military aid, not \$4 billion.

Mr. West, a former assistant secretary of defense and combat Marine, is author of a dozen books about Vietnam, Iraq and Afghanistan.

## OPINION

## REVIEW &amp; OUTLOOK

## Abortion and the Supreme Court

The Supreme Court will soon decide an abortion case in which Mississippi has asked the Justices to overturn *Roe v. Wade*. The oral argument suggested that five Justices lean toward doing so, but a ferocious lobbying campaign is trying to change their minds.

The campaign may be the most apocalyptic in its warnings since the ObamaCare case in 2012. Democrats are demanding that Justice Clarence Thomas resign because of the political activism of his wife. The *New Yorker* published a long piece portraying Justice Amy Coney Barrett as almost a religious cultist.

The Court's decisions on its emergency or "shadow" docket are suddenly portrayed as a scandal, though liberals often make the emergency appeals. The press is keeping up a steady campaign on the theme that the "Supreme Court is broken."

The campaign is especially fervent on the Mississippi case, *Dobbs v. Jackson Women's Health Organization*. The predictions are widespread that the days of back-alley abortions will return if *Roe* is overturned. The Atlantic magazine published a piece on a crude makeshift abortion device from the pre-*Roe* era that it suggests would make a comeback.

"Abortion Access Is Being Dismantled," says Planned Parenthood Action Fund. Adds the Guardian: "We are witnessing the final days of reproductive freedom."

All of this is aimed at swaying the Justices to step back from overturning *Roe* and *Planned Parenthood v. Casey* because the political backlash against the Court will be ferocious. The particular targets are Justices Barrett and Brett Kavanaugh, the two newest Justices.

Judging from the Dec. 1 oral argument in *Dobbs*, the three liberal Justices would bar the Mississippi law that bans abortion after 15 weeks as a violation of *Roe* and *Casey*. Justices Thomas, Neil Gorsuch and Samuel Alito are likely votes to sustain the law and overturn both precedents. Justices Kavanaugh and Barrett seemed, in their questioning, to side with the three conservatives.

But Chief Justice John Roberts tried during the oral argument to find a middle way. He appeared to want to sustain the Mississippi law on grounds that it doesn't violate *Casey's* test of whether there is an "undue burden" on the ability to obtain an abortion. If he pulls another Justice to his side, he could write the plurality opinion that controls in a 6-3 decision. If he can't, then Justice Thomas would assign the opinion and the vote could be 5-4. Our guess is that Justice Alito would then get the assignment.

## More Hilarious Wailing at Elon Musk

My, what a progressive panic Elon Musk's \$44 billion purchase of Twitter has inspired. MSNBC host Ari Melber warns that Mr. Musk could hack the political debate by having the website "secretly ban one party's candidate" or "turn down the reach of their stuff, and turn up the reach of something else, and the rest of us might not even find out about it until after the election."

Uh, hello? Twitter has banned President Trump. A month before the 2020 election, it moved to "turn down the reach" of the New York Post's reporting on Hunter Biden's laptop. Those actions weren't secret, but Mr. Melber's alarm echoes what conservatives have been saying for years about big tech's censorship. As long as the usual Silicon Valley overlords controlled all of social media, progressives didn't mind. But Elon Musk buys Twitter, and suddenly freer speech is a national crisis.

"Musk and his apologists say if consumers don't like what he does with Twitter, they can go elsewhere," tweeted former Clinton Labor Secretary Robert Reich. "But where else would consumers go to post short messages that can

The Justices first declare their votes on a case during their private conference after oral argument, but they can change their mind.

That's what the Chief did in the ObamaCare case in 2012, much to the dismay of the other conservatives. He may be trying to turn another Justice now.

We hope he doesn't succeed—for the good of the Court and the country. The Chief's middle ground might be explainable with some legal dexterity, but it would prolong the Court's abortion agony. Critics on the left would still lambaste the Court for letting Mississippi's law stand. And states would soon pass more laws with even narrower restrictions that would eventually force the Justices to overturn *Roe* and *Casey* or say the precedents stand on solid ground.

Far better for the Court to leave the thicket of abortion regulation and return the issue to the states. A political uproar would ensue, but then voters would decide on abortion policy through elections—starting in November.

The ability to obtain an abortion would not disappear across the U.S. It might in some states, but in some of those states there are already relatively few clinics that perform abortions. The likeliest result is a multiplicity of laws depending on how the debate and elections go. California might allow abortion until the moment of birth. Mississippi might ban it except in cases of rape or incest.

The Guttmacher Institute, which favors abortion rights, estimates that 26 states "are certain or likely to ban abortion without *Roe*." But that means 24 states would allow it, including some of the most populous. Based on a Guttmacher analysis from 2017 on abortions performed in various states, the majority of those abortions would remain legal.

Meanwhile, a movement is already underway to pay for women in restrictive states to travel and obtain abortions elsewhere. Planned Parenthood would have the biggest fund-raising years in its history. Abortion opponents might even be disappointed by the result of the political debate. They would have to make, and win, the moral case against abortion among their fellow citizens.

This is how the American system is supposed to work, as the late Justice Antonin Scalia often wrote. After a series of elections, abortion law will sort itself out democratically. That had started to happen before the Supreme Court intervened in *Roe*, embittering the abortion debate and damaging the Court.

In *Dobbs* the Court can say that such a profound moral question should be decided by the people, not by nine unelected judges.

reach millions of people other than Twitter?" Yet conservative critics of Twitter have long been told to build their own sites. We'll friend you later on ReichBook.

Here's a paragraph from the news pages of the *New York Times*: "The 2016 U.S. presidential election and the Brexit vote that same year gave Silicon Valley executives, U.S. elected officials and the public a peek into what can go wrong when social media companies opt not to wade too deeply into what people say on their sites. Russian propagandists amplified the views of deeply divided Americans and Britons, further polarizing the electorate." With better content moderation, apparently we'd all be enjoying President Hillary Clinton's second term.

Massachusetts Sen. Ed Markey tweeted that Congress "must pass laws to protect privacy and promote algorithmic justice." For the record, Mr. Musk says his plan for Twitter includes "making the algorithms open source to increase trust." He's risking billions of his own money, so he hardly wants users and advertisers to flee. There's no digital Berlin Wall keeping people trapped in the Twitterverse.

## Trust Iran but Don't Verify

Talks in Vienna to revive the 2015 Iran nuclear deal paused last month, and it isn't clear whether they'll resume or officially end. A little-noticed line in a State Department report published last week makes a good case for formally walking away.

"The United States has concluded that serious concerns remained outstanding regarding possible undeclared nuclear material and activities in Iran," according to State's annual report on compliance with arms control and nonproliferation agreements. The document notes that the Islamic Republic has not fully cooperated with the International Atomic Energy Agency (IAEA), which is trying to investigate possible secret nuclear activity at four sites around the country.

Four years ago Donald Trump left the 2015 accord—which provided Tehran billions in sanctions relief for temporary limits on nuclear activity—and pursued a "maximum pressure" sanctions campaign. President Biden has eased some sanctions and promised more relief. Yet now talks reportedly have stalled over whether the U.S. will lift the terrorist designation for the Iranian terrorist group known as the Islamic Revolutionary Guard Corps.

But Iran's refusal to cooperate with the IAEA on the suspect sites is the best signal that re-

newing the deal is misguided. How can the U.S. negotiate a return to a nuclear deal if it can't verify all of Iran's nuclear activity? The IAEA is trying to resolve its differences with Tehran, but even if it does the country's long history of nuclear deception foretells the future. Iran was blocking inspections at military sites even when it was

still adhering to the 2015 deal. The State Department report also concludes that while "Iran is not currently engaged in key activities associated with the design and development of a nuclear weapon," it continues "to expand its uranium enrichment activities and stocks of enriched uranium, key factors in the amount of time it would require to produce enough fissile material for a nuclear weapon."

In other words, Washington doesn't know the extent of Iran's nuclear activity, but it knows enough to think Tehran isn't building a weapon—at least not yet. Oh, and the regime is preparing to build a weapon faster if it does build one.

Western officials began saying in December that reviving the 2015 deal would become pointless within "weeks" amid Iranian nuclear advances. Weeks have come and gone. There are many reasons for the White House to walk away from talks with Iran, but the lack of meaningful verification is at the top of the list.

## LETTERS TO THE EDITOR

## 'Operation Slow and Steady' for Green Energy

Choose any dramatic government-sponsored technical program—the Manhattan Project, the Apollo Program and so forth—and people will want to apply it to alternative "green" energy: In "What Global Warming Has in Common With Covid," (op-ed, April 13), Tomas Philipson writes, "The Biden administration needs an Operation Warp Speed for green-energy alternatives."

I am sympathetic to some of Mr. Philipson's ideas: spurring private innovation and removing regulatory barriers. But the problems of an energy transition are at most superficially like those of Covid, and the differences are vast.

Green energy is nothing new. Government has provided incentives for wind and solar since the 1970s; the problems that remain are inherent, not entirely remediable. So, too, electric vehicles. Entrepreneurs and government officials have been after mass battery storage for decades, with lots of money spent and limited success.

Unlike doses of vaccines, wind turbines, super batteries and so forth require so much in the way of scarce minerals that vast development would pose national security concerns.

Unlike the production and distribution of pills, replacing over 3,000 fossil-fuel power plants and millions of internal-combustion vehicles would require thousands of new factories, and cost trillions of dollars. It also will take at least a few generations.

Put simply, there is no vaccine, moonshot or atom bomb for alternative energy. We should stop thinking in those terms and approach energy and climate policy modestly: doing R&D (some of it subsidized) and moving not at warp speed, but cautiously, given that "green" energy has environmental and health impacts. Whatever we start will have some negative consequences. We'll need time to decide if the benefits are large enough to continue.

EM. PROF. PETER Z. GROSSMAN  
Butler University  
Indianapolis

## BLM's Problems Are Bigger Than the Grift

Jason Riley is right that Black Lives Matter's popularity has declined since its 2020 peak and that news "about the organization's spending habits" will make things worse ("BLM's Antipolice Racket is Coming Undone," *Upward Mobility*, April 20). And there's more. The IRS doesn't know where millions raised in 2020 have gone. California and Washington, no bastions of conservatism, have suspended fundraising by the group's flagship, the BLM Global Network Foundation, because it is delinquent on its 2020 financial reports.

But the foundation's biggest problem has never been the grift. Nor has it been that its self-avowed Marxist founders have gone on a mansion-buying spree with money well-intentioned Americans and craven corporations donated.

The worst is that organizations founded by leftist revolutionaries have so profoundly transformed America already. In my book "BLM," I detail how Patrisse Cullors, Alicia

Garza, Opal Tometi and Melina Abdullah, BLM's founders, are Marxists with an abiding hatred of the American way of life.

Ms. Cullors and Ms. Garza were trained by theoreticians steeped in cultural Marxism, or the idea that to dismantle society you must first infiltrate the culture and indoctrinate Americans. Ms. Tometi is a devotee of Venezuela's dictator Nicolás Maduro, while Ms. Abdullah says, "In order to eliminate police violence, and the killings of our people at their hands, we must also target the economic systems that built it and rely on it." It is because of them, and the havoc they've visited on America since 2013, that we're having to fight culture wars in classrooms, offices, churches and army barracks.

Grifters will always be with us. What we never had was Marxist ideologues changing America.

MIKE GONZALEZ  
The Heritage Foundation  
Washington

## Explaining the Rise in Corporate Tax Revenues

Your editorial "Corporate Tax Reform Worked" (April 20) observes that corporate tax revenues in 2021 and 2022 are expected to meet and exceed projections made before and after the 2017 Tax Cuts and Jobs Act (TCJA). The editorial includes inflation and other economic factors as explanations but argues that "the Occam's razor policy answer is that corporate tax reform worked as its sponsors predicted: Lowering the rates while broadening the base by eliminating loopholes created incentives for more efficient investment decisions that paid off for shareholders, workers and the government."

There is a simpler explanation for the rise in corporate profits and tax revenues: the economy. Corporate profits are procyclical. They rise quickly when the economy is growing and shrink rapidly during recessions. As the economy recovers from the Covid recession, we should expect cor-

porate profits and tax revenues to rise.

Inflation is also playing a role. Accommodative monetary policy and economic stimulus passed by Congress raised demand for goods and services much faster than their supply. Higher demand translates into higher corporate sales, which, over time, leads to both higher profits and higher wages for workers. But in the short run, wages are sticky, and the only place for higher sales to go is into higher pretax profits.

Other tax policies also could help explain the recent trend. The 2020 Cares Act made net operating loss deductions more generous to offset the impact of the recession. If companies claimed more loss deductions in 2020, they had fewer to use in 2021 and 2022, increasing taxable income.

None of this implies that the corporate reforms in the TCJA were not an improvement over previous law. The reforms encouraged investment, discouraged profit shifting to low-tax jurisdictions and encouraged noncorporate businesses to incorporate. But those effects cannot account for the magnitude of the rise in corporate tax revenues.

KYLE POMERLEAU  
American Enterprise Institute  
Washington

## NATO and Russian Security

Since Russia is always whining about the threat of NATO (a defensive organization) expansion, I propose the following agreement ("Vladimir Putin's Gift to NATO," *Review & Outlook*, April 20). If any NATO member should attack Russia, NATO will come to Russia's defense. This way, the more countries that join NATO, the greater the security for Russia.

ARTHUR THOMPSON  
Hereford, Ariz.

## Pepper ... And Salt

THE WALL STREET JOURNAL



## Avoid That Post Office Line

Here is another reason that "More Online Shoppers Are Taking It Offline" (*Exchange*, April 16). Those of us who live in areas where UPS and FedEx opt not to deliver "the last mile" must endure long lines at overburdened post offices to retrieve packages that otherwise would have been delivered to our doorsteps the previous day.

BOB KOESTER  
Grantham, N.H.

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

## OPINION

## How Elon Musk Can Liberate Twitter

By Vivek Ramaswamy  
And Jed Rubenfeld

Elon Musk wants Twitter to “adhere to free speech principles.” That’s easier said than done. Porn, racial slurs and spam are all protected under the First Amendment, but few users want to see them. Even for the narrow categories of speech that aren’t protected, nearly all content blocking on social media goes against the first principle of free-speech jurisprudence—the ban on prior restraint, or censorship without judicial review.

The first step to solving these conundrums is to recognize that different free-speech principles apply in different contexts, and there are three key different kinds of forums. Speech protection is strongest in a “public forum.” If Twitter were such a forum, almost all content blocking

**The site needs moderation, but there are ways to do that while abolishing viewpoint discrimination.**

would be an impermissible prior restraint. But Twitter isn’t a public forum, most obviously because it isn’t run by the government (even though its censorship is sometimes at official behest). At the other end of the spectrum is private property. If you’re a visitor in someone else’s home, he’s free to kick you out simply for offending him.

Between these poles are “limited public forums”—places generally open to the public where speech can be subjected to reasonable regulation. One kind of restriction, however, is forbidden: viewpoint discrimination.

That’s how Mr. Musk should think of Twitter.

Nearly everyone agrees that social-media platforms shouldn’t engage in viewpoint discrimination—including the platforms themselves, which deny they do so. But of course they do. Conservative opinions about transgenderism are censored as “attacks” on a “protected group.” Conservative views on Covid are flagged as “misinformation.” In May 2020, Twitter censored as a “glorification of violence” President Trump’s “when the looting starts, the shooting starts” tweet, while leaving untouched Ayatollah Ali Khamenei’s tweets calling for the destruction of Israel and Colin Kaepernick’s tweets supporting the burning of police precinct houses. Claims that the Democrats stole the presidency in 2020 are censored, while claims that Russia did the same in 2016 go untouched—and of course the truthful Hunter Biden laptop story was suppressed as “misinformation.”

This is an especially challenging problem because Twitter and others smuggle viewpoint discrimination into supposedly neutral content-moderation categories—primarily misinformation, incitement and hate speech. Stopping that should be Mr. Musk’s first priority.

False speech isn’t necessarily protected, especially in a limited public forum. But even for clearly unprotected false speech, such as defamation, perjury or false advertising, the law imposes a simple yet crucial requirement in all such cases: The plaintiff or prosecutor has to prove the statement was false.

Twitter and other platforms don’t follow that principle. They and their “fact checkers” label content “misinformation” when they deem it merely “unsupported,” “unproven” or “lacking context.” Without proof of falsity, these are no more than differing



MARTIN KOZLOVSKI

opinions about the truth—and there is no such thing as a false opinion.

The Constitution also defines “incitement” narrowly. In *Brandenburg v. Ohio* (1969), the Supreme Court established that incitement requires proof that the speech was both intended and likely to induce “imminent lawless action.” If the rule is that speech can be banned when it “could” lead to violence in the opinion of Twitter’s employees, the category becomes broad enough to cover nearly any speech, and it will be enforced against speech they disfavor.

Bans on “hate speech” would have to end. Every Twitter user knows that countless tweets are hateful but only certain hateful speech is censored, depending on its viewpoint. Racist and sexist speech expresses an opinion, however odious, and banning opinions is the essence of viewpoint discrimination. That’s why the U.S. Constitution doesn’t allow the government to ban hate speech.

Does that mean Twitter users, already awash in snark, must be flooded with racial slurs too? No. Mr. Musk can avoid that result by changing the paradigm for content moderation.

Twitter, like every other Big Tech platform, deploys centralized top-down censorship, dictating to users what content is too offensive for anyone to see. That model should be turned upside down: Users should decide for themselves.

One way to do this is through simple opt-in buttons. Mr. Musk could keep in place all of Twitter’s offensive-speech protocols, but give every user the ability to opt in or out of them. If a user doesn’t want to see hate speech, there’s no reason he should have to. The same goes for constitutionally protected sexually explicit material.

A more ambitious option would be to harness artificial intelligence and develop an individualized filtering mode. Each user would decide for himself whether to remove certain

## The Biden Administration’s New Salvo Against Charter Schools

UPWARD  
MOBILITY  
By Jason L.  
Riley

The national debate over racial propaganda and sex education in elementary schools is important, but it’s almost certainly less consequential than the continuing inability of our K-12 schools to teach basic reading and math.

The people who defend and benefit most from the egregious status quo—teachers-union heavies and the Democratic pols they mainly support—would much rather argue about critical race theory and Disney if it means we’re not talking about the failure to ensure that elementary-school children perform at grade level.

“For the first time in the history of our country, the educational skills of one generation will not surpass, will not equal, will not even approach those of their parents.” That analysis was cited in “A Nation at Risk,” a federal study of the U.S. education system, published in 1983. Education spending, which is presented by liberals as the be-all and

end-all for improving academic outcomes, has skyrocketed since then. Per pupil expenditures in many low-income urban districts are well above the national average. Nevertheless, academic outcomes continue to disappoint.

In New York City, where the education budget is \$38 billion and spending per pupil is more than double the national average, the schools chancellor has noted that two-thirds of black and Hispanic kids never reach proficiency in reading. This revelation is all the more tragic when you realize that a child who can’t read by third grade is far more likely to drop out of school, and school dropouts are far more likely to become substance abusers, single parents and violent criminals.

In Chicago, another city where spending per pupil exceeds the national average, only 24% of middle-school students test at or above proficiency in reading and 21% in math. The connection between poor schooling and high crime rates is obvious, but too many on the political left play dumb and choose to focus instead on systemic racism and police misconduct.

