

BUSINESS

WEDNESDAY, AUGUST 22, 2018 :: LATIMES.COM/BUSINESS

DOW 25,822.29 ▲ 63.60 | S&P 500 2,862.96 ▲ 5.91 | NASDAQ 7,859.17 ▲ 38.17 | GOLD \$1,192.60 ▲ 5.80 | OIL \$67.32 ▲ 0.89 | EURO \$1.1574 ▲ .0107 | U.S. T-NOTE (10-yr.) 2.84% ▲ 0.02



MYUNG J. CHUN Los Angeles Times

CHEESECAKE FACTORY'S shares plunged 12% after it posted second-quarter results. Above, the kitchen staff in Sherman Oaks.

At Cheesecake Factory, wages cause indigestion

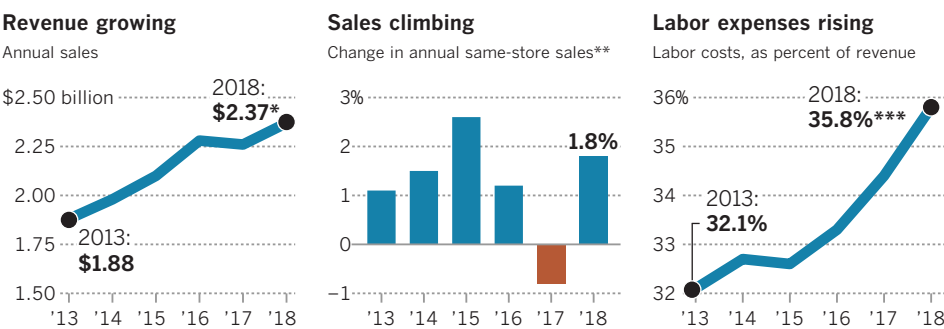
The chain cites rising labor costs for weak second-quarter results

By JAMES F. PELTZ

The rising minimum wage is a welcome development for hourly workers, but it carries a price for employers and consumers. Case in point: Cheesecake Factory Inc. The casual-dining chain saw its stock plunge 12% on Aug. 1 — its worst daily drop in a decade — after Cheesecake Factory posted disappointing second-quarter results and lowered its earnings forecast for the full year. One culprit was climbing labor costs, specifically “hourly wage-rate inflation,” Matthew Clark, Cheesecake Factory’s chief financial officer, told industry analysts. And that upward pressure will continue in California — Cheesecake Factory’s largest market, with 38 locations — because the minimum wage statewide will keep rising in steps until it reaches \$15 an hour in 2022. The wage will hit that level even sooner, in 2020, for large firms such as Cheesecake Factory in certain cities such as Los Angeles, Santa Monica and Pasadena, and unincorporated areas of L.A. County, that have their own wage ordinances. [See [Cheesecake](#), C5]

Cheesecake Factory’s mixed recipe

Cheesecake Factory Inc.’s revenue is growing and same-store sales are climbing again, but so are the chain’s labor expenses, in part because of the rising minimum wage.



* Analysts' consensus estimate. ** Sales at Cheesecake Factory restaurants open at least one year. *** As of July 3. Sources: FactSet, Cheesecake Factory Inc. JULIAN H. LANGE Los Angeles Times

LONGEST BULL MARKET EVER? MAYBE

S&P 500 index’s rally seems poised to make history. But it depends on how you look at it.

By ELENA POPINA

You’ve probably heard: It’s the longest bull market ever. You’ve probably also heard: No, it isn’t. What’s the story? According to a loose consensus, bull markets are rallies that exceed 20% and are never interrupted by a 20% fall. In many corners of Wall Street, that means the rally of the Standard & Poor’s 500 index that began in March 2009 is about to surpass all that went before. On Tuesday, the S&P 500 briefly traded at an all-time high, passing its Jan. 26 high-water mark of 2,872. The index fell back before finishing the day up 5.91, or 0.2%, to 2,862.96. Here’s the issue: What defines a bull market, or a bear market, isn’t chiseled in stone. Those definitions are not laws of nature. It’s not even clear where they come from. The 20% threshold strikes people as arbitrary, spurious, an invention. Pundits disagree on everything from the role of psychology in defining market eras to how strict the parameters should be for past ones. Several objections pertain to measurements, such as how to date the rally that the current one supposedly supplants: the dot-com bubble. Traditionally, stat- [See [Bull market](#), C4]

Facebook is rating its users on trust

As some account holders falsely report content as untrue, the social network is scoring reputations.

By ELIZABETH DWOSKIN

Facebook has begun to assign its users a reputation score, predicting their trustworthiness on a scale from zero to one. The previously unreported ratings system, which Facebook has developed over the last year, shows that the fight against the gaming of tech systems has evolved to include measuring the credibility of users to help identify malicious actors. Facebook developed its reputation assessments as part of its effort against fake news, Tessa Lyons, the product manager who is in charge of fighting misinformation, said in an interview. The company, like others in tech, has long relied on its users to report problematic content — but as Facebook has given people more options, some users began falsely reporting items as untrue, a new twist on information warfare that it had to account for. It’s “not uncommon for people to tell us something is false simply because they disagree with the premise of a story or they’re intention- [See [Facebook](#), C6]

Another Trump shot at state water policy

MICHAEL HILTZIK

Interior Secretary Ryan Zinke, stepping up the Trump administration’s attack on California water policy, on Friday issued a memo to his staff demanding a “plan of action” to circumvent state officials. He gave the staff 15 days to develop a proposal and present it to his deputy, a former lobbyist for big water users at odds with the state. Zinke’s memo represents the latest volley in a developing war between the Trump administration and the state over the distribution of water from state and federal projects. The administration has been pushing for more water deliveries to Central Valley farmers, many of whom are in districts that delivered votes to Trump in the last presidential election — even [See [Hiltzik](#), C5]



CHIP SOMODEVILLA Getty Images

INTERIOR Secretary Ryan Zinke has instructed his staff to produce an action plan aimed as “maximizing water supply deliveries,” in part by “streamlining” consultations related to the Endangered Species Act.