

What's News

Business & Finance

Inflation eased slightly last month, likely keeping the Fed on course to pause rate increases at its next meeting. The consumer-price index rose 4.9% in April from a year earlier, down from March's 5% increase. **A1, A6**

◆ **The S&P 500 and Nasdaq** ended with gains of 0.4% and 1%, respectively, after release of the data, while the Dow lost 0.1%. The yield on the 10-year Treasury note fell. **B11**

◆ **Icahn disclosed** that his investment company is under investigation by federal prosecutors and went on the attack against Hindenburg Research, the short seller that likely spurred the inquiry. **A1**

◆ **The Biden administration** is investigating whether Rockwell Automation is exposing critical U.S. assets to a potentially serious cyberattack through one of its China-based facilities, according to U.S. officials and documents reviewed by The Wall Street Journal. **B1**

◆ **Google unveiled** conversational features for its search engine and made its chatbot Bard widely available for English speakers amid a race to win over consumers with AI products. **B1**

◆ **Robinhood Markets** said it would offer 24-hour trading of selected stocks and exchange-traded funds five days a week. **B1**

◆ **SoftBank is close** to a deal to sell U.S. investment manager Fortress to Mubadala Investment for more than \$2 billion. **B10**

World-Wide

◆ **Rep. George Santos**, accused of fabricating much of his life's story to secure public office, was indicted on federal charges that he embezzled contributions, fraudulently obtained unemployment benefits and filed false federal disclosure forms. **A1**

◆ **Advisers to the FDA** recommended making an oral contraceptive available without a prescription for the first time, potentially widening access to birth control for women across the country. **A1**

◆ **U.S. officials are scrambling** to manage a new surge of migrants as the pandemic policy Title 42 expires at 11:59 p.m. Thursday, which has fueled a rush of asylum seekers heading toward and across the southern border in recent weeks. **A3**

◆ **Ukraine said** it has clawed back some ground around Bakhmut, dealing a blow to Russian forces seeking to dislodge the last Ukrainian units holding positions in the eastern city after months of combat. **A8**

◆ **House Republicans** released a pair of reports related to President Biden's family as they sought new momentum in multiple investigations involving his son, Hunter Biden. **A7**

◆ **A federal appeals court** vacated the convictions for two parents who were found guilty of fraud in 2021 as part of the Varsity Blues college admissions cheating case. **A4**

JOURNAL REPORT

Small Business: Entrepreneurs who work too hard. **R1-8**

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Inflation Eases, Keeps Fed Pause in Play

Prices rose 4.9% from year ago, a slight drop that makes a break from rate hikes likely

By GABRIEL T. RUBIN

Inflation edged slightly lower in April, likely keeping the Federal Reserve on course to pause interest-rate increases at its next meeting in June.

The consumer-price index rose 4.9% in April from a year

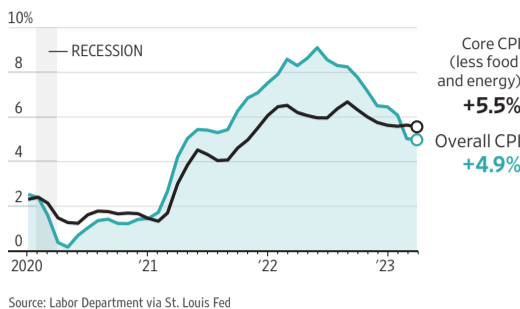
earlier, the Labor Department said Wednesday, down from March's 5% increase. The inflation reading has declined from a recent peak of 9.1% in June 2022, but remains historically high.

On a monthly basis, consumer prices rose a seasonally adjusted 0.4% in April, versus a 0.1% gain in March. April's increase was driven by housing costs, which economists expect to cool in the coming months. Gasoline and used-car prices also rose last month.

Wednesday's report makes it easier for the Fed to pause rate increases because it showed price pressures aren't worsening and might soon be slowing. The Fed has aggressively raised rates for more than a year to try to tame inflation. *Please turn to page A6*

- ◆ **Greg Ip:** High inflation is bad, accepting it is worse..... **A2**
- ◆ **Chinese consumer inflation** is lowest in two years..... **A18**
- ◆ **S&P, Nasdaq rise** after U.S. inflation data..... **B11**

Consumer-price index, change from a year earlier



Source: Labor Department via St. Louis Fed

Israel, Palestinian Militants Trade Fire in Escalating Conflict



IN THE AIR: Israel's Iron Dome air-defense system intercepts rockets launched from Gaza on Wednesday. Israeli airstrikes targeted militants in the enclave, as both sides said they were preparing for wider conflict. **A18**

Quandary For Home Buyers: Nobody's Selling

By NICOLE FRIEDMAN

Many Americans who want to move are trapped in their homes—locked in by low interest rates they can't afford to give up.