Even where schools appear to be making gains, studies have often revealed those improvements to be illusory. A U.S. Education Department report released last month analyzed the transcripts of high-school graduates in the class of 2019 and compared them with those of their peers over the previous 10 years. Recent graduates had taken more-rigorous courses and earned higher grade-point averages, which looked like progress.

**A federal study finds the regular system is failing. The same department seeks to block alternatives.**

But when those better grades in math and science were matched with scores on standardized tests, something was revealed to be wrong. The test scores were flat in science and had declined in math, even among students who took the more-rigorous courses, which suggested that over the past decade students had bene-

fitted from grade inflation rather than from receiving a better education. “Algebra 1 is not Algebra 1 just because it’s labeled Algebra 1,” said the Education Department official who announced the findings.

These developments are even more disturbing in light of the Biden administration’s new attacks on school choice. Charter schools—independently operated public schools—might be the best thing to happen to public education since *Brown v. Board of Education*. Teachers unions oppose them because most don’t want to be unionized, even though they’ve long enjoyed bipartisan support in Washington. Bill Clinton and Barack Obama voiced strong support for charter schools, but Mr. Biden wants to limit their growth—in the name of equity, of course.

Under new Education Department rules proposed last month, it would become more difficult for charter schools to receive federal grants. Applicants would have to prove that the existing public schools are overcrowded, even though those schools have declining enrollments while charters have thousands of kids on

wait lists. The new rules would also force charter schools to submit demographic data detailing the “racial and socioeconomic diversity of students and teachers in the charter school and the impact of the charter school on racial and socioeconomic diversity in the public school district.” This would limit the ability of charter schools to open in low-income minority neighborhoods, which is where they are most needed, are most popular and have the greatest impact.

If these rules weren’t dictated by Education Department officials by the American Federation of Teachers, they might as well have been. Unions spent heavily to elect Mr. Biden, and he is clearly returning the favor. Republicans are understandably concerned about the left’s social-justice agenda infiltrating our K-12 education system, and not making an issue of it in the midterm elections would be political malpractice. Still, it is the decadeslong underperformance of public education, and the left’s ability to stifle reform efforts, that ultimately will have the bigger impact and is no less deserving of political attention.

## On His Bicentennial, President Grant Deserves More Respect

By Allen C. Guelzo

There is nothing stranger in American history than the up-and-down reputation of Ulysses S. Grant.

Grant, who was born April 27, 1822, was the commanding general who ended the Civil War. He managed the great campaigns that captured Vicksburg and Richmond, saved Chattanooga, and compelled the surrender of Robert E. Lee and the main Confederate field army, and did it so well that President Abraham Lincoln apologized for not showing him enough confidence. Grant’s “Personal Memoirs,” published after he died in 1885, are a landmark of 19th-century American prose.

Grant may be a greater example even than Lincoln of the American rags-to-riches story. In 1861 he was working in his father’s leather-goods

store in Galena, Ill. Three years later, he was general-in-chief of U.S. forces. Four years after that, he was elected president.

Still, Grant gets no respect. As a general, he was accused of alcoholism—and he was an alcoholic, by the clinical definition of the term. As a strategist, he was denounced by First Lady Mary Todd Lincoln as an unfeeling “butcher,” feeding the bodies of Northern soldiers into battles that simply wore away the Southern armies. As president he was derided as a tongue-tied incompetent. Henry Adams, the ultimate Washington insider, sneered at Grant as an upstart, “inarticulate, uncertain, distrustful of himself, still more distrustful of others, and awed by money.” Adams snarled that Grant should “have lived in a cave and worn skins.”

Certainly, Grant made his share of mistakes. He yielded to demands from his father, Jesse Root Grant, to

ban “the Jews, as a class,” from his encampments in 1862 (an order he rescinded at Lincoln’s command and regretted as “that obnoxious order”). He ordered a disastrous series of attacks at Cold Harbor, Va., in 1864 that cost as many as 7,500 Union lives. As president, he surrounded himself with old Army cronies who, from sheer inexperience, didn’t swim well in Washington’s political waters. And there was no display of military flamboyance to distract attention from the mistakes. Grant “was a man of grave and serious purpose” (according to James Rusling, an army staffer), but as a puzzled Boston lawyer wrote, he “had no gait, no station, no manner.”

Yet Charles Dana, a journalist and assistant secretary of war who was posted by the War Department to spy on Grant’s drinking while in action, reported that no decision Grant made during the war ever betrayed any trace of being under the influence. Though Grant took the offensive in every campaign he mounted during the Civil War, the armies he commanded suffered 55,000 fewer casualties than those suffered by Robert E. Lee and his fabled Army of Northern Virginia, who fought mostly on the defensive.

Grant’s two terms as president may pose the severest challenge to his reputation, since his presidency acquired an embarrassing odor of scandal. But many of those scandals turned out to be politically motivated campaigns by Grant’s congressional opponents. As only the second Republican elected to the presidency, Grant inherited a postwar Reconstruction program that had gone disastrously awry under his predecessor, Andrew Johnson, and Democrats

eager to stymie Grant’s policies announced after his election “that the chief duty of the next Congress will be investigation.”

Nevertheless, a string of corruption inquiries by congressional Democrats yielded not a single indictment. The one undoubted scandal within Grant’s cabinet concerned kickbacks on federal contracts received by War Secretary William Belknap, who resigned in disgrace. But no one was ever able to lay a finger on the president himself.

**The Civil War general was derided as someone who should ‘have lived in a cave and worn skins.’**

It wasn’t really corruption that enraged the Democratic opposition, but Grant’s Reconstruction strategy. His inaugural address endorsed the ratification of the 15th Amendment, ensuring voting rights for all citizens, including the former Confederacy’s newly freed slaves. Although Grant himself had once owned a slave (a gift from his father-in-law; Grant emancipated him in 1859), the war exerted a volte-face on race for Grant. “Enfranchisement and equal rights should accompany emancipation,” he insisted in a statement to the National Colored Convention in 1873, and he waved away “the prejudice to color” that was hamstringing movement toward equal rights as “senseless.” In 1871, when Ku Klux Klan violence threatened the Reconstruction government of South Carolina, Grant took the unprecedented

peacetime step of suspending the writ of habeas corpus and sending in federal troops to arrest Klan members. And in 1875 he signed the most comprehensive civil-rights bill the country would see before the modern civil-rights movement.

But not even Grant could hold back the returning tide of the old plantation elite in the South. Although he was re-elected in 1872, a national financial panic the following year sent angry voters to the polls in 1874 and the next year put a Democratic majority in control of the House. After that, there would be no more funding for Reconstruction initiatives or protections against election violence, as Grant simply ran out of resources to combat what he labeled “these annual, autumnal outbreaks in the South.” Once Grant left the presidency, the last redoubts of Reconstruction fell back into the hands of white Southerners, and the former Confederacy would soon see the substitution of Jim Crow for Reconstruction.

Along with that would come the disparagement of Ulysses Grant. To Progressives at the beginning of the 20th century, Grant symbolized the era of the robber barons. To advocates of the Confederacy, sully Grant’s reputation helped distract their cause’s quick loss at his hands. But Ulysses Grant deserves better, and if his recent surge in historians’ rankings of American presidents is any indication, the bicentennial of Grant’s birth may be the perfect occasion for that recognition.

*Mr. Guelzo is director of the James Madison Program’s Initiative on Politics and Statesmanship at Princeton University.*

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# BUSINESS & FINANCE

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## Cloud Services Propel Microsoft

Businesses continue to benefit from the shift to remote work during the pandemic

By Aaron Tilley

Microsoft Corp.'s revenue and profit rose last quarter as demand for its cloud services and software continued to climb with the shift to remote work triggered by the pandemic.

For the quarter through March, the Redmond, Wash., company said revenue rose 18% from a year earlier to \$49.4 billion as net income rose 8% to \$16.7 billion. Analysts polled by FactSet had predicted it would announce revenue of around \$49 billion and net income of around \$16 billion.

Microsoft shares fell \$10.50, or 3.7%, to \$270.22 on Tuesday. In after-hours trading, Microsoft shares rose 4.6% after the company unveiled a strong

outlook on sales for the current quarter.

Through the pandemic, Microsoft and other business-software companies experienced booming stock prices and sales as organizations around the world used more digital tools to help with remote working. This has bolstered demand for Microsoft's office applications as well as cloud-infrastructure services.

Microsoft remains the second-largest cloud-infrastructure vendor behind Amazon.com Inc., but the company has been gaining market share by using its leadership in office applications as leverage to grab big deals for its Azure cloud. It had nearly 20% of the market in 2020, according to research firm Gartner Inc.—well behind Amazon Web Services' 40% but up from 7% in 2016.

The company's overall cloud business rose 32% with \$23.4 billion in sales as its rival to Amazon cloud infrastructure service grew by 46%.

Analysts and investors have been looking for signs that demand is cooling. Software shares have been sliding this year, with Microsoft down around 20%, in line with the Nasdaq Composite Index.

Results were largely in line with expectations. There were concerns that a slowdown may be on the horizon after the previous quarterly earnings

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## Mattel, Buyout Firms Talk Deal

By Miriam Gottfried and Ben Foldy

Mattel Inc. has held talks with private-equity firms about a potential sale, people familiar with the matter said, just a few months after the toy company declared its corporate turnaround complete.

Mattel has held informal talks with firms including Apollo Global Management Inc. and L Catterton, the people said. The talks are at an early stage and may not result in a deal.

If there is one, it would be sizable. Mattel had a market capitalization of about \$8 billion as of the close of the market Tuesday. It would add to a recent string of big leveraged

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## Pension Funds Reach for Riskier Holdings

By Heather Gillers

New York City's comptroller is the latest public official trying to change laws aimed at limiting risk in pension investments, as U.S. state and local pension funds try to plug shortfalls in a low-return environment.

Comptroller Brad Lander, who oversees about \$260 billion in retirement money for city police, firefighters, teachers and other public workers, is asking New York lawmakers for more flexibility to invest in private markets, high-yield debt and foreign stocks. The state comptroller's office, which supervises another \$280 billion in retirement assets, views the idea favorably, with a representative saying such flexibility "is key in times of market volatility."

Pension funds, like household investors, are facing a relatively bleak environment for stocks and bonds, the bread and butter of a traditional retirement portfolio. In the face of historic inflation and Federal Reserve efforts to contain it, these funds are finding they can no longer rely on bonds to rise when equities fall and vice versa. In the first quarter, the S&P 500 returned minus 4.6% while the Bloomberg U.S. Aggregate bond index returned minus 5.93%.

"Those two things taken together is what's scary: the prospect of both going down at the same time," said Steve Foresti, chief investment officer at Wilshire Associates, which advises large public pension funds. Retirement

portfolio managers, he said, are asking "in that environment, do I have anything that actually goes up?"

Fourteen states have laws on the books limiting how public workers' retirement money can be invested. Constraints include imposing maximums on what share of pension assets can be parked in the stock market, how much can be invested outside the U.S., or how much can be allocated to alternatives, according to research by the National Association of State Retirement Administrators.

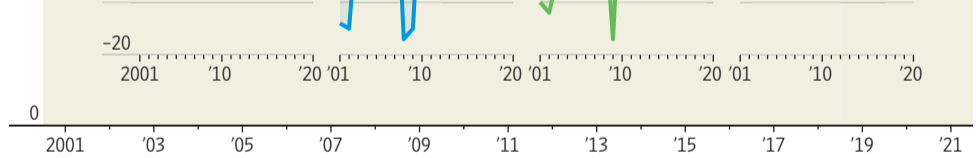
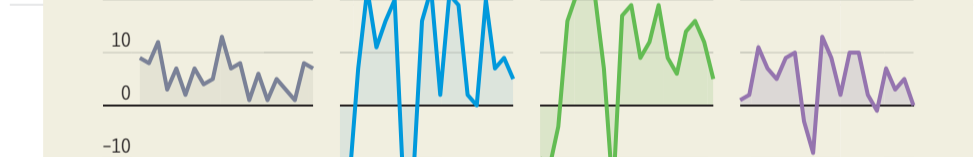
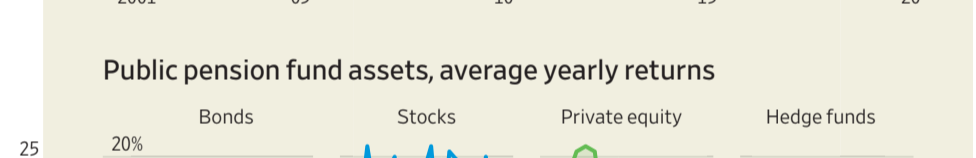
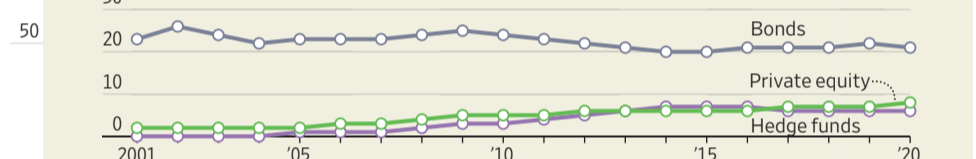
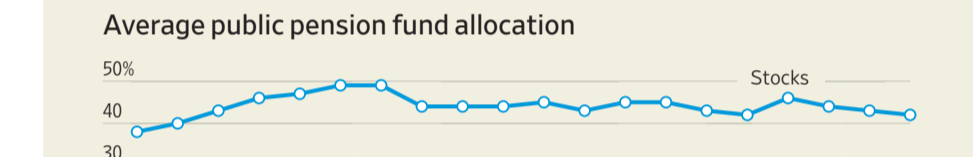
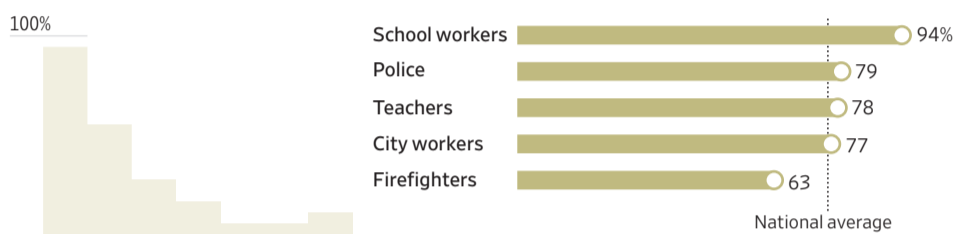
Such laws typically aim to contain risk, since stocks can crater in a downturn and illiquid private market investments can be difficult to cash out if pension funds need the money to pay benefits. But many public retirement systems are increasingly ramping up risk in an effort to close significant funding gaps and meet investment return targets of around 7%.

"Investment advisors and managers are going to [pension] boards and saying there's no way you're going to meet the return assumption if you have these handcuffs on," said Kevin Leonard, partner at NEPC, which advises public pension funds.

The Texas legislature in 2019 decided to make permanent a 2011 decision to temporarily increase to 10% from 5% the amount the state's teacher retirement fund can invest in hedge funds. Georgia's teacher pension fund began investing in private markets for the first

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Average ratio of assets to reported future liabilities



Sources: Boston College Center for Retirement Research (ratio, assets on hand, fund allocation, fund assets); annual financial reports (assets on hand)

## Alphabet's Growth In Sales Falls Off

By Meghan Bobrowsky

Google parent Alphabet Inc. posted slower sales growth as global economic turmoil disrupted digital advertising spending.

The company said first-quarter sales rose 23% from the year-ago period, the lowest rate for the tech giant since late 2020. The company at the time saw a period of massive sales growth, as small and large businesses alike flooded into the ad market seeking to win customers who spent the early period of the pandemic sequestered in their homes. Company sales advanced 41% last year.

Rising inflation, supply-chain disruptions, Russia's war on Ukraine and other factors have weighed on the economic

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## Bond Yields Burn Stock Highfliers

By Julia Ambra Verlaime

Yields on government bonds are catching up with expected inflation after years of lagging behind it, a threat to the speculative stock-market bets that proliferated in the era of rock-bottom rates and economic stimulus.

Bond yields that trail inflation push investors to seek an alternative; many found it in the stock market, powering a surge in risky assets.

But now the yield on 10-year Treasury notes is losing investors less money after ad-

justing for inflation. One gauge, the yield on the 10-year Treasury inflation-protected security closed April 19 at 0%, according to Tradeweb.

That was the first time it wasn't negative since March 2020, when global central banks slashed rates to support economies thrown into shock by the coronavirus pandemic. The yield has drifted lower in recent days and Tuesday stood at minus 0.11%.

Traders closely track TIPS yields because they offer a measure of financial conditions, showing whether bor-

rowing costs are rising or falling for businesses and consumers when accounting for the effects of inflation expectations.

Holders of TIPS are compensated as the consumer-price index rises, ending up with the same return as holders of ordinary Treasuries if annual inflation matches the difference between the two yields.

While TIPS yield rise signals improving returns for bonds and a return to more normal growth and inflation as the Federal Reserve starts

raising interest rates, it has hurt many highfliers of the pandemic era.

Often known as real yields, the yields on TIPS fell deeply negative at the start of the pandemic, meaning investors were guaranteed to lose money on an inflation-adjusted basis if they held the bonds to maturity. That helped power a surge in stocks by pushing investors toward riskier assets for better returns.

Now, analysts expect that time to end, with central banks pulling back from their efforts

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## Tesla Shares Sink 12% On Musk Twitter Deal

By Gunjan Banerji

Tesla Inc. shares logged their biggest one-day drop in more than a year after founder Elon Musk said he would buy Twitter Inc. in a \$44 billion deal.

The shares slid 12% to \$876.42 and were the worst performers in the tech-heavy Nasdaq-100 index Tuesday. The stock had its worst day since September 2020, when it fell 21% after it was passed over for inclusion in the S&P 500 index.

The stock is now down around 23% since April 4, when Mr. Musk first disclosed a position in the social-media company. Mr. Musk's takeover deal came together quickly and surprised shareholders

and market watchers. It also spurred volatility in Twitter and Tesla shares.

The takeover adds to a list of high-profile ventures that Mr. Musk has juggled over the past decade. For more than a dozen years, he has led Tesla and rocket-and-satellite company SpaceX in addition to launching startups on the side.

Twitter will now account for around a sixth of his net worth, which is intertwined with his Tesla shares. Roughly \$60 billion of his Tesla stock, about a third of his holdings, are collateral for bank loans. Mr. Musk also needs \$21 billion in cash, which could mean

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## Warner Bros. Discovery Reins In Costs

By Joe Flint

Warner Bros. Discovery Inc. Chief Executive David Zaslav said the newly formed entertainment conglomerate, whose assets include CNN, HBO and Warner Bros., would move fast to put his vision in place.

"We will clearly take swift and decisive actions on certain items, as you saw on CNN+ last week," Mr. Zaslav told analysts on an earnings call Tuesday morning, referring to the decision to close CNN's direct-to-consumer streaming service about a month after it launched.

Mr. Zaslav also said the company wouldn't spend wildly to boost its various news and entertainment assets when it comes to streaming.

"We are not trying to win the direct-to-consumer spending war," he said.



David Zaslav began leading Warner Bros. Discovery this month.

Warner Bros. Discovery shares dropped 7.8% Tuesday with the broad market selloff.

Mr. Zaslav began leading Warner Bros. Discovery earlier this month, after AT&T Inc.

spun off its WarnerMedia unit and Discovery merged with it. The merger created a media giant whose properties include the Warner Bros. movie studio and the cable channels TNT,

Food Network and HGTV in addition to HBO and CNN.

