

What's News

Business & Finance

The Treasury's Yellen warned that the U.S. is likely facing a prolonged period of elevated inflation, while the World Bank sharply lowered global growth forecasts and flagged a risk of recession in many countries. **A1**

◆ **Target said its profit** would drop because it needs to cancel orders with vendors and offer discounts to clear out unwanted goods. **A1**

◆ **Commercial real estate** is showing the first signs of cooling in more than a year, disrupted by rising interest rates that are already causing some deals to collapse. **A1**

◆ **U.S. stock indexes** climbed in a volatile session, with the S&P 500, Nasdaq and Dow industrials gaining 0.95%, 0.94% and 0.80%, respectively. **B12**

◆ **Michael Barr edged** closer to being confirmed by the Senate as the Federal Reserve's top banking regulator after winning the support of a key Republican. **A2**

◆ **Foster Farms agreed** to a takeover by private-equity firm Atlas Holdings. The chicken company will install former Tyson Foods chief Donnie Smith as its leader. **B1**

◆ **Toshiba's CEO said** he wanted any buyer of the Japanese industrial conglomerate to keep it in one piece to promote innovation. **B3**

◆ **Western Digital reached** a settlement with activist investor Elliott Management that calls for the company to consider splitting into two. **B3**

World-Wide

◆ **European officials** blamed Moscow for a looming global food crisis as Russia's blockade of Ukrainian ports threatens the country's grain exports, while fighting rages in Ukraine's east. **A8-9**

◆ **Democratic and Republican** negotiators in the Senate focused talks on a narrow set of proposals designed to keep guns out of the hands of potentially dangerous young adults. **A4**

◆ **Seven states held** primaries on Tuesday, with a focus largely on setting House races for November after redistricting scrambled political boundaries. **A4**

◆ **San Francisco District Attorney Chesca Boudin** was recalled by voters, according to an Associated Press projection, in a blow to the progressive prosecutors movement. **A4**

◆ **The FTC is investigating** the six largest pharmacy-benefits managers over what impact their business models have on the accessibility and affordability of prescription drugs. **A7**

◆ **U.K. leader Johnson** pledged to refocus his government on tackling voters' priorities, trying to rally his party behind him after a bid by his fellow Conservative lawmakers to oust him. **A18**

◆ **Vaccine experts** advising the Food and Drug Administration endorsed Novavax's Covid-19 vaccine, voting overwhelmingly that the shot's benefits outweighed its risks. **A6**

JOURNAL REPORT

Cybersecurity: The biggest mistakes companies make. **R1-8**

CONTENTS Personal Journal **A12**
Arts in Review **A13** Property Report **B6**
Business News **B16** Sports **B17**
Crowned **B18** Technology **B4**
Heard on Street **B13** U.S. News **A27**
Markets **B12** Weather **A14**
Opinion **A25-27** World News **A8-9,10**



Treasury Secretary Janet Yellen, testifying before the Senate Finance Committee on Tuesday, said that the U.S. faces 'huge inflation pressures' that are likely to persist.

Yellen, World Bank Warn Of Stubborn Inflation

Rising prices expected to persist, slowing global growth, boosting risk of 'stagflation'

By Andrew DUEHREN AND YUKA HAYASHI

WASHINGTON—Treasury Secretary Janet Yellen warned that the U.S. is likely facing a prolonged period of elevated inflation, while the World Bank sharply lowered global growth forecasts and flagged a risk of

recession in many countries. Ms. Yellen, speaking Tuesday on Capitol Hill, said the White House would likely revise up its U.S. inflation forecast—which showed prices rising this year at nearly twice the pre-pandemic rate.

"I do expect inflation to remain high, although I very much hope that it will be coming down now," Ms. Yellen said, adding the Biden administration was updating its forecast from March that inflation would average 4.7% this year. In recent months, consumer inflation

trended above 8%. "The numbers aren't locked in, but it's likely to be higher" than the initial 4.7% forecast, she said.

Ms. Yellen's testimony before the Senate Finance Committee came as the World Bank, in a report, projected several years of high global inflation and tepid growth reminiscent of the stagflation of the 1970s.

Citing the damage from Russia's invasion of Ukraine and

◆ Imports drop, shrinking U.S. trade gap..... **A2**

Target Signals High Inventory Will Hit Profit

Retailer plans to use discounts to unload its surplus of goods as shopper demand shifts

By Sarah Nassauer

Target Corp. warned its profit would drop because it needs to cancel orders with vendors and offer discounts to clear out unwanted goods, the latest sign of the sudden mismatch between supply and demand inside U.S. stores.

Big retailers benefited over the past two years from the pandemic rush to buy patio furniture, laptops and home décor, as shoppers were buoyed by savings and government stimulus checks. Now many of those

same stores are grappling with a swift reversal of buying behavior, with consumers spending less on goods in favor of services and necessities such as food and fuel.