These "golden handcuffs" are keeping the supply of homes for sale unusually low and making the market more competitive and pricey than some forecasters expected.

The reluctance of homeowners to sell differentiates the current housing market from past downturns and could keep home prices from falling significantly on a national basis, economists say. This could dull the Federal Reserve's efforts to slow inflation by cooling the economy.

Emily and Isaac Naatz of Cottage Grove, Minn., a suburb of St. Paul, had a baby last year and want a bigger place. They have lived for more than four years in their two-bedroom townhouse, and they now want a three- or four-bedroom house with a yard and space for a home office. "You get four people in here...and it feels like a large crowd," Mr. Naatz said.

But they locked in a 30-year fixed mortgage rate of 3.4% in *Please turn to page A10*

Santos Charged With 13 Felony Counts

By CORINNE RAMEY AND JAMES FANELLI

Rep. George Santos, accused of fabricating much of his life's story to secure public office, was indicted Wednesday on federal charges that he embezzled contributions, fraudulently obtained unemployment benefits and filed

false federal disclosure forms. The New York Republican, who was elected last year to represent parts of Long Island and Queens in the House, surrendered to authorities Wednesday morning and pleaded not guilty in federal court in Central Islip, N.Y., in the afternoon. A 13-count indictment charged Mr. Santos

with seven counts of wire fraud, three counts of money laundering, one count of theft of public funds, and two counts of making materially false statements to the House of Representatives.

Breon Peace, the U.S. attorney for the Eastern District of New York, whose office brought the charges, said the

congressman relied on "repeated dishonesty and deception to ascend to the halls of Congress and enrich himself."

Standing outside the courthouse, Mr. Santos said he would fight to clear his name. "I will not resign," he said, adding he would return to the nation's capital for planned *Please turn to page A4*

INSIDE



U.S. NEWS

At CNN town hall, Trump rails at sex-abuse verdict, repeats false election claims. **A4**



BUSINESS & FINANCE

Disney's streaming losses narrow, Hulu headed to one-off offering. **B1**

Prosecutors Probe Icahn's Firm After Short Seller's Harsh Report

By BEN FOLDY

Activist investor Carl Icahn disclosed that his investment company is under investigation by federal prosecutors and went on the attack against the short seller that likely spurred the inquiry, accusing it of "wantonly destroying property and harming innocent civilians."

Icahn Enterprises, the publicly traded firm controlled by

Mr. Icahn, was targeted by short seller Hindenburg Research early this month. The next day, the U.S. Attorney's Office for the Southern District of New York contacted Icahn Enterprises asking for information about the value of its assets, corporate governance, dividends and other topics, the firm said in a securities filing Wednesday.

Icahn Enterprises said in the filing that it is cooperating

with the investigation and doesn't believe it will have a significant impact on the business. The firm's shares declined 15% Wednesday and are down 36% since the report.

A spokesman for the U.S. attorney's office declined to comment.

"Hindenburg Research, founded by Nathan Anderson, would be more aptly named Blitzkrieg Research given its *Please turn to page A7*

Microsoft Goes Hollywood

Company training videos draw fans in 190 countries

By DYLAN TOKAR

Like other aspiring actors, Devin Badoo makes ends meet working on TV commercials, including as dads hawking Loctite glue and Hot Wheels toys.

What Hollywood producers might not know is that Mr. Badoo is already the star of a hit show—just not one they would ever see. The 35-year-old plays Nelson, one of the most popular characters of "Trust Code," a series of Microsoft compliance training videos that has made him a celebrity among the company's 221,000 employees in 190 countries. *Please turn to page A10*

FDA Advisers Support Over-the-Counter Pill Used for Birth Control

By SARAH TOY

Advisers to the Food and Drug Administration recommended making an oral contraceptive available without a prescription for the first time, potentially widening access to birth control for women across the country.

The panel of FDA advisers voted 17-0 on Wednesday that there was enough evidence for the agency to approve the medication's sale over the counter. The FDA, which is expected to make a final decision this summer, doesn't have to follow the expert panel's advice, though it often does.

The FDA approved the pill, called Opill, for prescription use in 1973. HRA Pharma, owned by Dublin-based generic drugmaker Perrigo, last July submitted its application

to make Opill available over the counter.

The advisory panel said the benefits of making oral contraceptives available over the counter outweighed the risks.

"The safety profile here is very well established," said Katalin Roth, a professor of medicine at the George Washington University School of Medicine and Health Sciences and an advisory committee member.