Warner Bros. Discovery has said it plans to combine its two most prominent streaming services, HBO Max and Discovery+, into one giant offering that will include both an ad-supported platform and a commercial-free offering. Mr. Zaslav didn't provide updates on when the combined service would go live but said it was a priority.

He said there was a lot of crossover appeal between shows on HBO and Discovery. "You need a diversity of content for everybody in the home," Mr. Zaslav said. "Our research shows that people who watch [HBO's] 'Euphoria,' their second favorite show is [TLC's] '90 Day Fiancé.'"

Warner Bros. Discovery Chief Financial Officer Gunnar Wien

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BUSINESS NEWS

# GE Sees Little Relief With Supply Chain

By THOMAS GRUTA

**General Electric Co.** warned that its business would be pressured by supply-chain disruptions this year after reporting strong quarterly growth for its jet-engine unit as commercial air traffic recovers from a pandemic-fueled decline.

The Boston conglomerate said Tuesday that its full-year results were on track to come in at the low end of predictions it issued in January. The manufacturer continues to face pressure from supply-chain disruptions and rising raw-material and freight costs, and impact from Russia's invasion of Ukraine.

Executives said on a conference call that they anticipate these pressures to continue into the second quarter. They expect GE's adjusted free cash flow, a key measure of profitability, to be negative in the second quarter but better than the negative \$880 million reported in the first quarter.

"With respect to supply chain specifically, we know this will be a challenge through the course of the year," said Chief Executive Larry Culp in an interview Tuesday. Collectively, supply chain issues, the Russian invasion and China's Covid-19

lockdown cut quarterly revenue growth by 6 percentage points. GE expects improvement from working with suppliers and improved efficiency in its own operations. "We think that it is less of a challenge as time goes on," he said.

For 2022, GE had projected high-single-digit revenue growth, earnings of \$2.80 to \$3.50 a share and free cash flow of \$5.5 billion to \$6.5 billion.

GE shares fell 10% on Tuesday, hitting a 52-week low. Before the results, the stock had fallen about 17% over the past year, compared with a roughly 2% gain in the S&P 500 index.

GE, which has slimmed down and streamlined its operations under Mr. Culp, plans to split into three separate public companies over the next two years, with its healthcare division expected to spin off in early 2023. The power and renewables business will combine and form a separate company in early 2024.

The first-quarter results showed how the different parts of the conglomerate are faring in the current climate, with a rebound in air travel boosting one unit and a drop in demand for renewable energy dragging down another. Revenue at the aviation di-

vision, which makes and services jet engines, rose 12% to \$5.6 billion in the first quarter, while segment profit rose to \$908 million. It is facing uncertainty in China from recent Covid-19 shutdowns and supply-chain disruption but projects revenue growth of at least 20% for the year.

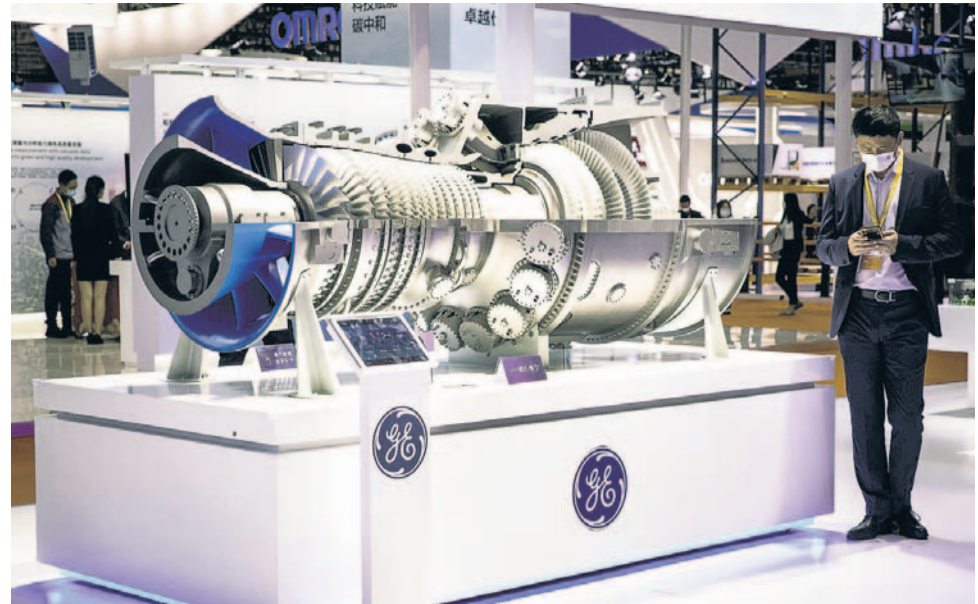
GE expects aviation demand to remain strong and Mr. Culp predicted that global flight departures would be at 90% of 2019 levels by the end of this year.

In the healthcare division, which makes CT scanners, MRI machines and other hospital equipment, revenue rose 1% to \$4.4 billion but segment profit dropped 23% to \$538 million as supply-chain shortages continue to hit the business.

Revenue at the power division, which makes and services turbines for gas power plants, fell 11% to \$3.5 billion in the first quarter.

The renewables division, which makes wind turbines, posted a 12% sales drop and an operating loss of \$434 million.

In terms of inflation, GE expects that costs will stay ahead of its ability to raise prices for the rest of the year but the gap will get relatively smaller after June.

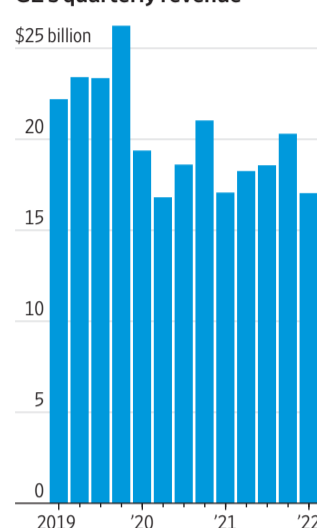


A LEAP engine model was displayed at GE's booth at the China International Import Expo in November.

GE also contributed \$2 billion to reserves in its defunct insurance business, along with a \$200 million impairment charge related to Russia's invasion of Ukraine and a \$200 million charge from a \$2.2 billion portfolio of Polish mortgages.

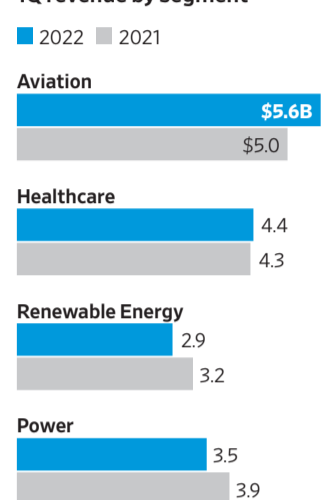
Overall, GE reported a first-quarter loss attributable to common shareholders of \$1.1 billion, narrower than the year-earlier loss of \$2.9 billion. Excluding items, GE said its adjusted earnings were 24 cents a share, compared with Wall Street's estimate of 18 cents a share. Revenue was \$17.04 billion versus \$17.07 billion a year ago. Analysts had projected \$16.85 billion, according to FactSet.

GE's quarterly revenue



Sources: S&P Capital IQ; the company

1Q revenue by segment



# Carnival CEO to Depart; Operations Chief Tapped

By WILL FEUER

**Carnival Corp.** said Arnold Donald is stepping down as the cruise operator's chief executive officer and will be succeeded by its current operating chief, Josh Weinstein.

Mr. Donald will become vice chairman effective Aug. 1, when the change takes place.

The 67-year-old Mr. Donald has served as Carnival's CEO since 2013 and steered the

company through the Covid-19 pandemic, which upended the global cruise industry. His departure will leave the S&P 500 with just six Black CEOs among its ranks, according to data tracker MyLogicIQ.

Carnival and other operators have resumed commercial cruising, halted early in the pandemic, but the emergence of Covid-19 variants and fresh restrictions have hampered operations. Carnival and oth-

ers have failed to turn a profit during the health crisis. Rivals **Royal Caribbean Cruises Ltd.** and **Norwegian Cruise Line Holdings Ltd.** both project profits in the second half of this year.

"Over the past two years, we've been through unprecedented challenges as a company and as an industry," Mr. Donald said in a video shared with employees Tuesday. "While there no doubt will be

challenges we'll continue to face, together we have our company positioned for great success over time." He added that the entire fleet would sail again later this year and that the company would be profitable in the third quarter.

Carnival shares fell 7.3% on Tuesday to \$17.50 and are down by more than a third over the past 12 months. They remain well below their pre-pandemic trading levels.

Carnival said last month that recent booking trends were the strongest they had been at any point since the restart of cruising.

As recently as December, the Centers for Disease Control and Prevention advised Americans to avoid cruise travel regardless of vaccination status as the Omicron variant drove a surge in Covid-19 cases. Last month, the CDC dropped its health no-

tice on cruise ships.

Carnival is turning to Mr. Weinstein, 48, as the industry resumes full service. A 20-year company veteran, Mr. Weinstein oversaw everything from auditing and information technology to global port operations, which evolved in response to various government restrictions. He earlier served as treasurer for 10 years, overseeing financial planning, tax analysis and other areas.



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A group of company workers has been asked to move to Florida, a state that is now in a fight with their employer.

# Some Disney Employees Question Planned Relocation to Florida

By ERICH SCHWARTZEL

Of the thousands of employees watching Walt Disney Co.'s public clash with Florida Republican Gov. Ron DeSantis, one whipsawed group has found itself in an unusual position: They have been asked to move to a state now in combat with their employer.

In July, Disney told some 2,000 members of its storied Parks division that they had to relocate to Southern California to Florida or risk losing their jobs. Employees said they were given 90 days to decide. Then, in March, members of the relocating group called on company leaders to speak out against Florida legislation limiting classroom discussion of gender and sexuality. In the weeks since, Disney has become a top political target in Florida, just as these employees consider down payments on new homes there.

The timing of the Parks relocation has placed the Disney workers in a crossfire of state lawmakers and the world's

largest entertainment company. The group represents a fraction of Disney's approximately 190,000-member workforce, but the group's experience underscores the tricky terrain companies walk when they publicly engage on social issues increasingly becoming a state-by-state debate. What Disney and employees expected to be a difficult but manageable transition has become fraught for both sides.

Workers have had a variety of responses to relocating. Some employees have already opted to move to Florida, a Disney spokeswoman said, adding that, overall, more workers have said they would relocate than the company initially expected.

Yet displeasure with the move has prompted months of rancor that are unusual for Disney, which had traditionally been a company where disputes rarely spilled into public view and employees were reluctant to criticize leaders.

In recent weeks, the Florida fight caused conversations with Disney executives to

grow more heated, workers say, and prompted veteran employees who planned to move to start looking for new jobs instead.

The relocating employees have become a political symbol for governors. In mid-March, as debate over Florida's Parental Rights in Education bill flared, California Democratic Gov. Gavin Newsom wrote in a message on Twitter, "Disney, the door is open to bring those jobs back to California—the state that actually represents the values of your workers."

Earlier this month, as Mr. DeSantis railed in speeches against Disney's political stance, Colorado Democratic Gov. Jared Polis joked he was offering "full asylum" to Mickey and Minnie Mouse in his state.

For some, the political has become personal. One veteran Parks worker, for instance, is gay and said he hopes to have a child in the coming years. He has worked for Disney in California for years, but said he wasn't comfortable moving to

Florida since the new law, which critics call the "Don't Say Gay" law, passed in March. He said he wondered whether his child would feel comfortable discussing his family in a Florida school.

The stakes in Disney's fight with Florida over that legislation are rising. Last week, Mr. DeSantis signed into law a bill that would end a special tax district granted to Disney for more than half a century, a move widely viewed as retaliation for Disney's speaking out against the new law.

The legislation outlaws classroom instruction on sexual orientation and gender identity through third grade. Disney's criticism of it came after internal and external pressure to speak out, given the company's outsize profile and economic heft in the state. Disney Chief Executive Bob Chapek initially had avoided weighing in, warning against his company becoming a "political football," only to see his distancing and subsequent turnabout make Disney into just that.

# Johnson & Johnson Sues Over HIV-Drug Fakes

By CORINNE RAMEY AND JOSEPH WALKER

Johnson & Johnson alleged that several drug distributors and pharmacies are selling counterfeit versions of its HIV drugs, in the latest lawsuit a large pharmaceutical company filed to combat illicit sales of drugs in the U.S.

J&J said in a suit made public on Tuesday that the drugs it alleged were counterfeit presented an acute threat to public health. In some cases, the company said, bottles labeled as one drug were filled with pills of a different HIV medicine. In at least one instance, a bottle purporting to be HIV medication contained antipsychotic pills used to treat conditions including schizophrenia and bipolar disorder, J&J said in court documents. The lawsuit, filed in U.S. District Court for the Eastern District of New York, makes claims including federal trademark infringement.

In a statement, J&J said HIV medicines became a focus of illegal counterfeiting in recent years. The company said it filed its lawsuit after its investigation found criminal activity involving unauthorized distributors.

Counterfeit medications can include fake pills, the wrong medication or genuine drugs that faked documentation or altered packaging.

The Justice Department is conducting a criminal investigation into an alleged counterfeiting operation that overlaps with claims in a similar complaint filed by Gilead Sciences Inc., The Wall Street Journal reported in March.

J&J alleged in its suit that three drug distributors—SafeChain Solutions LLC, ProPharma Distribution LLC and Scripts Wholesale Inc.—have sold large quantities of counterfeit HIV medications. J&J said it had detected a recent spate of counterfeits of its products in the New York City area that came after Gilead

filed its lawsuit last year.

J&J alleged that several complaints of pills in the wrong bottle could be traced to SafeChain and Scripts and that ProPharma acknowledged possessing hundreds of bottles of J&J HIV medication that proved to be counterfeit. The suit also names as a defendant I Care Pharmacy 14 Inc., which J&J alleges is part of a sophisticated counterfeiting operation that remains active.

J&J filed the lawsuit under seal in early April. While the case was sealed, a federal judge authorized J&J to seize medication, information and communications from I Care and its owner. J&J is also asking the court to permanently bar the defendants from selling the company's medications.

J&J alleged that I Care rapidly became one of the biggest sellers of the company's HIV medications in New York City from April 2021 to December 2021, when it was discovered to be selling counterfeit drugs, J&J alleges.

Steve Zissou, a lawyer for I Care owner Edward Gendin, said his client was "an innocent pawn who had no knowledge whatsoever of any criminal activity."

A lawyer for Scripts declined to comment. Lawyers for SafeChain and ProPharma didn't immediately comment.

J&J said counterfeiting endangers the health of patients who depend on its drugs to keep their HIV in check. Many of the counterfeits were of J&J's antiviral drug Symtuza, a daily pill that suppresses viral loads of HIV to undetectable levels. When patients unknowingly take a different medication, the amount of HIV in their blood can rise and allow their disease to progress, J&J alleged in the suit.

Counterfeiting could cause HIV patients to lose trust in the healthcare system or stop treatment altogether, J&J said.

J&J didn't specify the initial source of the alleged counterfeit drugs.

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## BUSINESS NEWS

## Buyout Will Load Twitter With Debt

BY ALEXANDER SAEEDY  
AND JENNIFER WILLIAMS-ALVAREZ

Elon Musk's deal to take Twitter Inc. private will nearly triple the social-media company's leverage and saddle it with hundreds of millions of dollars in interest payable on the more than \$25 billion used to fund the leveraged buyout.

Analysts estimate that Twitter's interest burden will increase to \$845 million annually from \$51 million in 2021. That is more than half of the company's adjusted annual earnings of \$1.4 billion in 2021, and the new debt would increase leverage to nearly nine times its annual adjusted earnings, up from currently 3½ times.

Leverage at nine times earnings would launch Twitter into the realm of buyouts of technology and software-as-a-service companies, where the median leverage ratio was around 8.6 times earnings as of the end of 2021, but above the median for media companies, which is closer to around 7.5 times earnings, according to S&P Global Ratings.

Software companies have usually justified borrowing high levels of debt through recurring revenue models that can increase earnings without a concomitant increase in costs.

Twitter's business model, however, currently resembles that of media companies, which depend on advertising revenue, a highly cyclical source of revenue linked to economic growth.

"The deal has been structured to have as much leverage as possible," said Steven Hunter, chief executive at 9fin, a leveraged finance data and research company. "Even for a software buyout with seven turns of leverage, you would typically see a business with much higher gross profit margin and that is more cash generative than Twitter."

Twitter on Monday accepted Mr. Musk's bid to take the com-

pany private. To fund his \$44 billion offer, Mr. Musk has secured \$13 billion in loans from investment banks including Morgan Stanley, Bank of America Corp., Barclays PLC and MUFG Bank Ltd. and a \$12.5 billion margin loan secured by a portion of his stake in Tesla Inc.

Mr. Musk may pay the margin loan out of his own account, or Twitter may use cash from the business to cover the interest expense. Twitter and Mr. Musk didn't respond to requests for comment. Morgan Stanley, Bank of America and Barclays declined to comment. MUFG didn't respond to a request for comment.

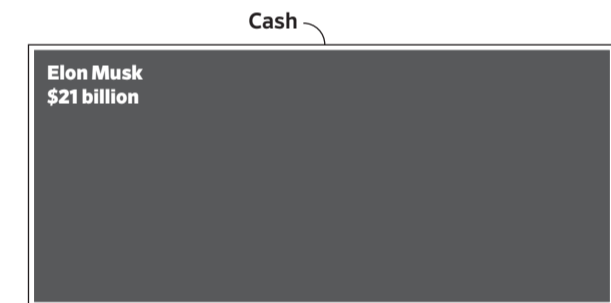
At present, Twitter has a little more than \$5 billion in debt, mostly in low-interest convertible bonds and unsecured debt, according to a recent offering memorandum. If shareholders agree to take Twitter private, the company will need to pay back all of its existing debt before this new debt is added to its books, analysts said. The company's bond prices have rallied on news of Mr. Musk's planned buyout to around 102 cents on the dollar.

Twitter generated \$632 million in cash from operations in 2021 on the back of roughly \$5 billion in revenue, according to the company's annual report. Advertising contributes roughly 90% of the company's revenue, while data licensing and other types of revenue account for the remainder, according to Twitter's most recent annual earnings report.

Twitter has been striving to build out its advertising revenue under CEO Parag Agrawal, but it is unclear if that vision will continue.

Mr. Musk has suggested that Twitter should rely on advertisers less and has so far not alluded to improving the product for them. Adding significant debt to Twitter's books could make it difficult to do away with the current business model.

## Where Mr. Musk is getting \$46.5 billion to buy Twitter



## \$13 billion buyout loan



Source: SEC filings

## \$12.5 billion margin loan against Tesla



Kara Dapena/THE WALL STREET JOURNAL

## Tesla Shares Sink 12%

Continued from page B1

selling some of his Tesla stockholdings, to close the deal.

Mr. Musk appears to have a sizable cushion before he would have to post more collateral for the \$12.5 billion in bank loans used to purchase Twitter. His agreement with lenders indicates that he must post \$100 in Tesla shares as collateral for every \$20 in borrowings, leading to a loan-to-value ratio of 20%. That amounts to around \$62 billion worth of Tesla shares to back the loans.

