

THE WALL STREET JOURNAL

DOW JONES | *Market Gains* ***** WEDNESDAY, JUNE 1, 2022 - VOL. CCLXXIX NO. 126 WSJ.com ***** \$5.00
DIA 3290.12 ▼ 22.04 0.7% NASDAQ 12081.39 ▼ 0.4% S&P 500 4413.35 ▼ 0.7% 10-YR. TREAS. ▼ 26.92, yield 2.842% OIL \$114.67 ▼ \$0.40 GOLD \$1,842.70 ▼ \$3.60 EURO \$1.0735 YEN 126.60

What's News

Business & Finance

- ◆ **Unilever** said it would add activist investor Nelson Peltz to its board and disclosed his fund now holds a 1.5% stake, moves that raise pressure on the consumer-goods giant to reinvigorate growth across its portfolio. **A1**
- ◆ **Biden** discussed steps to address high inflation at a White House meeting with Fed Chairman Powell as his administration signals growing urgency to ease rapidly rising prices. **A2**
- ◆ **Inflation** in the eurozone rose an annual 8.1% in May, underlining the growing cost to households of Russia's invasion of Ukraine and European governments' success in response. **A3**
- ◆ **U.S. stocks** fell, ending the month on a doombate note, with the S&P 500, Dow and Nasdaq declining 0.8%, 0.7% and 0.4%, respectively. **B1**
- ◆ **Home-price** growth rose to a record in March as robust home-buying demand outweighed the limited supply of homes for sale. **A2**
- ◆ **The FAA** said it rejected a funding request for the company to perform certain regulatory tasks on its own for the standard five-year period, keeping the plane maker under closer government scrutiny. **B3**
- ◆ **Authorities** raided the Frankfurt offices of Deutsche Bank and its DWS subsidiary over allegations that they made unsupported claims about ESG investments. **B1**
- ◆ **Proxy-advisory** firm ISS recommended that Sprint Airlines shareholders vote against a proposed merger with Frontier Airlines. **B3**

World-Wide

- ◆ **Cracks** are appearing in the Western front against Moscow, with America's European allies increasingly split over whether to keep shipping more powerful weapons to Ukraine, which some of them fear could prolong the conflict and increase its economic fallout. **A1, A2, A3**
- ◆ **The EU** is set to impose its toughest sanctions yet on Russia, banning imports of its oil and blocking insurers from covering its cargoes of crude. **A3**
- ◆ **Some OPEC** members are exploring the idea of suspending Russia's participation in an oil-production deal as Western measures begin to undercut Moscow's ability to pump more. **A3**
- ◆ **Michael Sussmann** was acquitted on a charge of lying to the FBI about his motives for bringing the business researcher allegedly linking Trump to Russia. In the first text at trial of special counsel Durham's probe. **A3**
- ◆ **The Supreme Court** blocked Texas from immediately enforcing a new state law that aims to prohibit large social-media platforms from suppressing users' posts based on the content of their speech. **A3**
- ◆ **Peter Navarro**, a top White House official under Trump, said FBI agents had served him with a subpoena to testify before a grand jury on efforts to overturn the 2020 presidential election. **A4**
- ◆ **Democratic senators** said they remained hopeful of reaching a deal with Republicans on gun measures, as Biden said he would meet with lawmakers on the issue. **A4**

COMPANIES *Posted June 1, 2022*
Arista Networks... 412 Priority Rent... 85
Bancorp USA... 412 S&P's... 412
Carnival... 412... 84
Marriott... 412... 414
Marriott... 412... 414
Caterpillar... 412... 412

Shanghai Clears Barricades With Lockdown Set to End



OPENING: Workers removed quarantine barricades on Tuesday in Shanghai as the government said the lockdown there would be lifted starting Wednesday, as new cases of Covid-19 fell to their lowest levels since early March. **A18**

Divisions Emerge Over Arming Ukraine

Bloc led by France, Germany questions need to ship Kyiv long-range weapons

Cracks are appearing in the Western front against Moscow, with America's European allies increasingly split over whether to keep shipping more powerful weapons to Ukraine, which some of them fear could prolong the conflict and increase its economic fallout.

By Rafan Pomeroy in Berlin and Drew Hinshaw in Warsaw

At the center of the disagreement—which is splitting a group of Western European powers from the U.S., U.K. and a group of mostly Central and Northern European nations—are clashing perceptions of the long-term threat posed by Russia and whether Ukraine can prevail on the battlefield. The first bloc, led by France and Germany, is growing reluctant to provide Ukraine the kinds of offensive, long-range weapons it would need to reclaim ground lost to Russia's armies in the country's south and east. They don't believe Russia would directly threaten the North Atlantic.

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◆ **European Union** takes a big chance on Jan. 11... **A9**
◆ **OPEC** considers expanding Moscow from its targets... **A9**
◆ **War** sanctions drive eurozone inflation to a record... **A18**

Unilever Adds Activist Peltz To Board, Reports Fund Stake

By SAUNDRA CARMICHAEL

Unilever PLC said it would add Nelson Peltz to its board and disclosed his fund now holds a 1.5% stake, moves that raise pressure on the consumer-goods giant to reinvigorate growth across its sprawling portfolio. The investment, worth about \$1.1 billion, makes T3 Fund Management LP one of Unilever's largest shareholders.