Medical and advocacy groups welcomed the committee's decision. The American College of Obstetricians and Gynecologists, American Academy of Family Physicians, American Medical Association and the Society for Adolescent Health and Medicine have called for over-the-counter contraceptives to be made available for years. *Please turn to page A9*

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U.S. NEWS

CAPITAL ACCOUNT | By Greg Ip

High Inflation Is Bad, Accepting It Is Worse



Last fall, Americans were obsessed with inflation. The issue dominated the

midterm elections. One in five respondents called it the nation's most important problem, according to Gallup.

These days, their attention is elsewhere. Just 9% of Gallup respondents now call inflation the most important problem, behind government leadership and the "economy in general" and just ahead of immigration and guns. It has barely come up in Washington's fight over raising the debt ceiling.

Good news? Maybe not. It may mean people are getting used to higher inflation, which would be very bad news. The more people behave as if high inflation is here to stay, the likelier it is to stay. That would force the Federal Reserve to choose between inducing a potentially deep recession to force inflation lower, or giving up on its 2% inflation target.

The Labor Department reported Wednesday that consumer prices rose 4.9% in the year through April, the lowest in two years and down substantially from 9.1% last June, mostly because gasoline prices have fallen.

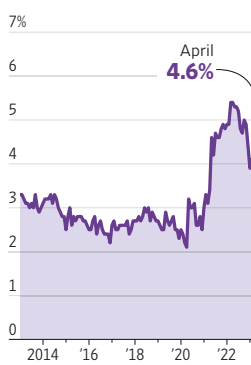
That drop helps explain why people aren't obsessing as much over inflation, though they are still obsessing more than before the pandemic.

And yet inflation is very much still a problem. Core inflation, which excludes food and energy, is a better predictor than overall inflation of underlying price trends. Core inflation was 5.5% in April, down from 5.6% in March. On a monthly basis, core prices rose 0.4%, equivalent to 5% at an annual rate, in line with the past four months. Wages, which strongly influence service prices, grew 4% to 5% through the first four months of the year, too high to be consistent with 2% inflation.

The original surge in inflation had two main sources: pandemic and war-related disruptions to the supply of goods, services and labor, and federal stimulus and near-zero interest rates that stoked demand.

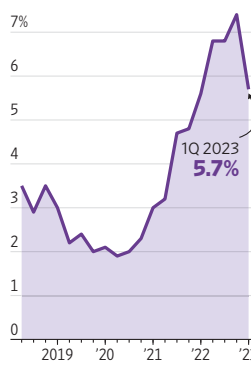
Those factors have largely receded. Supply chains are functioning normally. Labor supply has mostly recovered. Gasoline prices are back to where they were before Russia invaded Ukraine. As for demand, fiscal stimulus has expired, and since March 2022 the Fed has raised its short-term interest-rate tar-

Consumers' expected inflation in next year, monthly



Sources: University of Michigan (consumers); Olivier Coibion, University of Texas at Austin and Yuriy Gorodnichenko, University of California, Berkeley (firms)

Firms' expected inflation rate in next 12 months, quarterly



get from near zero to between 5% and 5.25%.

The theory two years ago was that once these transitory supply and demand factors receded, inflation would return to 2%.

But this theory always carried a caveat: the longer it took for these transitory factors to subside, the greater the risk people would adjust to faster rising prices and wages which might make them self-sustaining. That may be under way now.

"We're getting a process where persistent, large shocks to inflation are start-

ing to get embedded in price and wage setting," said Bruce Kasman, chief economist at JPMorgan Chase. "Even though energy prices have come down and growth isn't robust, pricing power and profit margins have been stronger than expected."

Price- and wage-setting psychology is often inferred from expectations of future inflation. Fed officials comfort themselves by noting long-run expectations, i.e., 5 to 10 years from now, are still near 2%.

But the University of Michigan reports consumers' one-year expectation has

been above 4% almost continuously for two years.

Firms, which actually set prices, also expect inflation above 5% in the coming year, according to a survey by economists Olivier Coibion and Yuriy Gorodnichenko.

In earnings reports, companies report effortlessly raising prices. The new buzzword among chief financial officers is "elasticity": how sensitive sales volume is to price increases. The less sensitive, the better for companies. "Our elasticities remain favorable on an aggregate basis," Procter & Gamble Chief Financial Officer Andre Schulten said last month, describing a quarter in which the company's sales volume dropped 3% from a year earlier while it raised prices about 10%.

"When Coca-Cola, Pepsi, Kimberly-Clark, Kraft Heinz, and Conagra are raising prices, that filters through to restaurants, and when you have Hilton and Marriott talking about average daily revenue going up, that translates into services" inflation, said Samuel Rines, strategist for market advisory Corbu. "That is going to continue until the consumer pushes back."