Mr. Musk's agreement with lenders states that if on any day the value of his loan makes up more than 35% of the collateral he has posted on the borrowings, he would face a margin call. He would have to sell some of his shares, prepay the loans or post additional collateral. He would hit that threshold if the value of the posted shares tumbled to roughly \$36 billion, akin to around a 43% drop.

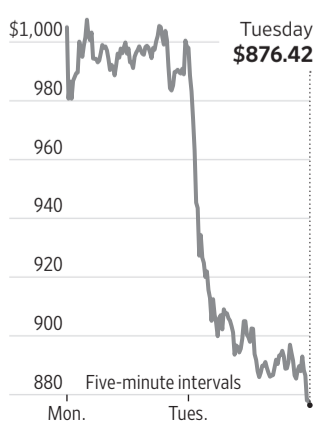
That means if the value of

those Tesla shares fell roughly 43%, he would face a margin call.

Tesla stock is volatile and is known for its giant one-day moves, swings that have made the company a favorite bet for options traders looking to profit from the turbulence. Options on Tesla shares were widely traded Tuesday. Traders had spent more money on bearish options that would typically pay out if the shares fell further than calls tied to a jump, according to Shift Search by Vesica Technologies.

Tuesday's losses have dragged the stock down around 17% for the year, compared with the broader market's roughly 12% decline.

## Tesla's share price, past two days



Source: FactSet

*This announcement is neither an offer to purchase nor a solicitation of an offer to sell Shares (as defined below). The Offer (as defined below) is made solely by the Offer to Purchase, dated April 27, 2022, and the related letter of transmittal and any amendments or supplements thereto. The Offer is not being made to (nor will tenders be accepted from or on behalf of) holders of Shares in any jurisdiction in which the making of the Offer or the acceptance thereof would not be in compliance with the securities, blue sky or other laws of such jurisdiction or any administrative or judicial action pursuant thereto. Purchaser (as defined below) may, in its discretion, take such action as it deems necessary to make the Offer to holders of Shares in such jurisdiction. In any jurisdiction where the securities, blue sky or other laws require the Offer to be made by a licensed broker or dealer, the Offer will be deemed to be made on behalf of Purchaser or by one or more registered brokers or dealers licensed under the laws of such jurisdiction.*

## Notice of Offer to Purchase All Outstanding Shares of Common Stock of VIDLER WATER RESOURCES, INC.

at  
**\$15.75 NET PER SHARE**

Pursuant to the Offer to Purchase Dated April 27, 2022  
by

## POTABLE MERGER SUB, INC. a wholly owned subsidiary of D.R. HORTON, INC.

Potable Merger Sub, Inc. ("Purchaser"), a Delaware corporation and a wholly owned subsidiary of D.R. Horton, Inc. ("Parent"), a Delaware corporation, is offering to purchase all outstanding shares of common stock, par value \$0.001 per share (individually, a "Share" and collectively, the "Shares"), of Vidler Water Resources, Inc. ("VWTR"), a Delaware corporation, for \$15.75 per Share, net to the seller in cash, without interest and less any applicable withholding taxes (the "Offer Price"), upon the terms and subject to the conditions set forth in the Offer to Purchase, dated April 27, 2022 (together with any amendments or supplements thereto, the "Offer to Purchase"), and the related letter of transmittal (together with any amendments or supplements thereto, the "Letter of Transmittal" and, together with the Offer to Purchase, the "Offer"). Tenders of stockholders whose Shares are registered in their names and who tender directly to Computershare Trust Company, N.A. (the "Depositary & Paying Agent") will not be charged brokerage fees or commissions, but such stockholders will be charged any and all transfer taxes incurred in connection with Purchaser's acquisition of such Shares pursuant to the Offer (in accordance with Instruction 6 of the Letter of Transmittal). Tenders of stockholders whose Shares are registered in the name of their broker, dealer, bank, trust company or other nominee should consult such nominee to determine if any fees may apply. Following the consummation of the Offer, and subject to the conditions described in the Offer to Purchase, Purchaser intends to effect the Merger (as defined below).

### THE OFFER AND WITHDRAWAL RIGHTS EXPIRE AT ONE MINUTE FOLLOWING 11:59 P.M., EASTERN TIME, ON MAY 24, 2022, UNLESS THE OFFER IS EXTENDED OR TERMINATED.

The Offer is conditioned upon, among other things: (i) there being validly tendered in the Offer and not validly withdrawn prior to any then scheduled Expiration Time (but excluding Shares tendered pursuant to guaranteed delivery procedures that have not yet been "received," as defined by Section 251(h)(6) of the DGCL) that number of Shares which, together with all of the Shares (if any) beneficially owned by Parent and Purchaser, represents one more Share than 50% of the Shares then outstanding (the "Minimum Tender Condition"); and (ii) the waiting period (and any extension thereof) applicable to the consummation of the Offer, the Merger, and the other transactions contemplated under the Merger Agreement (as defined below) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, having expired or been terminated (the "HSR Condition"). The Offer is also subject to the other conditions described in the Offer to Purchase.

The Offer is being made pursuant to an Agreement and Plan of Merger, dated as of April 13, 2022 (the "Merger Agreement"), by and among Parent, Purchaser and VWTR. The Merger Agreement provides, among other things, that after consummation of the Offer, Purchaser will merge with and into VWTR (the "Merger") in accordance with Section 251(h) of the General Corporation Law of the State of Delaware, as amended (the "DGCL"), with VWTR continuing as the surviving corporation and a wholly owned subsidiary of Parent. At the effective time of the Merger, each outstanding Share (other than any Shares owned directly or indirectly by Parent, Purchaser or VWTR and any Shares held by stockholders who validly exercise their appraisal rights in connection with the Merger) will be automatically converted into the right to receive the price per Share paid in the Offer, net to the holder in cash, without interest and less any applicable withholding taxes. The Merger Agreement is more fully described in Section 13 of the Offer to Purchase.

The board of directors of VWTR has unanimously: (i) approved, adopted and declared advisable the Merger Agreement and the transactions contemplated thereby, including the Offer and the Merger; (ii) determined that the transactions contemplated by the Merger Agreement, including the Offer and the Merger, are fair to, and in the best interests of, VWTR and the VWTR stockholders; (iii) resolved that the Merger shall be governed by and effected under Section 251(h) of the DGCL; and (iv) resolved and agreed to recommend that the stockholders of VWTR accept the Offer and tender their Shares to Purchaser pursuant to the Offer.

Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of any extension or amendment), Purchaser will purchase, as promptly as practicable after the expiration of the Offer, all Shares validly tendered and not validly withdrawn at one minute following 11:59 p.m., Eastern Time, on May 24, 2022 (or any later time to which Purchaser, subject to the terms of the Merger Agreement, extends the period of time during which the Offer is open (as it may be extended, the "Expiration Time"). If, at the scheduled expiration of the Offer or the expiration of any extension of the Offer as described below, any condition to the Offer is not satisfied and has not been waived by Parent or Purchaser if permitted under the Merger Agreement, Purchaser will, with or without the consent of VWTR, extend the Offer on one or more occasions in consecutive increments for an additional period of up to ten business days per extension. In addition, if the Merger Agreement has not been terminated pursuant to its terms, Purchaser will extend the Offer for any period or periods of time required by any applicable law or any applicable rules, regulations, interpretations or positions of the SEC, its staff, or Nasdaq, and until any waiting period (and any extension thereof) applicable to the consummation of the Offer under the HSR Act and any other applicable foreign antitrust, competition, or similar law has expired or been terminated; provided that (i) if, on the scheduled expiration of the Offer or any extension thereof, all conditions to the Offer other than the Minimum Tender Condition have been satisfied or waived, Purchaser will only be required to extend the Offer beyond such date for one or more additional periods not to exceed an aggregate of 20 business days to permit the Minimum Tender Condition to be satisfied and (ii) Purchaser will not be obligated to extend the Offer beyond August 18, 2022 (as it may be extended until December 31, 2022 under certain circumstances, in accordance with the terms of the Merger Agreement, the "Outside Date").

Any extension, termination or amendment of the Offer will be followed as promptly as practicable by a public announcement thereof consistent with the requirements of the SEC. In the case of an extension of the Offer, Purchaser will inform the Depositary & Paying Agent of that fact and will make a public announcement of such extension, no later than the earlier of (i) 9:00 AM, Eastern time, or (ii) the first opening of Nasdaq, on the next business day after the previously scheduled Expiration Time. During any extension of the Offer, all Shares previously validly tendered and not validly withdrawn will remain subject to the Offer and subject to the right of a tendering stockholder to withdraw such stockholder's Shares.

Purchaser reserves the right to waive, in whole or in part, any of the conditions to the Offer (other than the Minimum Tender Condition which may not be amended or waived) and to change the Offer Price; provided, however, that unless otherwise contemplated by the Merger Agreement or Purchaser receives VWTR's written consent, Purchaser cannot (i) reduce the maximum number of Shares sought to be purchased in the Offer, (ii) reduce the Offer Price; (iii) amend, modify, or waive the Minimum Tender Condition; (iv) impose additional conditions or requirements to the Offer; (v) amend or modify any condition to the Offer in a manner that adversely affects, or that would reasonably be expected to have an adverse effect on, any holders of Shares, or that would, individually or in the aggregate, reasonably be expected to prevent or materially delay the consummation of the Offer or prevent, materially delay or materially impair the ability of Parent or Purchaser to consummate the Offer, the Merger, or the other transactions contemplated by the Merger Agreement; (vi) terminate the Offer or accelerate, extend or otherwise change the Expiration Time other than in accordance with the Merger Agreement; (vii) change the form of consideration payable in the Offer; or (viii) provide any "subsequent offering period" within the meaning of Rule 14d-11 promulgated under the Exchange Act.

In order to tender Shares in the Offer, a stockholder must (i) complete and sign the Letter of Transmittal according to its instructions and deliver the Letter of Transmittal, together with any required signature guarantees, the certificates representing the tendered Shares (except in the case of Shares held in a book-entry/direct registration account ("DRS Account") maintained by VWTR's transfer agent (such Shares, "DRS Shares")) and any other documents required by the Letter of Transmittal to the Depositary & Paying Agent or (ii) follow the procedures for book-entry transfer set forth in Section 3 of the Offer to Purchase. If Shares are registered in the name of a broker, dealer, bank, trust company or other nominee, a tendering stockholder must contact such person and instruct such person to tender such Shares. If a stockholder wishes to tender Shares in the Offer but (a) the certificates representing such Shares are not immediately available or cannot be delivered to the Depositary & Paying Agent prior to the Expiration Time, (b) such stockholder cannot comply with the procedures for book-entry transfer described in the Offer to Purchase prior to the Expiration Time or (c) such stockholder cannot deliver all required documents to the Depositary & Paying Agent prior to the Expiration Time, such stockholder may tender Shares by complying with the guaranteed delivery procedures set forth in Section 3 of the Offer to Purchase.

For purposes of the Offer, Purchaser will be deemed to have accepted for payment tendered Shares when, as and if Purchaser gives written notice of Purchaser's acceptance to the Depositary & Paying Agent. Purchaser will pay for Shares accepted for payment pursuant to the Offer by depositing the purchase price with the Depositary & Paying Agent, which will act as agent for tendering stockholders for the purpose of receiving payments from Purchaser and transmitting such payments to tendering stockholders. **Under no circumstances will Purchaser pay interest on the consideration paid for Shares accepted for purchase in the Offer, regardless of any extension of the Offer or any delay in making payment for such Shares.**

In all cases, Purchaser will pay for Shares accepted for payment pursuant to the Offer only after timely receipt by the Depositary & Paying Agent of (i) certificates representing such Shares (except in the case of DRS Shares) or confirmation of book-entry transfer of such Shares into the Depositary & Paying Agent's account at the Book-Entry Transfer Facility (as defined in Section 3 of the Offer to Purchase), (ii) a properly completed and duly executed Letter of Transmittal with all required signature guarantees or, in the case of a book-entry transfer, an Agent's Message (as defined in Section 3 of the Offer to Purchase) in lieu of the Letter of Transmittal and (iii) any other documents required by the Letter of Transmittal.

Except as otherwise provided in the Offer to Purchase, tenders of Shares made pursuant to the Offer are irrevocable. Shares tendered pursuant to the Offer may be withdrawn (i) at any time before the Expiration Time and (ii) if Purchaser has not accepted for payment Shares tendered pursuant to the Offer by June 26, 2022, which is the 60<sup>th</sup> day after the date of the commencement of the Offer, at any time after such date, in each case by complying with the procedures set forth below.

For a withdrawal to be effective, a written transmission notice of withdrawal with respect to the Shares must be timely received by the Depositary & Paying Agent at one of its addresses set forth on the back cover of the Offer to Purchase, and the notice of withdrawal must specify the name of the person who tendered the Shares to be withdrawn, the number of Shares to be withdrawn and the name of the registered holder of the Shares, if different from that of the person who tendered such Shares. If the Shares to be withdrawn have been delivered to the Depositary & Paying Agent, a signed notice of withdrawal with (except in the case of Shares tendered by an Eligible Institution (as defined in Section 3 of the Offer to Purchase) signatures guaranteed by an Eligible Institution must be submitted before the release of such Shares. In addition, such notice must specify, in the case of Shares tendered by delivery of certificates, the serial numbers shown on the specific certificates evidencing the Shares to be withdrawn or, in the case of DRS Shares or Shares tendered by book-entry transfer, the name and number of the DRS Account or the account maintained at the Book-Entry Transfer Facility, respectively, to be credited with the withdrawn Shares. Withdrawals may not be rescinded, and Shares withdrawn will thereafter be deemed not validly tendered. However, withdrawn Shares may be retendered at any time before the Expiration Time by following the procedures described in Section 3 of the Offer to Purchase.

The tender of Shares in exchange for cash pursuant to the Offer or pursuant to the Merger will be a taxable transaction for U.S. federal income tax purposes and may also be a taxable transaction under applicable state, local, foreign and other tax laws. **Each stockholder should consult its own tax advisor about the specific tax consequences to such stockholder of tendering Shares pursuant to the Offer, or receiving payment for Shares pursuant to the Merger, including the effects of applicable state, local, non-U.S. and other tax laws.**

The information required to be disclosed by paragraph (d)(1) of Rule 14d-6 of the General Rules and Regulations under the Exchange Act is contained in the Offer to Purchase and is incorporated herein by reference.

VWTR has provided to Purchaser its stockholder list and security position listing for the purpose of disseminating the Offer to holders of Shares. In accordance with the Merger Agreement and applicable law, Purchaser will mail the Offer to Purchase, the related Letter of Transmittal and other related documents to record holders of Shares and to brokers, dealers, banks, trust companies and other nominees whose names appear on the stockholder list or, if applicable, who are listed as participants in a clearing agency's security position listing for subsequent transmittal to beneficial owners of Shares.

**The Offer to Purchase and the related Letter of Transmittal contain important information that should be read carefully before any decision is made with respect to the Offer.**

Questions and requests for assistance and copies of the Offer to Purchase, the Letter of Transmittal and all other Offer materials may be directed to D.F. King & Co., Inc., the information agent for the Offer (the "Information Agent"), at its telephone number or e-mail address set forth below and will be furnished promptly at Purchaser's expense. Neither Parent nor Purchaser will pay any fees or commissions to any broker or dealer or any other person (other than to the Information Agent and the Depositary and Paying Agent) for soliciting tenders of Shares pursuant to the Offer.

The Information Agent for the Offer is:

**D.F. King & Co., Inc.**  
48 Wall Street  
New York, New York 10005  
Shareholders Call (Toll-Free): (866) 864-7964  
Banks and Brokers Call: (212) 269-5550  
By Email: VWTR@dfking.com

April 27, 2022

# THE PROPERTY REPORT

## Times Square Plots New-Look Comeback

New hotels are built, first casino is proposed, as entertainment re-emerges as strength

By KONRAD PUTZIER AND PETER GRANT

New York City's Times Square is looking to rebound from its worst economic crisis by becoming more like Las Vegas.

Investors and developers are doubling down on tourism and entertainment venues while Times Square's office towers remain largely empty during the day. A new hotel with an outdoor pool overlooking the theater district has been opening in stages since last year, while another hotel with a concert stage is set to open in 2023. A developer has proposed building Manhattan's first casino in the entertainment district.

Times Square's economy suffered more than that of any other New York City neighborhood in 2020. During the early months of the pandemic, its reliance on tourists and theatergoers was its biggest weakness. Hotels and retail businesses closed down as visitors stayed away. Crime rose.

Now, entertainment is re-emerging as a source of strength. Weekly Broadway attendance was at nearly 90% of its prepandemic levels in mid-April, according to the Broadway League, a trade association. Times Square's hotel occupancy in March was about 80% of the March 2019 level, according to the Times Square Alliance, a business-improvement district. Meanwhile, office occupancy across Manhattan was at just 37% of prepandemic levels as of mid-April, according to Kastle Systems, which tracks keycard swipes.

That means Times Square is coming back faster than other parts of Midtown that are more dependent on office workers. The neighborhood's increasing reliance on tourism and entertainment looks poised



The entertainment district is recovering faster than other parts of Midtown Manhattan that are more dependent on office workers.

to continue, as new hotels and venues open while the popularity of hybrid work may mean fewer office workers come to the city for years to come.

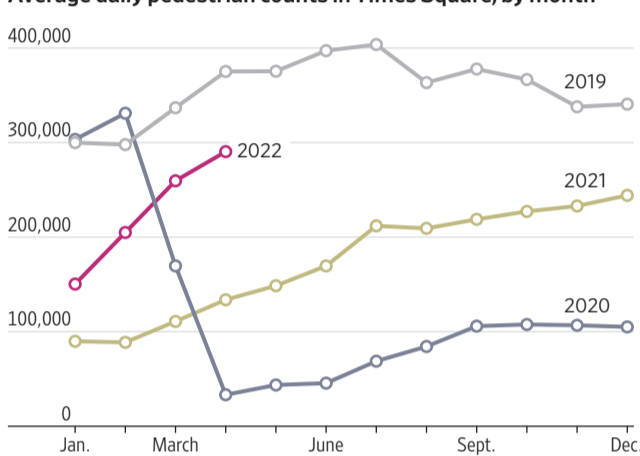
"I hope that anyone who wrote obituaries for Times Square has an eraser," said Tom Harris, president of the Alliance.

The success of Times Square's recovery is crucial to the city as a whole. The neighborhood's businesses employed around 66,000 people before the pandemic, according to the Alliance. Its economic output was equivalent to the city of Nashville's in 2016, according to a study by consulting firm HR&A Advisors, and accounted for 15% of New York's economy.

To regain that stature, it is turning to the Las Vegas Strip's playbook.

New York state has a ban on new casinos until 2023, but Gov. Kathy Hochul wants to end it this year. New York

Average daily pedestrian counts in Times Square, by month



Source: Times Square Alliance

City's hotel union and casino operators are lobbying to bring a casino to the city, maintaining that these sites would create more jobs and tax revenue.

Office landlord **SL Green Realty Corp.** wants to build a casino near Times Square,

Chief Executive Marc Holliday said recently. New York state is set to approve as many as three casino licenses for the city, and developers have pitched a number of locations.

"I think that the single best location for a license is Man-

hattan, and within Manhattan I feel the absolute best, most obvious, least impactful and most globally accepted area will be Times Square," Mr. Holliday said during an earnings call last week. "So we are on that opportunity."

A **Hard Rock International**-branded hotel opened on West 48th Street on Monday. It includes a two-story rock-star-themed penthouse suite, according to the project's website.