Less than three weeks after reporting a lower-than-expected quarterly profit, Target said Tuesday it has further tempered its profit outlook for the year. Inventory rose 43% in the April quarter as demand for outdoor furniture, small appliances and some electronics declined faster than expected and supply-chain snarls delayed the arrival of many goods past the ideal selling window, Target previously said. The company is

Please turn to page **A2**

◆ Heard on the Street: Target warning is an omen..... **B13**

Commercial Property Shows Cooling Signs

By Will Parker and Konrad Putzier

Commercial real estate is showing the first signs of cooling in more than a year, disrupted by rising interest rates that are already causing some deals to collapse.

Property sales were \$39.4 billion in April, which was down 16% compared with the same month a year ago, according to MSCI Real Assets. The decline followed 13 consecutive months of increases.

Property sales tanked sharply during the early months of the pandemic, when thousands of hotels temporarily closed and furloughed staff, nonessential retail stores closed, and offices emptied

out in favor of remote work.

A rebound began in late 2020, as investors took advantage of low interest rates and started to buy in anticipation of an eventual rebound. Demand for multifamily and industrial properties in particular helped fuel commercial sales through 2021 and into this year. The success of those sectors outweighed the drag on property markets caused by underperforming office buildings, which continue to be hurt by remote work.

Now, some analysts are starting to ask whether the rally is running out of steam. Hotels, office buildings, senior

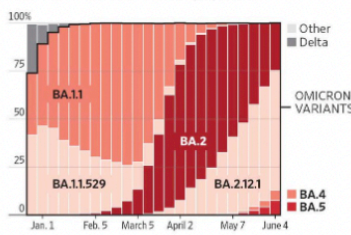
Please turn to page **A7**

◆ The Property Report..... **B6**

Covid Variants on the Rise

Cases of Covid-19 variants BA.4 and BA.5 are increasing in the U.S., adding two more highly contagious versions of the virus to the mix that fueled a springtime surge in cases. **A6**

Estimates of U.S. Covid-19 variant proportions



Note: For weeks ending on the date shown. Source: Centers for Disease Control and Prevention

Small Cities Lose Flights Despite Airline Travel Boom

Thirty airports in U.S. have lost at least half of their departures

By Allison Sider and Allison Pohle

With travelers buying plane tickets in droves, airlines are preparing for a surge and planning to provide seating for 11% more passengers this summer than last. You wouldn't know that, though, if you had to travel through some small cities.

A growing number of small airports have fewer flights, and some are at risk of losing service altogether. The regional airlines that serve them can't hold on to pilots, who are getting snapped up by bigger carriers.

Thirty airports in the continental U.S. have lost at least half the departures they had in 2019, according to an analysis of schedule data by Airline Data Inc.

In March, SkyWest Airlines Inc. notified airport officials in 29 cities that it intended to end service, citing the pilot staffing imbalance. In nearly all of those cities, SkyWest is the only commercial airline flying. For travelers near the Sioux City, Iowa, and Jamestown, N.D., airports, both of which SkyWest is attempting to leave, the next closest commercial airports are at least 80 miles away.

Regional airlines play a major role in U.S. air travel. They operate more than 40% of U.S. passenger flights, often flying on behalf of major airlines and helping to feed traffic

Please turn to page **A10**

◆ Travel abroad nears precrisis levels..... **B1**

In California, A Bumblebee Is a Fish
Court finds enough similarities to give equal protection

By Matt Grossman

What is black, yellow and coated in pollen? Bumblebee, you say? A panel of judges in California reviewed the matter and came up with fish, a judgment sending ripples across the state.

The unanimous ruling last week by a state appeals court was intended to straighten out a legal swarm involving conservationists, farmers and the interpretation of a scientific

The animal-kingdom confusion kicked off four years ago when public-interest groups asked California to include Please turn to page **A10**

Private-Equity Firms Now Woo Millionaires

By Miriam Gottfried

Private-equity firms have spent decades raking in giant sums from pension funds and other big institutions. Now they are going hot in hand to a different kind of investor: everyday millionaires.

Some of the biggest firms, including Blackstone Inc., Blue Owl Capital Inc., Apollo Global Management Inc. and Ares Management Corp., have created a host of new products aimed at people with \$1 million to \$5 million in investible assets and are hiring armies of staff to market them to private banks and independent financial advisers.

Behind the effort is the recognition that institutions, which committed nearly \$1.3 trillion to private markets in 2021, according to PitchBook, have all but filled up on them. Historically low interest rates since the 2007-09 financial

crisis led many to swap a portion of their public stock and bond portfolios for higher-returning investments in private equity, real estate, infrastructure and credit. That shift is now largely complete. Pension funds and sovereign-wealth funds had an average of 26% and 35%, respectively, of their portfolios in those asset classes as of the end of the year, according to Preqin. Some are even dialing back their private-equity allocations after the recent drop in public markets left them overexposed to it.

So private-equity firms are now looking at another opportunity that is potentially even bigger involving the so-called mass affluent. Individuals worth \$1 million or more held \$79.6 trillion in investible assets globally in 2020, according to a 2021 report by consulting firm Capgemini SE. Please turn to page **A8**

Are you wasting 50% of half your people?

If automation isn't unburdening your people, you're wasting your people.

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