He said consumers are assuming if prices are going up, so are their wages. "Until that assumption is broken,

the consumer is not going to blink at paying an extra 5% or 6% on ketchup."

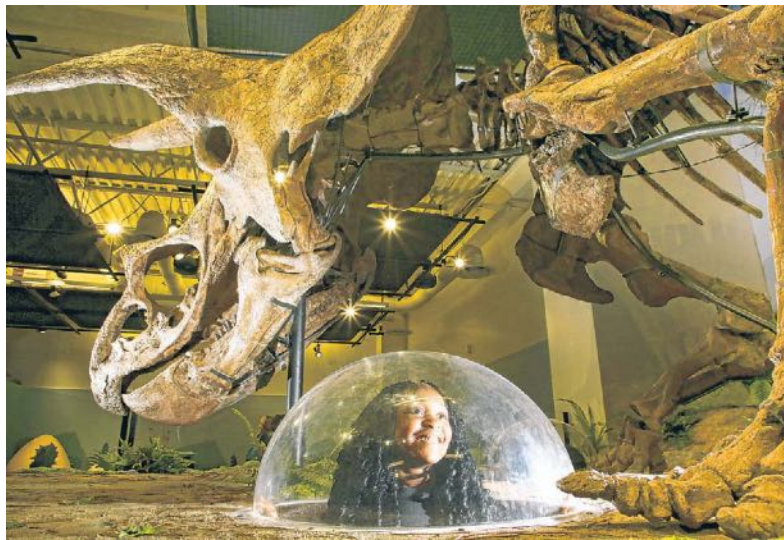
Whether wages are driving prices or vice versa may soon be irrelevant. Once inflation has settled at a higher steady-state rate, wages and prices rise together.

In such a situation, it can take a deep recession to get inflation down. This seems to be why markets think inflation will drop sharply in the coming year and the Fed will start to cut interest rates. Yet thus far there is no evidence of even a mild recession. Housing, the sector most sensitive to more expensive credit, has stabilized and construction employment is rising.

Fed Chair Jerome Powell says slow economic growth, not a recession, should be enough to return inflation to 2%. For now, the central bank has signaled it may have finished raising rates. Central bankers seem wedded to gradualism—accepting a very slow fall in inflation to avoid too much damage to the labor market, Mr. Kasman said.

The problem with gradualism is that the longer the path for lowering inflation, the less likely it is to happen.

U.S. WATCH



UP CLOSE: A Tampa, Fla., child looks at Big John, the world's largest fossilized triceratops skeleton.

NEVADA

Ex-NFL Player Ruggs Guilty in Fatal Crash

Ex-Las Vegas Raiders player Henry Ruggs pleaded guilty Wednesday to driving his sports car drunk at speeds up to 156 mph on a city street before causing a fiery crash that killed a woman and her dog.

"Guilty," said the former first-round NFL draft pick, 24 years old, who will avoid trial and is expected to be sentenced Aug. 9 to three to 10 years in state prison under terms of his plea deal with prosecutors.

Mr. Ruggs and his attorneys declined to comment.

The Raiders dropped Mr. Ruggs while he was still hospitalized from the predawn Nov. 2, 2021, crash that killed 23-year-old Tina Tintor. Ms. Tintor's mother, brother and several other family members were in the courtroom Wednesday but departed with their attorney, Farhan Naqvi, without comment.

Mr. Ruggs's girlfriend, Je'nei Kilgo-Washington, was with him in the Corvette and also was injured. Prosecutors said Mr. Ruggs had a leg injury and Ms. Kilgo-Washington received an arm injury.

—Associated Press

MINNESOTA

Conviction Affirmed In Mosque Bombing

A federal appeals court on Wednesday affirmed the conviction of the leader of an Illinois antigovernment militia who was sentenced to 53 years in prison for masterminding the 2017 bombing of a Minnesota mosque, an attack that terrified the local Muslim community.

A three-judge panel rejected all the legal arguments raised by Em-

ily Claire Hari. Her attorneys argued the key federal law involved—which pertains to damaging religious property and the free exercise of religion—was invalid.

—Associated Press

VERMONT

Shield Law Protects Abortion Pill Access

Republican Gov. Phil Scott signed abortion and gender-affirming shield bills into law Wednesday that include protecting access to a medication

widely used in abortions even if the U.S. Food and Drug Administration withdraws its approval of the pill, mifepristone.

The bills protect providers from discipline for providing legally protected reproductive and gender-affirming healthcare services.

Last month, the U.S. Supreme

Court preserved women's access to the drug, rejecting lower-court restrictions while a lawsuit continues.

The next step in the case is arguments before the New Orleans-based U.S. Court of Appeals for the Fifth Circuit on May 17.

—Associated Press

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