TSX Broadway, a \$2.5 billion hotel and retail tower that will feature a concert stage facing the square, is scheduled for completion in 2023. The project's developer, **L&L Holding Co.**, thought about altering the project during the pandemic's early days, said managing director David Orowitz. "But it was pretty clear at the end of the day we were building what was going to continue to work," he said. "Tourists were going to continue to come."

**Jamestown**, the owner of One Times Square, the former headquarters of the New York Times and the location of the ball drop on New Year's Eve, is expected to announce soon a major upgrade of the 26-story tower, according to people familiar with the matter.

For all the new activity, Times Square's economy is still troubled. Less than 80% of the neighborhood's businesses are open and six hotels are still closed, according to the Alliance. Many who signed leases before the pandemic are struggling to pay rent.

Josh Gatewood, owner of the Yankee Doodle Dandy's fried-chicken food trucks, signed a lease to open his first restaurant near Times Square in late 2019. Because of the pandemic, he couldn't open until December 2020. His store was robbed three times, he said, and drug dealers started selling near his front door. There weren't enough tourists and office workers to help pay the bills, and Mr. Gatewood was forced to close for good last November.

Since then, Mr. Gatewood said the streets have filled up again. Cheaper real estate is bringing back business. The **Planet Hollywood** restaurant in Times Square closed in 2020 and never reopened, in part because rent and property taxes were too high, said owner Robert Earl. But Mr. Earl has since found a substantially cheaper space on 42nd Street, where he plans to open a new Planet Hollywood restaurant in late 2022.

Some investors are also buying Times Square hotels at bargain prices, betting they can turn a profit when more tourists return. **MCR** and **Island Capital Group LLC** last week said they paid \$373 million for the Sheraton New York Times Square hotel—about half the price the property last sold for in 2006. MCR's CEO Tyler Morse said he expects a surge in demand for tourism and entertainment in the wake of the pandemic.

"People want to be with other people," he said.

## Pension Funds Eye New Risks

Continued from page B1  
time in fiscal 2021 after the passage of a bill allowing the fund to diversify beyond stocks and bonds.

"I just felt like it was not a prudent investment strategy to be that ultraconservative," said one of the sponsors, retired Georgia Sen. Ellis Black. More than a third of lawmakers opposed the measure, however.

"Whenever people promise greater returns it naturally relates to greater risk," said retired Sen. Steve Hironaka.

In New York, riskier assets such as high-yield debt, private equity, hedge funds and private loans can make up no more than 25% of a pension fund's assets. The law also caps non-U.S. equities at 10%; any additional foreign stocks count toward the 25% limit. Mr. Lander wants to increase that limit to 35% or raise the cap on foreign stocks that don't count toward the limit to 30%.

The current law, which was last amended in 2006, "fails to reflect the realities of the modern investment world," Mr. Lander, a Democrat, told

lawmakers in February, according to a copy of his remarks. Gov. Kathy Hochul, also a Democrat, "will evaluate this request with the legislature," a representative said.

Mr. Lander, who was elected in November, struck a somewhat different tone when campaigning, saying in his strategic plan that he would consider reducing the city pension funds' allocation to private equity and hedge funds, citing the high fees those investments often carry.

A study conducted for the comptroller's office by Rocatton Investment Advisors found that under Mr. Lander's proposal, pension assets could be modified to increase returns by as

much as eight-tenths of a percent without increasing volatility, a representative said.

New York City pension funds serving police, city workers and teachers report having a little more than three-quarters of assets needed to pay future benefits, about the national average. That compares with 94% at the city fund serving other school workers and 63% at the firefighters' fund. Those calculations are based on 2019 holdings and don't reflect significant gains in fiscal 2021.

The funds' annualized private-equity returns for the five years ended in 2021 range from 18.8% to 19.7%. That is slightly higher than their domestic stock returns.



New York City Comptroller Brad Lander seeks flexibility on investing.

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DOW JONES

## BUSINESS NEWS

### Google Growth Slows

Continued from page B1  
outlook and, analysts say, companies' appetite to spend on ads. **Snap Inc.** said last week that those pressures affected its financial results in the most recent quarter and could dent the ad market going forward.

Russia's assault on its neighbor, which kicked off in the first quarter, had "an outsized impact on YouTube ads relative to the rest of Google,"

Chief Financial Officer Ruth Porat said on an earnings call. That came both from suspending the majority of commercial activities in the region as well as a related reduction in spending primarily by brand advertisers in Europe, she said.

Alphabet suspended some activities in Russia as the Kremlin took aim at Western companies that limited some local government-linked broadcasters.

Google's search advertising—often linked more closely to specific customer purchasing decisions than to broader brand-awareness campaigns—was less affected by the wider economic concerns. A rebound in travel as pandemic

restrictions continued to ease helped underpin the company's revenue growth, analysts said.

Google Chief Business Officer Philipp Schindler said "people are seemingly back on the move." Travel searches in the quarter were above what the company had seen in the prepandemic first quarter of 2019, he said.

Alphabet reported \$68 billion in sales for the first three months, meeting Wall Street expectations. Net income, weighed down by accounting factors linked to some investments, dropped 8.3% to \$16.4 billion, below the consensus estimate of analysts surveyed by FactSet.

—Robert Wall contributed to this article.

### Mattel In Deal Talks

Continued from page B1  
buyouts, as private-equity firms look to spend a mountain of cash they have accumulated.

Chief Executive Ynon Kreiz said in February that Mattel had completed its turnaround and was "now in growth mode." Mattel reported a sales jump of 19% in 2021 and said

profit rose. Yet its shares have barely budged over the past year and have done little in the past two decades.

On Mr. Kreiz's watch, sales at the maker of Barbie, Hot Wheels and Fisher-Price toys have stabilized after years of declines and the loss of an important license. The CEO cut a third of its jobs and closed several factories. A former television executive, he also helped to repair Mattel's relationships with retailers and Hollywood studios.

In January, the company said it had won the license to produce toys based on Walt Disney Co.'s princess lineup and its blockbuster "Frozen"

franchise, wresting the properties back from rival Hasbro Inc.

Hasbro has had its own troubles. The maker of Nerf and Monopoly is in the middle of a proxy fight with activist investor Alta Fox Capital Management LLC, which is pushing the company to spin off the unit housing "Dungeons & Dragons," called Wizards of the Coast and Digital Gaming, and seeking to replace board members.

In 2017, Hasbro made an unsuccessful takeover offer for its rival.

Mattel is scheduled to report first-quarter earnings Wednesday.

# WHAT'S NEXT

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# CORPORATE EARNINGS WATCH

## ARCHER DANIELS MIDLAND CO.

Strong demand and a tight global crop supply propelled grain trader **Archer Daniels Midland Co.** to a 53% profit increase in its most recent quarter.

Agricultural traders such as ADM help direct the flow of corn, soybeans, wheat and other food commodities around the world. These companies are benefiting from higher demand after Russia invaded Ukraine, reducing supplies from one of the world's top grain-exporting regions.

Illinois-based ADM expects the reduced supply of crops to continue for the next few years because of a weak Canadian canola crop, short South American crops and the war in the Black Sea region.

"From a global pandemic to the short crop in South America to the conflict in Ukraine, it has become clear that we cannot take an abundant and efficient supply of food for

granted," said Chief Executive Juan Luciano on a call with analysts.

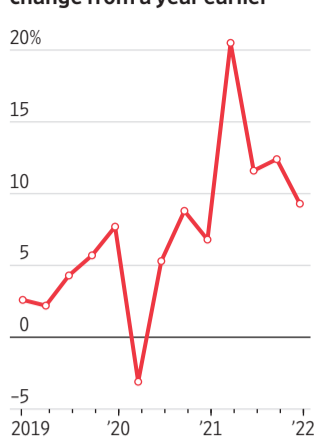
Despite higher commodity prices and a rise in global food prices, ADM officials said they didn't expect that to cut into rising consumer demand coming out of the Covid-19 pandemic. Sales for alternative meats and dairy products that ADM produces are expected to increase 14% annually.

"Pent-up demand remained solid, even in the face of higher prices," said Mr. Luciano. "There has also been salary inflation and wages inflation that has put money in the pockets of customers."

ADM posted earnings of \$1.05 billion, or \$1.86 a share, for in the three months ended March 31, compared with \$689 million, or \$1.22, a year ago. The results were higher than Wall Street analysts were expecting.

—Patrick Thomas

Pepsi's quarterly net revenue, change from a year earlier



Note: Latest quarter ended March 19  
Source: the company

## PEPSICO INC.

**PepsiCo Inc.** reported a 9.3% increase in revenue in the latest quarter from the prior year, driven by a 10% increase in prices and higher sales volume in most markets. The company makes Pepsi, Doritos, Tostitos and Lays potato chips.

"For very-income-stressed consumers, they're probably making choices to move to more value-oriented products," Chief Financial Officer



BING GUAN/REUTERS

Hugh Johnston said. "It's a relatively low-cost treat."

PepsiCo said that at its North American snacks unit, revenue rose 14% and sales volume rose 1%. The company's North American beverage unit had a 5.5% increase in revenue and a 3% increase in sales volume.

Overall, revenue increased to \$16.2 billion from \$14.82 billion for the quarter ended March 19.

As inflation continues to put pressure on margins, PepsiCo is focusing more on its higher-price products, including coffee, tea and Gatorade sports drinks, Mr. Johnston said.

Earnings grew to \$4.26 billion from \$1.71 billion, helped by PepsiCo's sale in the quarter of Tropicana, Naked and other juice brands to private-equity firm PAI Partners.

—Jennifer Maloney

## UNITED PARCEL SERVICE

**United Parcel Service Inc.** posted higher first-quarter sales, as higher shipping rates helped offset a decline in the number of packages shipped.

The company reported a 6% increase in revenue as it shipped 3.6% fewer packages daily across the globe, including a 3% decline in the U.S. and a 6.7% drop in international markets.

The top line was helped by higher average revenue per piece shipped, which was up 9%, due to higher shipping rates and surcharges on customers.

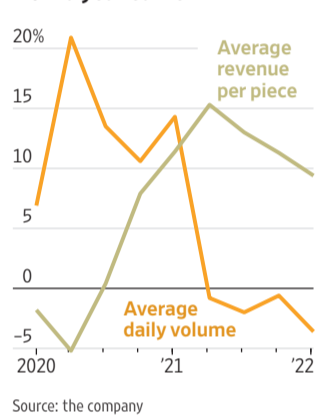
The results reflect a continued trend under Chief Executive Carol Tomé. With her "better, not bigger" strategy, UPS is focusing less on shipping more packages and more on doing more business with customers that generate more revenue and profit.

It also comes amid changing shopping dynamics as the pandemic continues to wane and consumers shop more in stores and less online. Last year, UPS said that consumers returning to in-store shopping slowed down shipping volume.

The focus is helping the company manage through a period of higher costs for labor, fuel and other items. Operating costs for the first quarter were \$21.13 billion, up 5% from a year earlier.

—Will Feuer

UPS quarterly shipping volume and revenue, change from a year earlier



Source: the company



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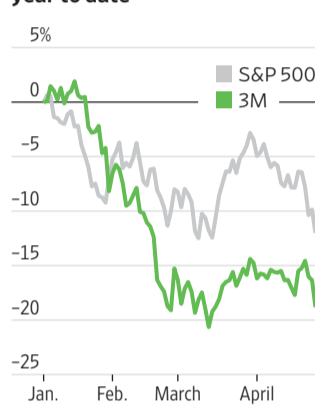
## 3M CO.

The results of **3M Co.**, which makes everything from Post-it Notes to advanced medical bandages, offered a look into how the economy continues to evolve as the U.S. emerges from the pandemic. "Overall demand is strong though our global economic outlook has softened due to challenges," Chief Executive Mike Roman told investors.

Those challenges include recent Covid-19-related lockdowns in China and Russia's invasion of Ukraine slowing sales growth, the company said. 3M now expects the global economy to grow by around 3% this year after previously forecasting 4% growth.

3M said sales of its medical-grade face masks, which rocketed during the pan-

Share and index performance, year to date



Source: FactSet

demical initial spread, will continue to decline this year. The company said mask sales fell nearly \$50 million in its

first quarter, or by around 8%, from a year earlier.

The global semiconductor shortage as well as other supply chain challenges continue to affect the production of cars and smartphones, according to 3M executives. The company cut its production expectations for car and phone manufacturers, which use coolants, films and industrial grinding disks.

The wave of Covid-19 cases driven by the Omicron variant's spread in the U.S. this past winter hurt visits to dentist offices, 3M said, weighing on sales of products like dental cements and tooth molds. Oral-care visits fell in January and February but started to recover in March.

—Austen Hufford

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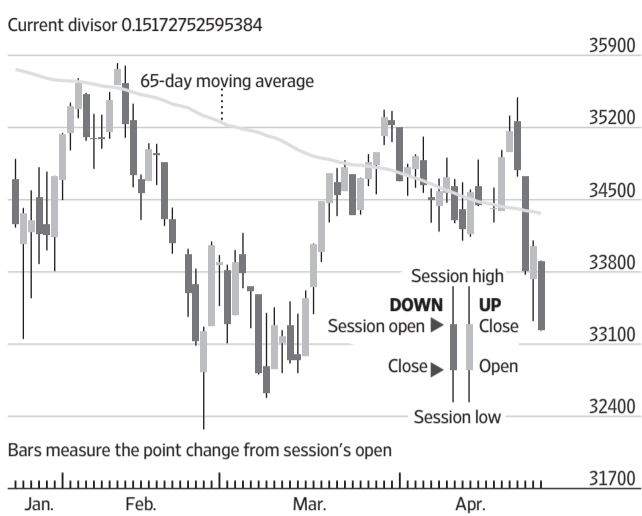


# MARKETS DIGEST

## EQUITIES

### Dow Jones Industrial Average

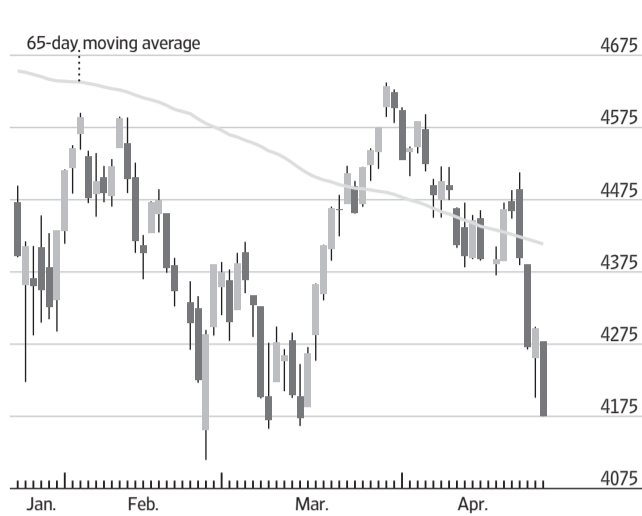
**33240.18** ▼809.28, or 2.38%  
 High, low, open and close for each trading day of the past three months.  
 Trailing P/E ratio 19.04 29.69  
 P/E estimate \* 18.04 20.53  
 Dividend yield 2.13 1.76  
 All-time high 36799.65, 01/04/22



\*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.; \*Based on Nasdaq-100 Index

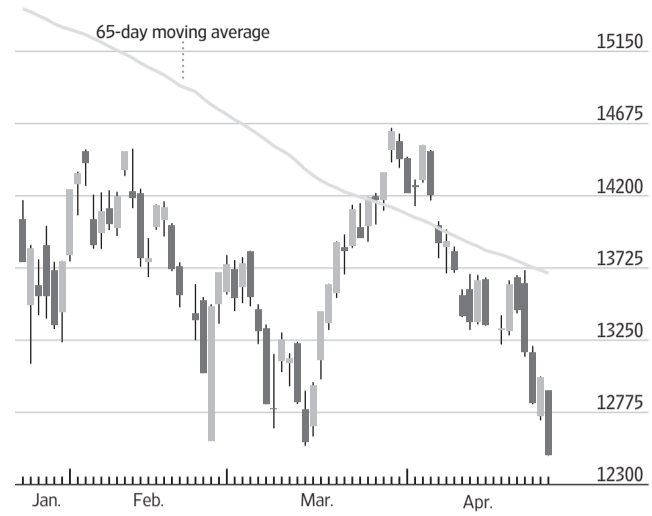
### S&P 500 Index

**4175.20** ▼120.92, or 2.81%  
 High, low, open and close for each trading day of the past three months.  
 Trailing P/E ratio \* 24.90 42.70  
 P/E estimate \* 19.35 23.61  
 Dividend yield \* 1.43 1.39  
 All-time high 4796.56, 01/03/22



### Nasdaq Composite Index

**12490.74** ▼514.11, or 3.95%  
 High, low, open and close for each trading day of the past three months.  
 Trailing P/E ratio \*\* 31.15 40.34  
 P/E estimate \*\* 24.75 30.12  
 Dividend yield \*\* 0.75 0.71  
 All-time high: 16057.44, 11/19/21



### Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	Low	% chg	52-Week YTD	% chg 3-yr. ann.
<b>Dow Jones</b>										
Industrial Average	33909.51	33230.95	<b>33240.18</b>	-809.28	<b>-2.38</b>	36799.65	32632.64	<b>-2.2</b>	-8.5	<b>7.8</b>
Transportation Avg	15211.58	14748.01	<b>14748.01</b>	-484.41	<b>-3.18</b>	17039.38	14000.78	<b>-3.7</b>	-10.5	<b>10.7</b>
Utility Average	1042.01	1022.44	<b>1022.58</b>	-10.59	<b>-1.03</b>	1071.75	869.74	<b>13.0</b>	4.3	<b>9.3</b>
Total Stock Market	43155.78	42137.10	<b>42137.36</b>	-1261.48	<b>-2.91</b>	48929.18	42137.36	<b>-4.0</b>	-13.4	<b>11.7</b>
Barron's 400	975.47	948.36	<b>948.36</b>	-27.11	<b>-2.78</b>	1127.20	948.36	<b>-6.2</b>	-14.3	<b>9.8</b>

	High	Low	Latest Close	Net chg	% chg	High	Low	% chg	52-Week YTD	% chg 3-yr. ann.
<b>Nasdaq Stock Market</b>										
Nasdaq Composite	12918.04	12490.74	<b>12490.74</b>	-514.11	<b>-3.95</b>	16057.44	12490.74	<b>-11.4</b>	-20.2	<b>15.4</b>
Nasdaq-100	13447.66	13009.65	<b>13009.71</b>	-523.51	<b>-3.87</b>	16573.34	13001.63	<b>-6.8</b>	-20.3	<b>18.5</b>

	High	Low	Latest Close	Net chg	% chg	High	Low	% chg	52-Week YTD	% chg 3-yr. ann.
<b>S&amp;P</b>										
500 Index	4278.14	4175.04	<b>4175.20</b>	-120.92	<b>-2.81</b>	4796.56	4063.04	<b>-0.3</b>	-12.4	<b>12.4</b>
MidCap 400	2584.48	2521.91	<b>2522.32</b>	-75.14	<b>-2.89</b>	2910.70	2517.18	<b>-8.7</b>	-11.2	<b>8.5</b>
SmallCap 600	1257.78	1226.45	<b>1226.45</b>	-38.00	<b>-3.00</b>	1466.02	1226.45	<b>-9.9</b>	-12.5	<b>8.0</b>