Mr. Peltz said Tuesday that Unilever had "significant potential" and he wanted to work collaboratively with the company. Unilever Chairman Miles Anderson said the company held "extensive and constructive discussions" with Mr. Peltz and that he believed the investor's experience in the consumer-goods sector would prove valuable. Mr. Peltz previously served on the boards of Procter & Gamble Co., Kraft Heinz Co. and Oreo's maker Mondelez International Inc. Unilever has been under pressure to buoy sales growth in recent quarters, with the company's share price drifting lower so far this year. Even before that, analysts said the company underperformed some rivals during the pandemic in areas and that it launched few blockbuster innovations of late. Since Chief Executive Alan Jope took the reins in 2019, Unilever's shares

have underperformed those of rivals such as P&G, Nestlé SA and L'Oréal SA. The pressure on Unilever increased earlier this year when the company faced strong opposition from investors over a botched attempt to buy GlaxoSmithKline PLC's consumer-healthcare business for \$68 billion.

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◆ **Heard on the Street:** Repeat of P&G is a big ask... **B12**

Mortgage Bonds Get Hit Hard, Attracting Investors

By MARY WHEAT

The \$5.5 trillion bond market supporting the U.S. mortgage industry is being reevaluated by investors as the Federal Reserve's battle against inflation. Prices are falling for bonds backed by agency mortgage loans from government-owned lender Freddie Mac and Fannie Mae. That is primarily because the Fed has started raising interest rates, which hits the value of all existing fixed-rate bonds, but also because it might start selling some of its \$2.7 trillion holdings of the bonds, potentially further diminishing their value. Analysts worry that Fed sales of existing bonds could flood the market, driving down prices and pushing yields higher as bond investors demand more compensation to lend money. That would boost mortgage rates because bond yields act as benchmarks for real-estate lenders. Rising rates over time tend to cool the housing market, which after two years of surging prices has widely been described as overheated. Most analysts don't expect the Fed to start selling until next year, but Ankur Mehta, the head of mortgage-backed bond research at Citigroup Inc., predicts the sales to start in the fourth quarter. The Fed is also planning to reduce its holdings of Treasuries and will need to shed agency bonds to avoid being overwhelmed by mortgages, he said in a recent report. Some investors who speculate on mortgage... **A2**

Commutes Hinder Office Return

Urban areas where people live closer to work have a higher return-to-office rate since the pandemic. **B1**



Plot Twist! Movie Theaters Fear Popcorn Shortfall Will Be a Spoiler

Film fans return, but supply-chain drama foreshadows concession-stand shortages

By DEAN SCHWARZBAUM

Now playing at a theater near you: a suspense drama over whether there will be enough popcorn for the summer moviegoing season. The plot was palpable at CinemaCon, an annual convention for movie-theater operators this spring. The Las Vegas event, once a festive, coming after two years of pandemic-deflected screens. A list of vendors such as Mars Wrigley (M&M's), Snickers, Tostitos (honey-sugar) wares near makers of polyester theater-worrier vests and searing airports modeling the latest in auditorium recliners. But there was also a foreshadowing. Theaters are finding workers harder to hire, and inflation is hitting costs. Perhaps most chilling, supply-chain issues are foreshadowing shortages behind the concession stand, a crucial profit driver for theaters. "Popcorn supply will be tight," projected Norm Krug, chief executive of Preferred Popcorn, a company of about 150 farmers supplying the kernels to theater chains. Mr. Krug, on the convention floor wearing a tie with a popcorn-box motif, said outdoor economic factors were forcing him to pay farmers more than usual so they keep growing popcorn rather than switch to crops such as soybeans. He's worried... **A10**

Expats Desert Saudi Projects

'Demeaning' workplace culture cited in exodus of foreigners from key initiatives

By ROSE JONES

In the summer of 2020, two videogame companies canceled sponsorship deals with Saudi Arabia's planned city-state of Neom following fan complaints about the country's human rights record. Neom Chief Executive Nadham al-Azari called an emergency meeting on a weekend and asked his communications team why it hadn't warned him this might happen. "If you don't tell me who is responsible," Mr. Al-Azari said, according to people

with direct knowledge of the meeting. "I'm going to take a gun from under my desk and shoot you." Colleagues later consoling a woman who broke down crying, these people said. Most of the people in that meeting have since left Neom, part of an exodus of foreign staff, according to current and former employees. Neom is Saudi Crown Prince Mohammed bin Salman's most ambitious project, a group of futuristic technology-driven communities. **Please turn to page A10**

Salesforce. #1 CRM.

Ranked #1 for CRM Applications based on IDC 2021 Revenue Market Share Worldwide.

Source: IDC, Worldwide Software Revenue, Software Tracker, April 2022.

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