	High	Low	Latest Close	Net chg	% chg	High	Low	% chg	52-Week YTD	% chg 3-yr. ann.
<b>Other Indexes</b>										
Russell 2000	1940.08	1890.47	<b>1890.47</b>	-63.73	<b>-3.26</b>	2442.74	1890.47	<b>-17.9</b>	-15.8	<b>5.9</b>
NYSE Composite	16054.76	15694.16	<b>15694.24</b>	-360.53	<b>-2.25</b>	17353.76	15625.93	<b>-3.6</b>	-8.6	<b>6.5</b>
Value Line	608.46	590.75	<b>590.75</b>	-17.71	<b>-2.91</b>	696.40	590.75	<b>-11.5</b>	-12.1	<b>2.4</b>
NYSE Arca Biotech	4927.34	4713.35	<b>4713.63</b>	-213.71	<b>-4.34</b>	6022.37	4677.66	<b>-17.1</b>	-14.6	<b>-0.3</b>
NYSE Arca Pharma	846.24	832.10	<b>832.10</b>	-10.09	<b>-1.20</b>	887.27	704.36	<b>17.4</b>	0.6	<b>12.7</b>
KBW Bank	116.18	113.11	<b>113.12</b>	-3.00	<b>-2.58</b>	147.56	113.12	<b>-9.9</b>	-14.4	<b>3.8</b>
PHLX <sup>S</sup> Gold/Silver	146.93	141.88	<b>141.92</b>	-3.88	<b>-2.66</b>	167.76	117.06	<b>-2.8</b>	7.1	<b>25.0</b>
PHLX <sup>S</sup> Oil Service	77.04	73.87	<b>74.24</b>	-0.42	<b>-0.56</b>	87.06	48.31	<b>45.9</b>	40.8	<b>-8.1</b>
PHLX <sup>S</sup> Semiconductor	3006.91	2908.13	<b>2909.12</b>	-133.27	<b>-4.38</b>	4039.51	2851.15	<b>-9.8</b>	-26.3	<b>23.4</b>
Cboe Volatility	33.81	27.06	<b>33.52</b>	6.50		36.45	15.01	<b>90.9</b>	94.7	<b>38.1</b>

<sup>S</sup>Nasdaq PHLX Sources: FactSet; Dow Jones Market Data

### Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

#### Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After-Hours % chg	High	Low
iQIYI ADR	IQ	9,179.3	3.13	-0.09	<b>-2.80</b>	3.22	3.10
Invesco QQQ Trust I	QQQ	9,071.3	313.75	-3.39	<b>-1.07</b>	333.59	311.88
SPDR S&P 500	SPY	8,394.8	414.17	-1.93	<b>-0.46</b>	416.99	395.19
iShares MSCI Emg Markets	EEM	7,290.9	41.00	-0.15	<b>-0.36</b>	41.48	40.83
Microsoft	MSFT	6,682.4	271.50	1.28	<b>0.47</b>	278.59	259.47
ProShares UltraPro QQQ	TQQQ	6,185.2	36.95	-1.26	<b>-3.30</b>	38.22	36.26
Zynga	ZNGA	5,642.5	8.48	0.02	<b>0.24</b>	8.72	8.45
Apple	AAPL	4,569.9	155.00	-1.80	<b>-1.15</b>	157.42	150.57

#### Percentage gainers...

Company	Symbol	Last	Net chg	% chg	High	Low
Enphase Energy	ENPH	180.1	163.45	9.62	<b>6.25</b>	172.00 153.00
O-I Glass	OI	128.1	13.37	0.72	<b>5.69</b>	13.37 12.50
Lucid Group	LCID	2,863.7	18.61	0.97	<b>5.50</b>	18.98 17.07
ATAI Life Sciences	ATAI	224.8	4.85	0.25	<b>5.43</b>	4.85 4.60
CoStar Group	CSGP	52.7	63.20	3.21	<b>5.35</b>	63.20 59.99

#### ...And losers

Company	Symbol	Last	Net chg	% chg	High	Low
NCR Corp	NCR	386.7	30.99	-6.36	<b>-17.03</b>	37.35 30.00
Sono Group	SEV	192.8	5.17	-0.73	<b>-12.37</b>	6.00 5.01
Juniper Networks	JNPR	258.1	31.00	-2.60	<b>-7.74</b>	34.03 30.25
Atara Biotherapeutics	ATRA	92.0	6.21	-0.51	<b>-7.59</b>	6.72 6.21
Capital One Fincl	COF	69.9	125.00	-7.23	<b>-5.47</b>	134.31 124.00

### Trading Diary

#### Volume, Advancers, Decliners

	NYSE	NYSE Amer.
Total volume*	1,000,295,823	16,805,252
Adv. volume*	107,665,164	2,294,007
Decl. volume*	886,844,162	14,409,236
Issues traded	3,448	282
Advances	557	44
Declines	2,759	224
Unchanged	132	14
New highs	9	...
New lows	392	47
Closing Arms*	1.58	1.07
Block trades*	4,314	133

\*Primary market NYSE, NYSE American NYSE Arca only. (TRIN) A comparison of the number of advancing and declining issues with the volume of shares rising and falling. An Arms of less than 1 indicates buying demand; above 1 indicates selling pressure.

### International Stock Indexes

Region/Country	Index	Close	Net chg	Latest % chg	YTD % chg
<b>World</b>	<b>MSCI ACWI</b>	<b>655.01</b>	-13.60	<b>-2.03</b>	-13.2
	MSCI ACWI ex-USA	298.81	-2.06	<b>-0.69</b>	-13.2
	MSCI World	2811.00	-66.70	<b>-2.32</b>	-13.0
	MSCI Emerging Markets	1049.39	3.35	<b>0.32</b>	-14.8
<b>Americas</b>	<b>MSCI AC Americas</b>	<b>1597.66</b>	-46.26	<b>-2.81</b>	-12.6
Canada	S&P/TSX Comp	20690.81	-321.08	<b>-1.53</b>	-2.5
Latin Amer.	MSCI EM Latin America	2319.50	-58.29	<b>-2.45</b>	8.9
Brazil	BOVESPA	108212.86	-2472.09	<b>-2.23</b>	3.2
Chile	S&P IPSA	2988.89	-36.67	<b>-1.21</b>	6.5
Mexico	S&P/BMV IPC	52512.71	-191.08	<b>-0.36</b>	-1.4
<b>EMEA</b>	<b>STOXX Europe 600</b>	<b>441.10</b>	-4.01	<b>-0.90</b>	-9.6
Eurozone	Euro STOXX	417.54	-4.26	<b>-1.01</b>	-12.8
Belgium	Bel-20	4112.08	-12.19	<b>-0.30</b>	-4.6
Denmark	OMX Copenhagen 20	1721.80	-21.97	<b>-1.26</b>	-7.6
France	CAC 40	6414.57	-34.81	<b>-0.54</b>	-10.3
Germany	DAX	13756.40	-167.77	<b>-1.20</b>	-13.4
Israel	Tel Aviv	2004.95	-1.53	<b>-0.08</b>	1.4
Italy	FTSE MIB	23681.76	-226.79	<b>-0.95</b>	-13.4
Netherlands	AEX	695.57	-3.60	<b>-0.52</b>	-12.8
Russia	RTS Index	999.84	58.76	<b>6.24</b>	-37.3
South Africa	FTSE/JSE All-Share	70264.11	513.44	<b>0.74</b>	-4.7
Spain	IBEX 35	8439.30	-135.30	<b>-1.58</b>	-3.2
Sweden	OMX Stockholm	829.41	-17.83	<b>-2.11</b>	-20.0
Switzerland	Swiss Market	11933.28	-151.70	<b>-1.26</b>	-7.3
Turkey	BIST 100	2418.30	-64.30	<b>-2.59</b>	30.2
U.K.	FTSE 100	7386.19	5.65	<b>0.08</b>	0.02
U.K.	FTSE 250	20492.12	-107.10	<b>-0.52</b>	-12.7
<b>Asia-Pacific</b>	<b>MSCI AC Asia Pacific</b>	<b>166.35</b>	0.45	<b>0.27</b>	-13.9
Australia	S&P/ASX 200	7318.00	-155.28	<b>-2.08</b>	-1.7
China	Shanghai Composite	2886.43	-42.09	<b>-1.44</b>	-20.7
Hong Kong	Hang Seng	19934.71	65.37	<b>0.33</b>	-14.8
India	S&P BSE Sensex	57356.61	776.72	<b>1.37</b>	-1.5
Japan	NIKKEI 225	26700.11	109.33	<b>0.41</b>	-7.3
Singapore	Straits Times	3322.05	-17.54	<b>-0.53</b>	6.4
South Korea	KOSPI	2668.31	11.18	<b>0.42</b>	-10.4
Taiwan	TAIEX	16644.79	23.89	<b>0.14</b>	-8.6
Thailand	SET	1668.97	-6.36	<b>-0.38</b>	0.7

Sources: FactSet; Dow Jones Market Data

### Percentage Gainers...

Company	Symbol	Close	Net chg	% chg	High	Low	% chg
Nutex Health	NUTX	7.68	3.26	<b>73.76</b>	52.80	1.86	<b>207.2</b>
Cyngn	CYN	3.68	1.26	<b>52.07</b>	9.91	1.08	...
Forge Global	FRGE	18.46	5.31	<b>40.38</b>	47.50	9.10	<b>88.9</b>
Avadel Pharm ADR	AVDL	5.30	1.09	<b>25.89</b>	11.59	4.21	<b>-30.4</b>
Addex Therapeutics ADR	ADXN	5.35	0.99	<b>22.71</b>	11.48	4.06	<b>-48.9</b>
Arch Resources	ARCH	158.83	27.51	<b>20.95</b>	175.99	44.20	<b>231.4</b>
Dirigix S&P Biotech Bear	LABD	51.45	7.73	<b>17.68</b>	55.46	16.67	<b>166.7</b>
Magnachip Semiconductor	MX	17.51	2.48	<b>16.50</b>	26.90	14.66	<b>-31.2</b>
Eargo	EAR	4.07	0.57	<b>16.29</b>	58.12	3.28	<b>-92.6</b>
Mastech Digital	MHH	20.99	2.73	<b>14.95</b>	21.83	14.00	<b>25.5</b>
MicroSectors FANG-3x Inv	BERZ	36.42	4.62	<b>14.53</b>	38.67	15.32	<b>22.3</b>
MicroSect FANG+3X Invr	FNGD	73.64	9.24	<b>14.35</b>	84.80	32.50	<b>...</b>
Digital World Acqn CIA	DWAC	40.80	5.09	<b>14.25</b>			

# COMMODITIES

wsj.com/market-data/commodities

## Futures Contracts

Metal & Petroleum Futures						
	Open	Contract High/Low	Settle	Chg	Open Interest	
<b>Copper-High (CMX)</b> -25,000 lbs.; \$ per lb.						
April	4,476.5	4,476.5	4,430	4,440	-0.0090	1,000
July	4,499.5	4,544.5	4,450	4,460	-0.0080	109,096
<b>Gold (CMX)</b> -100 troy oz.; \$ per troy oz.						
April	1900.50	1909.10	1894.00	1901.40	8.20	1,256
May	1898.50	1908.50	1894.00	1901.50	8.20	2,536
June	1899.80	1912.20	1896.30	1904.10	8.10	445,824
Aug	1907.30	1918.70	1904.20	1911.10	8.10	58,446
Oct	1917.20	1924.40	1912.20	1918.50	8.10	12,642
Dec	1923.40	1932.60	1919.30	1926.50	7.90	30,130
<b>Palladium (NYM)</b> -50 troy oz.; \$ per troy oz.						
April			2172.90	56.50		1
June	2122.00	2243.50	2122.00	2178.50	56.40	5,907
<b>Platinum (NYM)</b> -50 troy oz.; \$ per troy oz.						
April	912.70	913.50	902.50	911.90	9.60	109
July	911.70	921.50	901.70	912.10	7.10	56,761
<b>Silver (CMX)</b> -5,000 troy oz.; \$ per troy oz.						
April	23.560	23.595	23.555	23.542	-0.126	15
July	23.750	24.035	23.490	23.590	-0.140	103,575
<b>Crude Oil, Light Sweet (NYM)</b> -1,000 bbls.; \$ per bbl.						
June	98.64	102.78	97.06	101.70	3.16	289,134
July	97.77	101.50	96.36	100.41	2.74	158,912
Sept	95.27	98.40	94.25	97.39	2.21	99,952
Dec	91.22	93.86	90.45	92.89	1.77	243,139
June*23	85.34	87.15	84.62	86.19	1.13	114,614
Dec	81.14	82.62	80.59	81.68	0.77	130,708
<b>NY Harbor ULSD (NYM)</b> -42,000 gal.; \$ per gal.						
May	4.1271	4.5714	▲ 4.1042	4.4679	3.770	19,484
June	3.6992	3.8654	3.6258	3.8173	1.632	67,516
<b>Gasoline-NY RB08 (NYM)</b> -42,000 gal.; \$ per gal.						
May	3.2408	3.3755	3.2025	3.3388	0.990	32,608
June	3.2225	3.3500	3.1808	3.3110	0.904	107,210
<b>Natural Gas (NYM)</b> -10,000 MMBtu; \$ per MMBtu.						
May	6.836	7.050	6.662	6.850	.181	14,633
June	6.963	7.175	6.790	6.978	.173	134,033
July	7.046	7.261	6.883	7.068	.177	163,511
Sept	7.025	7.207	6.854	7.024	.179	82,945
Oct	7.025	7.212	6.854	7.029	.177	93,571
Jan'23	7.373	7.534	7.177	7.350	.181	61,175

Agriculture Futures						
	Open	Contract High/Low	Settle	Chg	Open Interest	
<b>Corn (CBT)</b> -5,000 bu.; cents per bu.						
May	800.25	812.25	795.00	803.25	3.00	95,927
July	799.25	809.75	793.25	801.50	3.50	659,856
<b>Oats (CBT)</b> -5,000 bu.; cents per bu.						
May	721.50	721.50	680.00	694.00	-21.25	195
July	719.50	722.25	677.25	694.00	-20.25	1,962
<b>Soybeans (CBT)</b> -5,000 bu.; cents per bu.						
May	1704.25	1726.25	1693.25	1705.25	1.75	60,142
July	1676.75	1696.75	1661.75	1671.75	-3.50	309,999
<b>Soybean Meal (CBT)</b> -100 tons; \$ per ton.						
May	453.30	458.00	443.60	444.80	-7.60	33,383
July	446.50	450.90	436.00	437.00	-8.60	193,300
<b>Soybean Oil (CBT)</b> -60,000 lbs.; cents per lb.						
May	85.29	85.29	79.82	82.44	2.36	164,947
July	80.08	82.84	79.82	82.44	2.36	164,947
<b>Rough Rice (CBT)</b> -2,000 cwt.; \$ per cwt.						
May	16.38	16.83	16.38	16.75	.45	1,000
July	16.76	17.17	16.75	17.10	.44	7,018
<b>Wheat (CBT)</b> -5,000 bu.; cents per bu.						
May	1081.00	1107.00	1077.00	1095.00	22.50	175,523
<b>Wheat (KC)</b> -5,000 bu.; cents per bu.						
May			1157.75	12.50	6,631	
July	1159.75	1181.75	1156.50	1164.50	11.50	100,317
<b>Cattle-Feeder (CME)</b> -50,000 lbs.; cents per lb.						
April	156.500	156.650	155.925	156.200	-3.50	1,578
Aug	174.400	175.100	172.825	173.150	-1.350	21,587
<b>Cattle-Live (CME)</b> -40,000 lbs.; cents per lb.						
April	139.825	140.275	139.250	140.000	.900	1,273
June	135.800	136.550	135.500	136.250	.825	129,776
<b>Hogs-Lean (CME)</b> -40,000 lbs.; cents per lb.						
May	107.750	108.125	104.725	105.200	-2.600	2,269
June	114.025	114.825	110.600	111.175	-2.850	78,286
<b>Lumber (CME)</b> -110,000 bd. ft.; \$ per 1,000 bd. ft.						
May	1009.00	1049.40	1008.00	1034.80	19.80	979
July	906.30	914.00	886.80	901.60	-12.40	1,373
<b>Milk (CME)</b> -200,000 lbs.; cents per lb.						
April	24.32	24.32	24.29	24.31	-0.01	4,613
May	24.76	25.00	24.62	24.70	.02	5,641
<b>Cocoa (ICE-US)</b> -10 metric tons; \$ per ton.						
May	2,574	2,577	2,574	2,557	125	181
July	2,505	2,524	2,478	2,507	20	104,481
<b>Coffee (ICE-US)</b> -37,500 lbs.; cents per lb.						
May	223.00	223.00	220.60	221.40	.60	534
July	221.45	223.35	219.10	221.15	.45	97,884

## Cash Prices | wsj.com/market-data/commodities

Tuesday, April 26, 2022

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

Tuesday		Tuesday		Tuesday	
<b>Energy</b>					
Coal,C.Aplc.,12500Btu,1.2502-r,w	117.050	Iron Ore,62% Fe CFR China-s	139.0	Wheat,No.2 soft red,St.Louis-u	10.9250
Coal,Pwdr,RvrBsn,8800Btu,0.8502-r,w	15.700	Shredded Scrap,US Midwest-s,m	n.a.	Wheat - Hard - KC (USDA) \$ per bu-u	11.6950
		Steel,HRC USA,FOB Midwest Mill-s	1460	Wheat,No.1 soft white,Portld,OR-u	10.9250
<b>Metals</b>					
BMI Lithium Carbonate,EXW China,+99.2%-vk	78350	BMI Lithium Hydroxide,EXW China,+56.5%-vk	77950	<b>Food</b>	
BMI Cobalt sulphate,EXW China,+20.5%-vm	18881	BMI Nickel Sulphate,EXW China,+22.9%-vm	6794	Beef,carcass equiv. index	231.79
BMI Flake Graphite,FOB China,+100 Mesh,94.95%-vm	695	BMI Nickel Sulphate,EXW China,+22.9%-vm	6794	choice 1-3,600-900 lbs.-u	221.89
<b>Fibers and Textiles</b>					
Burlap,10-oz,40-inch NY yd-n,w	0.8475	Cotton,11/16 std lw-mdMphs-u	1.3468	select 1-3,600-900 lbs.-u	167.01
Cotlook 'A' Index-t	*154.50	Cotlook 'A' Index-t	*154.50	Broilers, National comp wtd. avg.-u,w	2.6400
Hides,hvy native steers piece fob-u	n.a.	Hides,hvy native steers piece fob-u	n.a.	Butter,AA Chicago-d	1.6700
Wool,64s, staple, Terr del-u,w	n.a.	Wool,64s, staple, Terr del-u,w	n.a.	Cheddar cheese,bb,Chicago-d	238.00
<b>Grains and Feeds</b>					
Barley,top-quality Mnpls-u	n.a.	Bran,wheat middlings, KC-u	175	Cheddar cheese,blk,Chicago-d	236.50
Bran,wheat middlings, KC-u	175	Corn,No.2 yellow,Cent IL-bp,u	7.7900	Milk,Nonfat dry,Chicago lb-d	170.75
Corn,No.2 yellow,Cent IL-bp,u	7.7900	Corn gluten feed,Midwest-u,w	236.4	Coffee,Brazilian,Comp-y	2.2134
Corn gluten meal,Midwest-u,w	683.4	Corn gluten meal,Midwest-u,w	683.4	Coffee,Columbian, NY-y	2.8864
Cottonseed meal-u,w	355	Cottonseed meal-u,w	355	Eggs,large white,Chicago-u	2.3750
Hominy feed,Cent IL-u,w	180	Hominy feed,Cent IL-u,w	180	Flour,hard winter KC-p	31.90
Meat-bone meal,50% pro Mnpls-u,w	375	Meat-bone meal,50% pro Mnpls-u,w	375	Hams,17-20 lbs,Mid-US fob-u	0.78
Oats,No.2 milling,Mnpls-u	7.0800	Oats,No.2 milling,Mnpls-u	7.0800	Hogs,Iowa-So. Minnesota-u	100.11
Rice,Long Grain Milled, No. 2 AR-u,w	31.25	Rice,Long Grain Milled, No. 2 AR-u,w	31.25	Pork bellies,12-14 lb MidUS-u	n.a.
Sorghum,(Milo) No.2 Gulf-u	n.a.	Sorghum,(Milo) No.2 Gulf-u	n.a.	Pork loins,13-19 lb MidUS-u	1.1674
Soybean Meal,Cent IL,rail,ton48%-u,w	479.30	Soybean Meal,Cent IL,rail,ton48%-u,w	479.30	Steers, Tex.-Okla. Choice-u	139.98
Soybeans,No.1 yllw IL-bp,u	16.8800	Soybeans,No.1 yllw IL-bp,u	16.8800	Steers,feeder,Okla. City-u,w	183.13
Wheat,Spring14%-pro Mnpls-u	13.8800	Wheat,Spring14%-pro Mnpls-u	13.8800	<b>Fats and Oils</b>	

KEY TO CODES: A=ask; B=bid; BP=country elevator bids to producers; C=corrected; D=CME; E=Manfra,Tordella & Brookes; H=American Commodities Brokerage Co; K=bi-weekly; M=monthly; N=nominal; n.a.=not quoted or not available; P=Posland Publishing; R=SNL Energy; S=Platts-TSI; T=Contract Limited; U=USDA; V=Benchmark Mineral Intelligence; W=weekly; Y=International Coffee Organization; Z=not quoted. \*Data as of 4/25

Source: Dow Jones Market Data

## Bonds | wsj.com/market-data/bonds/benchmarks

### Tracking Bond Benchmarks

Return on investment and spreads over Treasuries and/or yields paid to investors compared with 52-week highs and lows for different types of bonds

Total return close	YTD total return (%)	Index	Yield (%) Latest	Yield (%) Low	Yield (%) High	Total return close	YTD total return (%)	Index	Yield (%) Latest	Yield (%) Low	Yield (%) High
<b>Broad Market Bloomberg Fixed Income Indices</b>						<b>Mortgage-Backed Bloomberg Fixed Income Indices</b>					
2052.05	-8.6	U.S. Aggregate	3.340	1.340	3.480	2029.20	-7.7	Mortgage-Backed	3.540	1.590	3.650
<b>U.S. Corporate Indexes Bloomberg Fixed Income Indices</b>						<b>Ginnie Mae (GNMA) Bloomberg Fixed Income Indices</b>					
3018.86	-11.5	U.S. Corporate	4.110	1.910	4.250	1993.99	-6.7	Ginnie Mae (GNMA)	3.560	1.610	3.660
2853.09	-7.2	Intermediate	3.830	1.260	3.990	1194.85	-7.8	Fannie mae (FNMA)	3.540	1.580	3.650
4186.19	-18.1	Long term	4.620	2.900	4.730	1831.81	-8.1	Freddie Mac (FHLMC)	3.530	1.570	3.640
597.16	-11.9	Double-A-rated	3.580	1.650	3.720	553.36	-8.1	Muni Master	2.876	0.687	2.877
800.06	-11.8	Triple-B-rated	4.400	2.110	4.530	389.16	-8.5	7-12 year	2.879	0.687	2.886
<b>High Yield Bonds ICE BofA</b>						<b>22-plus year</b>					
484.42	-7.2	High Yield Constrained	6.758	3.796	6.787	425.93	-12.3	22-plus year	3.756	1.443	3.756
470.30	-6.6	Triple-C-rated	10.878	6.304	10.878	<b>Global Government J.P. Morgan¹</b>					
3223.48	-7.2	High Yield 100	6.560	3.162	6.589	560.60	-6.5	Global Government	1.880	0.720	1.980
424.03	-7.9	Global High Yield Constrained	6.867	3.968	6.875	781.51	-6.8	Canada	2.680	1.230	2.810
325.84	-6.6	Europe High Yield Constrained	4.918	2.304	4.918	375.30	-7.5	EMUS	1.476	0.163	1.568
<b>U.S. Agency Bloomberg Fixed Income Indices</b>						<b>France</b>					
1740.62	-5.2	U.S. Agency	2.780	0.640	2.930	702.00	-7.6	France	1.320	0.080	1.400
1531.27	-4.4	10-20 years	2.720	0.520	2.880	500.26	-6.8	Germany	0.740	-0.410	0.860
3609.53	-14.0	20-plus years	3.470	1.890	3.620	288.32	-2.1	Japan	0.570	0.260	0.600
2626.44	-9.0	Yankee	3.760	1.510	3.890	547.27	-8.2	Netherlands	0.980	-0.290	1.080
						947.68	-8.7	U.K.	1.820	0.720	2.040
						798.79	-13.1	Emerging Markets **	6.582	4.516	6.613

\*Constrained indexes limit individual issuer concentrations to 2%; the High Yield 100 are the 100 largest bonds. \*\*EMBI Global Index. ¹In local currency. ²Euro-zone bonds. Sources: ICE Data Services; Bloomberg Fixed Income Indices; J.P.Morgan

## Global Government Bonds: Mapping Yields

Yields and spreads over or under U.S. Treasuries on benchmark two-year and 10-year government bonds in selected other countries; arrows indicate whether the yield rose (▲) or fell (▼) in the latest session

Coupon (%)	Maturity	Country/	Latest(▲/▼)	Yield (%)	Previous	Month ago	Year ago	Spread	Under/Over U.S. Treasuries, in basis points
								Latest	Prev Year ago
2.250	U.S. 2	2.544 ▼	2.628	2.299	0.170				
1.875	10	2.773 ▼	2.825	2.491	1.568				
2.750	Australia 2	3.165 ▼	2.397	1.589	0.088	-18.6		-32.5	-8.2
1.000									

BANKING & FINANCE

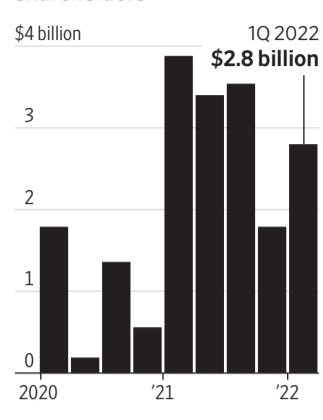
China, Russia Loans Hurt HSBC's Profit

By QUENTIN WEBB AND JULIE STEINBERG

HSBC Holdings PLC said its profit for the first quarter fell 28% year-over-year, as it made provisions for souring loans in Russia and China, but the banking giant said rising global interest rates would help it hit longer-term targets. The London-based lender's profit attributable to ordinary shareholders totaled \$2.8 billion in January through March. While earnings had been boosted a year earlier by the release of \$435 million of provisions as the global economy recovered from the worst of the Covid-19 pandemic, in the first three months of this year HSBC's earnings were dented by \$642 million of new expected credit losses. The new expected losses included about \$250 million tied to Russian borrowers, and some \$160 million linked to China's property sector—against which it had also taken charges in the previous quarter. Still, HSBC's profit rose on a quarter-over-quarter basis, and beat analysts' consensus forecasts, as the credit-loss charges came in below expectations. Revenue fell 4% from a year ago to \$12.5 billion, undershooting expectations. The bank said this figure was reduced by \$342 million of "market impacts" in life insurance, as weak stock markets reduced the value of that business's share portfolio. HSBC said stringent Covid-19 restrictions and temporary branch closures in Hong Kong also weighed on its revenue for the quarter. Chief Executive Noel Quinn said lending volumes were up across the bank, while its personal banking, insurance and

est rates had made the bank more confident of being able to generate a 10%-plus return on tangible equity next year. Lenders like HSBC can earn higher profit margins on loans when interest rates are higher. In recent months government bond yields and interbank lending rates have surged, as the U.S. Federal Reserve and other central banks have begun tightening monetary policy to combat rapid inflation. Government bond prices, pushing yields up sharply. At the same time, the bond selloff has dealt a short-term setback to HSBC's capital ratios, since it holds a big portfolio of government and corporate debt as a partial hedge against lower interest rates. The bank recorded fair value losses, before tax, of about \$4.9 billion this year through April 19, on the holdings.

HSBC's quarterly profit attributable to ordinary shareholders



Source: the company

trade finance businesses were showing good growth. "I'm encouraged by our start to the year," he said in a statement. Mr. Quinn said despite economic uncertainty, rising inter-

est rates had made the bank more confident of being able to generate a 10%-plus return on tangible equity next year. Lenders like HSBC can earn higher profit margins on loans when interest rates are higher. In recent months government bond yields and interbank lending rates have surged, as the U.S. Federal Reserve and other central banks have begun tightening monetary policy to combat rapid inflation. Government bond prices, pushing yields up sharply. At the same time, the bond selloff has dealt a short-term setback to HSBC's capital ratios, since it holds a big portfolio of government and corporate debt as a partial hedge against lower interest rates. The bank recorded fair value losses, before tax, of about \$4.9 billion this year through April 19, on the holdings.

UBS's Profit From Trading Boost From Trading

By MARGOT PATRICK

UBS Group AG said it is in good shape to navigate geopolitical uncertainties and is benefiting from more client trading in its investment bank. Switzerland's biggest bank by assets said the uptick in trading stocks and other assets lifted net profit in the first quarter, even as its main wealth-management business slowed. Net profit was \$2.14 billion, up 17% from \$1.82 billion in the year-earlier quarter when UBS took losses exiting stock positions of Archegos Capital Management. Wealth-management profit before tax was \$1.31 billion, down from \$1.41 billion a year earlier because of higher costs and lower transaction fees from clients, particularly in Asia. UBS's investment

bank made a \$929 million pretax profit, compared with \$412 million in pretax profit in a year earlier, when Archegos more than halved the unit's profit. UBS said it is on track to buy back \$5 billion in the shares this year and repurchased \$1.7 billion of shares in the first quarter. Its shares rose 2.5% Tuesday. Chief Executive Ralph Hamers said UBS's stability and strong internal controls helped lure clients, including \$19.4 billion in net new fee-generating assets in the quarter. Costs rose in the U.S. and other countries from inflation and paying higher salaries, Mr. Hamers said. Low inflation in Switzerland is helping the bank manage the rises, he said. On Tuesday, it said its exposure to Russia was down to \$400 million as of March 31.

New Highs and Lows

Table with columns: Stock, 52-Wk % High/Low, Stock, 52-Wk % High/Low, Stock, 52-Wk % High/Low, Stock, 52-Wk % High/Low. Lists various stocks and their performance over the last 52 weeks.

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Biggest 1,000 Stocks

Table with columns: Stock, Net Change, Stock, Net Change, Stock, Net Change, Stock, Net Change. Lists the top 1,000 stocks and their net changes.

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX, MarketView, and other market centers.

Footnotes

N-52-Week high. N-52-Week low. d-Indicates loss in the most recent four quarters. FD-First day of trading. B-Being reorganized under the Bankruptcy Code of securities assumed by this company.

Underlined quotations

are those stocks where large changes in volume compared with the issue's average trading volume. Boldfaced quotations highlight those issues whose price changed by 5% or more from their previous closing price was \$2 or higher.

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Main stock table with columns: Stock, Sym, Close, Chg, Net Chg. Lists a wide range of stocks and their current prices and changes.



MARKETS

# Oddity Tech Offers Token Tied to IPO

Security automatically converts into stock if online beauty-care company goes public

By PAUL VIGNA

**Oddity Tech Ltd.**, a New York-based online beauty-care retailer, is going to offer investors a new kind of security that combines traditional equities with the digital infrastructure behind cryptocurrencies.

Oddity, which sells products through its **Il Makiage** and **SpoiledChild** brands, is offering a security token.

The token converts into a share of stock in an eventual initial public offering at a 20% discount to the IPO price. Proceeds will be used for general corporate purposes, the company said.

Unlike other tokens, though, the Oddity tokens won't be tradable after they are issued, the company said, a condition that will be programmed into the contracts governing them. That means investors would have to wait for the IPO to sell and realize any profit.

Security tokens are assets that are created and traded in the same way as bitcoin and cryptocurrencies in that they exist wholly on digital plat-

forms. The difference is that they are offered as regulated assets and can have specific characteristics programmed into them, such as equity ownership or profit-sharing. The assets have similar characteristics to stocks and bonds.

Oddity is one of the first noncrypto-focused companies to offer such a security and the first to tie one directly to equity ownership.

Security tokens in the future could become an important tool for companies looking to raise capital, Oddity Chief Financial Officer Lindsay Drucker Mann said, but the lack of familiarity is an impediment.

Security tokens can be offered through exemptions for small businesses in the Securities and Exchange Commission's rules, but most companies and issuers aren't familiar with the process and are reluctant to get involved, Ms. Drucker Mann said.

"It will not happen unless you have bottom-up issuers and other advocates doing it, working through regulated channels," she said.

The token offering is open until May 11, when it will price, similar to the process for a traditional IPO. The offering is being conducted under the Regulation D guide-



Oddity Tech owns **Il Makiage**, which opened a pop-up beauty-care shop in New York's SoHo area in 2018.

lines of the SEC, meaning this is a regulated offering available only to accredited investors.

The offering will be issued through a blockchain-based platform called **Securitize**, an SEC-registered transfer agent that has been helping develop the market for security tokens.

While Oddity declined to comment on an IPO, media reports have said the company has been preparing one. It has raised \$130 million in venture capital, according to **Crunchbase**. The concept behind security tokens emerged after

the 2017 bubble in what were called initial coin offerings, which were digital tokens sold by companies and used to raise capital, much like a stock offering, but without being regulated or registered and without any ownership stakes or dividend payouts.

At their peak, companies issuing ICOs had a collective \$24 billion in their treasuries from the sales of the tokens. But the mania quickly died out after an SEC crackdown.

But the idea behind it didn't die.

Some companies took the

ICO concept and rejiggered it to create digital assets that would be sold in a regulated environment like other securities. The market for these tokens is still small and largely illiquid, but growing.

There are fewer than 200 security tokens trading on various platforms, according to the website **Security Token Market**. Some are tied to trading platforms like **tZero** and **INX**.

Others are tied to specific pieces of real estate, like the **St. Regis Aspen Resort** in Colorado. One security token of-

fers an ownership stake in the **Millennium Sapphire**.

One year ago, the crypto trading firm **INX** conducted a public offering for a security token tied to the company itself. The token, which trades on the company's exchange for security tokens, entitles holders to a proportionate share of 40% of the company's net cash flow.

The **INX** token started trading last July at 90 cents. It traded as high as \$3.60 in September, but on Monday was back at 90 cents, according to **Security Token Market**.

# Venture Capitalists Flock to Crypto

By YULIYA CHERNOVA

Venture investors are rushing into crypto startups, while deal-making in other sectors slows.

Blockchain and crypto startups raised \$9.2 billion through 461 equity deals globally in the first quarter of this year, according to **CB Insights**. The amount is 4.5% above the \$8.8 billion raised in the prior quarter, and 155% above the year-ago quarter, according to the data provider.

Crypto deal-making is on the rise, whereas total venture funding in the first three months of this year experienced a quarterly drop of 19%, according to **CB Insights**, the largest percentage decline in about a decade.

A growing number of venture investors believe that the crypto opportunity is so large—perhaps as large as the internet—that they are creating new funds and dedicating investment team members to focus on the opportunity. Their desire to get into deals as fast as possible is superseding concerns about the uncertain macroeconomic and geopolitical environment that is slowing down deals in other tech sectors, investors say.

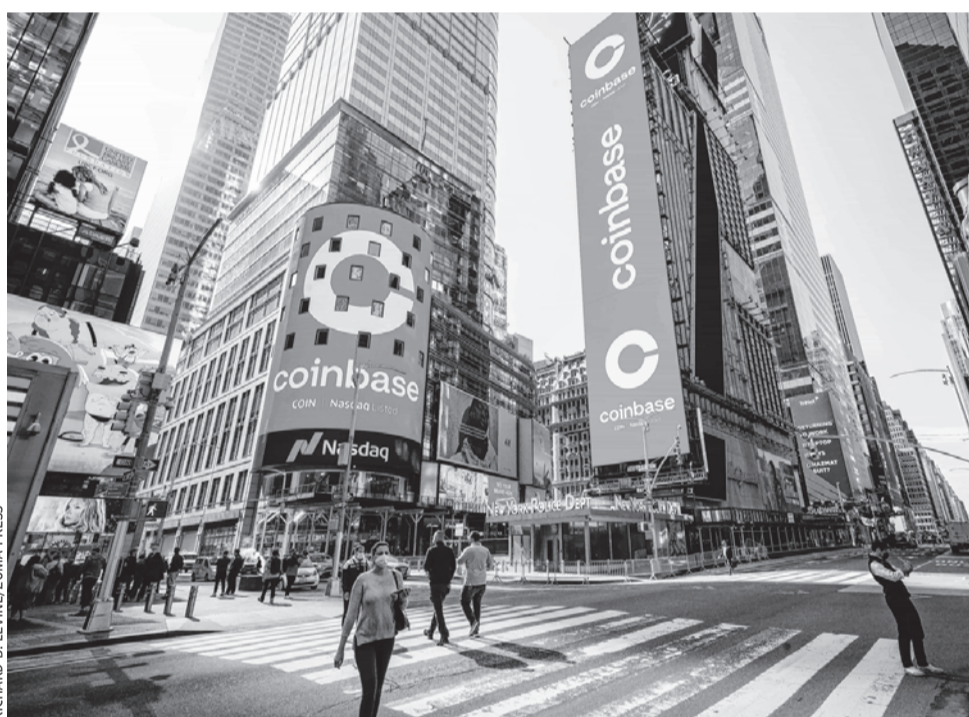
Companies in the cryptocurrency sector develop open-source software where users and developers are rewarded

with digital tokens. Some companies also enable people to interact with such software and tokens through trading, custody and other services.

"You have traditional venture funds that have seen the incredible returns generated and are looking to get exposure. There's a finite number of deals so there's a lot of competitive action to get into those investments," said **Stefan Cohen**, who co-runs **Bain Capital Crypto**, a crypto-focused venture strategy **Bain Capital** established last fall. **Bain Capital Crypto**, which closed a \$560 million debut fund in March, has a 10-person team that has already earmarked \$160 million for about a dozen crypto deals, Mr. Cohen said. Previously, crypto was a small part of **Bain Capital Ventures'** funds, with only Mr. Cohen fully focused on the sector, he said.

Venture funds focused on crypto raised \$11.92 billion in the first quarter of this year, a similar amount to the fourth quarter, and about 24 times the amount raised in the first quarter of 2021, according to crypto-focused data provider **Dove Metrics**.

That includes new funds from crypto-only firms, such as **Haun Ventures**, which hauled in \$1.5 billion for its debut fund, as well as corpo-



Coinbase's shares have lost more than half their value since its IPO last year.

rate funds, such as those launched by specific crypto token projects to support other businesses using their technology.

It also includes funds from generalist investment firms such as **Bain Capital** and **Sequoia Capital**. Crypto-focused funds accounted for 7.7% of all venture fundraising last year in the U.S., the highest propor-

tion on record, according to **PitchBook Data Inc.**

"Our conviction has deepened that this is a 10- to 20-year trend in which all of the services we interact with on the internet will be architected on public blockchain technology," Mr. Cohen said.

This investor perspective is enabling early-stage crypto infrastructure startups to raise

large amounts of capital at high valuations. Venture enthusiasm in crypto isn't slowing despite the fact that some of the crypto-focused companies on the public market haven't escaped the downward market trend. Shares of crypto exchange **Coinbase Global Inc.**, which went public a year ago, are now trading about 60% below their first-day price.

# Ray-Ban Maker Sues Bank Over Theft

By DAVID BENOIT

The eyewear company that owns **Ray-Ban** and **LensCrafters** has sued **JPMorgan Chase & Co.**, accusing it of failing to notice that thieves had transferred more than \$272 million out of one of its bank accounts in 2019.

A unit of **EssilorLuxottica SA**, the world's largest eyewear company, accused the bank of failing to spot a "highly suspicious pattern of fraudulent transactions," allowing thieves to blow through a daily withdrawal limit of \$10 million at least nine times over several months.

**JPMorgan** declined to comment on the lawsuit, which was filed Monday with the U.S. District Court in Manhattan.

**Essilor** disclosed the theft in late 2019, saying it would take a loss. In the lawsuit, the company said an employee at its Thailand plant managed to fake authorization of 243 payments to shell companies scattered across Asia. The company has recovered about \$100 million of the stolen funds, according to the lawsuit.

**Essilor** accused **JPMorgan** of failing to monitor the account properly and said it should have noticed a series of changes from its normal behavior.

For instance, the volume of transactions and dollars moving out of the New York account suddenly skyrocketed to more than \$140 million from about \$15 million a month. The individual transactions were all done in round numbers, without cents, and authorizations took less than a minute instead of hours, the lawsuit said.

The money was sent to shell companies with names such as **Guangzhou Wendy Hair Products** or **Citgo Oil Trading LLC**, signaling they weren't in the eye-care business, according to the lawsuit.

**Essilor** is seeking a trial for an unspecified amount of damages from the bank.

### AUCTION RESULTS

Here are the results of Tuesday's Treasury auction. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

TWO-YEAR NOTES	
Applications	\$138,106,764,300
Accepted bids	\$54,655,193,600
* noncompetitively	\$860,705,300
* foreign noncompetitively	\$105,000,000
Auction price (rate)	99.835616 (2.585%)
Interest rate	2.500%
Bids at clearing yield accepted	55.91%
Cusip number	91282CEK3

The notes, dated May 2, 2022, mature on April 30, 2024.

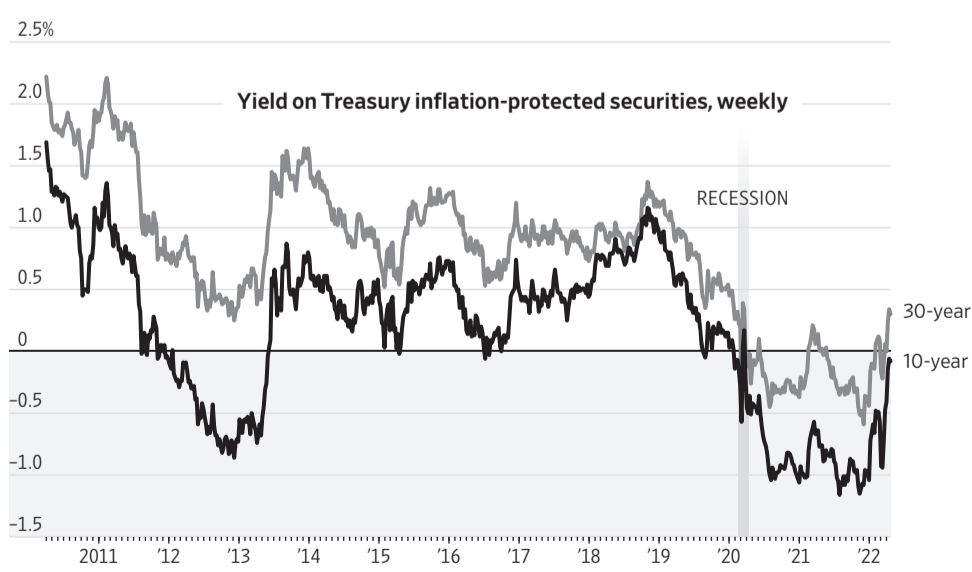
# Real Yields Increase

Continued from page B1 to stimulate economic growth by holding rates ultralow and buying bonds.

Many now expect the Fed to fight inflation with a series of rapid rate increases, including a half-percentage point move next month.

The rise in real yields is increasing the appeal of relatively safe investments, like government debt, while hurting the value of startups and companies with profits expected years in the future. The **S&P 500** is on pace for its worst April performance since 1970, when it fell 9.1%, according to **Dow Jones Market Data**.

"We witnessed real rates explode higher, almost touching positive territory in the 10-year space, leaving equities extremely vulnerable," said **Brian Bost**, co-head of equity derivatives at **Barclays**. "There is no alternative' is no longer a justi-



Source: FactSet

fication to hide out in equities." Bonds have slumped this year, in a move that was faster than investors expected. The yield on the benchmark 10-year Treasury is approaching 3% for the first time since 2018. Interest-rate derivatives show that investors expect the Fed to increase its benchmark rate from its current level of between 0.25% and 0.5% to just above 3% next year.

"We went from not hiking until 2023 to the Fed hiking as much as 300 basis points in

2022. It is really been a cycle over steroids," said **Michael de Pass**, global head of U.S. Treasury trading at **Citadel Securities**. That rapid shift in expectations has dented shares of low-profit tech companies and speculative wagers including **Cathie Wood's** flagship **ARK Innovation** exchange-traded fund. The ETF targets companies it believes offer the greatest potential for innovation such as **Zoom Video Communications Inc.** and **Coinbase Global Inc.**

**ARK Innovation** gained popularity in 2020 when the Fed cut rates and investors chased high returns in riskier places. Known by its ticker **ARKK**, the fund has plunged 20% since the beginning of April, bringing its year-to-date decline to 44%, as of Monday.

Rising rates increase corporate borrowing costs and offer investors an alternative means of earning decent returns, which can hurt stocks generally. But the effect tends to be larger on growth stocks, because in-

vestors deem uncertain future profits less valuable when they can get more guaranteed income from Treasuries.

"For the first time in a while fixed income probably looks attractive relative to riskier assets like the stock market," said **Lisa Hornby**, head of U.S. multi sector fixed income at **Schroders**.

Ms. Hornby said rates could still move higher depending on coming inflation data. "I think we have priced in 80 percent of the move. Does that mean we are at peak yields? Probably not, but we have done a lot of the work."

Wall Street strategists note that real yields remain low by conventional standards and have room to rise as the Fed lifts rates and inflation moderates. Many remain confident that a steady climb can avoid significantly disrupting companies or share prices.

"They are still extremely low from a historical perspective, which suggests the Fed may have more work to do in tightening financial conditions before higher real rates start to have a material impact on business activity," said **Gennadiy Goldberg**, senior U.S. rates strategist at **TD Securities**.

—Sam Goldfarb contributed to this article.

# HEARD ON THE STREET

FINANCIAL ANALYSIS &amp; COMMENTARY

## Twitter in Musk's Hands Is No Idle Distraction

Stakes are high for his personal finances, his backers and the company's status as the 21st-century's public square

Elon Musk may like to kid around on **Twitter**, but his impending ownership of the platform is no joke, to him or anyone else.

Mr. Musk maintains his interest in Twitter isn't about money, but empirically it very much is. Not only will the company now account for around a sixth of his net worth, the world's largest, it will also put him in hock to creditors. His discourse on the platform—both strategic and slipshod—has for years earned him free publicity for his other wildly ambitious business ventures. Just how much the avian-theme microblogging service had to do with his wider success is debatable, but based on his intense interest in how it is managed, it seems safe to say he believes it was significant.

Now, Mr. Musk's ability to repay the tens of billions of dollars he secured to buy Twitter will hinge on his turning what has historically been a mediocre business into a good one.

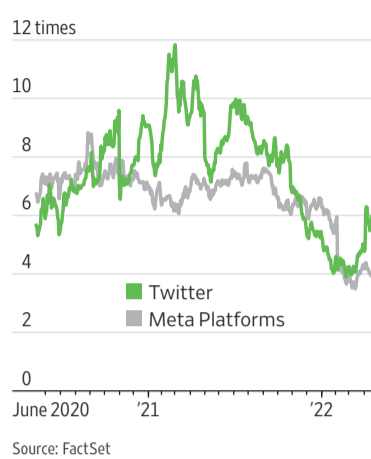
Change won't be easy. Consider the state Twitter had to have been in for its board to ultimately ac-

cept Mr. Musk's offer, so quickly after he rebuffed their invitation to play on the same team by joining the board. Activist-driven attempts to change the trajectory of the company last year, including plans to double its revenue and the pace of its product innovation by 2023, had no lasting impact on its share price. Twitter's share price fell 50% from mid-February of last year to mid-February of this year, even despite the company's appointment of a fresh face as chief executive.

Of course, it is unclear if thinking any bigger would have helped. **Meta Platforms** has proved an especially cautionary tale for what major transformation at a social-media platform can do to a company's near-term value in the public markets. While its "metaverse" ambitions may eventually pan out, Meta has seen more than \$400 billion in market value evaporate so far this year.

By buying Twitter outright, Mr. Musk avoids having to think about fickle shareholders. But he has his own wealth to consider. The fact

### Enterprise value to forward sales multiple



that he will need to answer to creditors means he has to be careful about trampling over a cash-generating advertising business, no matter how he feels about it. Yet the capitulation of Twitter's board to Mr. Musk shows advertising alone probably isn't the answer.

The key question around Twit-

ter has always been the apparent disconnect between its valuation in public markets and its perceived influence on the public consciousness. In the markets, Twitter currently has an enterprise value of 6.4 times forward revenue to Meta's 3.4 times. That might sound generous, but consider that next year, Wall Street is expecting Twitter to generate only \$6.7 billion in advertising revenue to Meta's nearly \$149 billion.

Yet whether in building hype for Mr. Musk's visions of electric cars and private space flight, or propelling the presidential campaign of a certain New York property developer, or driving the national social and political movements of recent years, Twitter's role is undeniable.

The question now is whether Mr. Musk can succeed better in bridging that gap than the men who came before him. Whatever his plans, we have to assume they are a lot bigger than a paid-for edit button. Boosting monetization through subscriptions won't be enough if it comes at the price of

undermining Twitter's central role in the discourse, thus harming its ultimate value proposition as the public square of the 21st century.

After two attempts to lead the company, co-founder Jack Dorsey resigned late last year, noting being founder-led is a "single point of failure" and "severely limiting" for a company. Lest anyone think Mr. Dorsey blames only himself, however, he also tweeted earlier this month that the board has "consistently been the dysfunction of the company."

Now Mr. Musk needs to cure that dysfunction under perhaps the most intense public spotlight yet, while also running two other huge and innovative companies. All this for a man whose limitless ambition hasn't always translated into follow-through.

It won't be enough just to promise a new concept anymore. If Mr. Musk hopes to drive his latest cybertruck off into the sunset, its windows and much else better be bulletproof.

—Laura Forman and Aaron Back

## Microsoft Needs 'Call of Duty' Back on Track

For all the obstacles **Microsoft** still faces in its effort to acquire **Activision Blizzard**, getting the deal done might actually turn out to be the easy part.

In its first-quarter results Monday morning, Activision said the deal is still on track to close in Microsoft's next fiscal year, which begins in July. That long window for a transaction announced in January reflects the high level of scrutiny the deal is expected to receive among lawmakers, who have started eyeing big tech's moves closely. Indeed, last month saw four U.S. senators express concerns about the transaction to the Federal Trade Commission, saying the deal could exacerbate Activision's now-well-documented internal culture troubles. "We are deeply concerned about consolidation in the tech industry and its impact on workers," the letter read.

The strong relationships Microsoft has cultivated in Washington over many years—stemming from its own days under the antitrust microscope—still give the company an important edge in ultimately getting the deal closed. But the value of Activision's business by that point is shaping up to be an important question. The company's first-quarter results posted Monday morning showed another sharp decline for its "Call of Duty" franchise. Net revenue for the Activision publishing division that includes the franchise slid 49% year over year to \$453 million. That was also 33% below the \$681 million in revenue analysts had been expecting for the segment.

The company also reported about 100 million monthly active users for the Activision segment—a drop of seven million from the



Activision's first-quarter results posted Monday showed another sharp decline for its 'Call of Duty' franchise.

prior quarter and the lowest usage metrics for the unit in more than two years. Activision blamed the shortfall on both lower sales of the premium "Call of Duty: Vanguard" sequel that was released in November and lower engagement on its free-to-play offering called "Call of Duty: Warzone."

Many factors could be at play. The latest sequel has earned some of the lowest critic scores of the franchise. The first quarter also included the release of "Elden Ring," a role-playing game from Japan's

Bandai Namco Entertainment that has turned out to be a major hit. "Vanguard" was also the 18th full sequel to the franchise in as many years; analyst Corey Barrett of M Science says "franchise fatigue" has likely been among the biggest factors in Call of Duty's recent weakness.

Activision has other big games; analysts noted Monday that the pipeline for the company's Blizzard unit for next year looks strong. But Microsoft still needs "Call of Duty" to get back on track.

A major justification for the \$75 billion acquisition is the ability to add blockbuster franchises like "Call of Duty" to subscription-based services like Xbox Game Pass and Xbox cloud gaming. Activision's current management said Monday in the company's earnings release that the next game in the series will be a sequel to 2019's "Modern Warfare"—the bestselling title in the franchise to date. Microsoft, meanwhile, will be hoping Call of Duty's wounds aren't fatal.

—Dan Gallagher

## Chinese Stocks Undergo a Reality Check

China's stock market staged a sudden recovery last month as investors became hopeful of stimulus from Beijing. Fears of prolonged Covid-19 restrictions have prompted an equally sudden reassessment.

Chinese shares have plummeted this week amid worries that Beijing is headed for a lockdown, following Shanghai, where social distancing has been enforced for weeks despite mounting economic costs. That has dashed hopes that the government may take a less stringent approach in dealing with the more contagious Omicron variant.

The CSI 300 index, which tracks large-capitalization stocks listed in Shanghai and Shenzhen, has lost 5.7% this week, bringing it to the lowest level in two years. The rebound in offshore-listed Chinese stocks—triggered by supportive messages from Beijing in March—has also lost steam. The Hang Seng Index has already given up more than half its gains since the mid-March low.

The Chinese yuan has also depreciated sharply, losing around 2.8% against the dollar in the past week. China's central bank tried to stem the decline on Monday, saying it would cut the amount of foreign exchange banks must hold as reserves. Rising U.S. rates have narrowed the yield gap with China, giving capital owners a reason to pull out.

The market weakness extends beyond China. Prices of industrial commodities like iron ore and copper have fallen as economists have cut growth forecasts for Chinese output. Expectations for corporate profits are similarly coming down. In recent months, analysts have lowered 2022 earnings estimates for around two-thirds of companies in the MSCI China index by benchmark weight, according to Morgan Stanley.

Housing sales in China remain in the doldrums even though many local governments have already rolled out easing policies. While infrastructure investment has picked up in the first quarter, it may need to go much higher to offset all the challenges. Natixis estimated that infrastructure investment needs to grow 18% this year to meet the 5.5% growth target. The sluggish housing

**The yuan has also depreciated, losing around 2.8% against the dollar in the past week.**

market could pose challenges to funding those projects given the importance of land sales as a source of revenue for governments. Covid restrictions may also put physical constraints on how fast construction can increase.

Investors are learning the difference between supportive rhetoric from the government and the kind of policy measures that might actually boost China's economy amid today's supply-side challenges.

—Jacky Wong

## Rates Stampede May Startle Some Investors

Rapidly rising interest rates are waking people up to the earning potential of cash. That will be an adjustment for banks and brokers—but it isn't the end of the world.

Across banking, there is worry among investors about how quickly cheap deposits may reprice or depart in search of better yields. For brokerage giant and bank **Charles Schwab** this pressure comes in the form of what it calls cash sorting: People take some of their yet-to-be invested cash that is earning very little and move it into a money-market fund or other higher-yielding alternative. Even if the money is moved into a money-market fund offered by Schwab, that typically nets less in fees for Schwab than what it would earn deploying that same cash on its own balance sheet.

Cash sorting shouldn't be a surprise, and it likely hasn't really started in earnest: Among the firms tracked by Wolfe Research analysts, only Goldman Sachs's Marcus and **Robinhood Markets** have increased rates on cash "in a meaningful way" since the Federal Reserve's March rate rise. But many expect this to be merely the calm before the storm, with the

Fed taking an increasingly hawkish tone. What may be hitting financial stocks now are fears that this stampede will get faster and more furious. The KBW Nasdaq Bank index is down more than 6% so far in April, underperforming the S&P 500.

To prepare, Schwab last week reported it is for now keeping more of its investment portfolio in cash—around 15% or 16%, versus the typical 5% to 7%—to help avoid being forced to sell securities or seek more-expensive funding when cash migrates. This liquidity buffer comes at the expense of adding more higher-yielding securities in the interim. Schwab said that its experience during the last rising-rate cycle ended in 2019, which saw a reduction of about 20% of uninvested cash over three years, remains "a reasonable reference point." How quickly that process happens, and what will be the offsetting flow of new assets, are some key variables to the ultimate impact.

With a faster rate cycle expected, Schwab last week said it now could see net interest margin in the fourth quarter reaching the mid-1.8% range, well above the first quarter's 1.38% level. How-

### Retail money-market fund assets



Source: Investment Company Institute via FactSet

ever, that was below what the analyst consensus had been for the end of this year, at over 1.9%, according to figures tracked by Autonomous Research analyst Christian Bolu. Some of the expectations gap may be explained by the effect of the higher drag of low-yielding cash on Schwab's investment portfolio, according to Mr. Bolu. Schwab's stock tumbled last week after it reported earnings, and is now down more than 17% in April. Ultimately though, rapid cash

sorting can be a short-term headache on the way to a long-term benefit from higher rates. Schwab attracts very-low-cost deposits as it offers trading and investment tools, and many of its assets reprice quickly as rates rise. Staying more liquid also allows the firm to deploy its cash, once rates stabilize, at higher yields than it could today. "Schwab remains a tremendous beneficiary from higher rates," says Wolfe analyst Steven Chubak. "The issue is more about timing."

Investors with some patience and a longer time horizon can still look at Schwab as a strong higher-rates play. Schwab may even get a larger share of future activity from investors if people are looking at a wider range of investments than just speculative stock picking—particularly if they stick with Schwab when picking a money-market fund.

As is the case across many financial stocks right now, the rapid pace of change in rates is going to create near-term noise. Investors should sort through their own portfolios and hang on to stocks like Schwab that should, eventually, come out ahead.

—Telis Demos