

# THE WALL STREET JOURNAL.

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## What's News

### Business & Finance

- ◆ **Stubborn inflation** pressures persisted in March, derailing the case for the Fed to begin reducing interest rates in June and raising questions over whether it can deliver cuts this year without signs of an economic slowdown. **A1, A2**
- ◆ **The fresh inflation shock** drove major U.S. stock indexes lower, depressing the S&P 500, Dow and Nasdaq by 0.9%, 1.1% and 0.8%, respectively. **A1**
- ◆ **Inflation in China** retreated sharply, reigniting concerns over deflation even as its economy starts to feel the benefit of a manufacturing-led revival. **A9**
- ◆ **Macy's averted** a fight for control of its board but added new directors who will help the company decide whether to accept a takeover bid it had previously resisted. **B1**
- ◆ **KPMG's Netherlands unit** agreed to pay a \$25 million fine over claims of training-course examination cheating and misinforming investigators. **B1**
- ◆ **Four Paramount Global** directors are expected to leave the board soon, as the Shari Redstone-controlled entertainment company discusses a merger with Skydance Media. **B1**
- ◆ **Philips said it reached** a final agreement with the Justice Department and FDA on terms of a settlement related to its Respironics ventilators, and backed its medium-term guidance. **B3**
- ◆ **Delta said it expects** strong summer travel demand as the airline posted a better-than-expected profit for the first three months of the year. **B5**
- ◆ **Lands' End is on track** to make an annual profit for the first time in three years, following a pandemic slump. **B3**

### World-Wide

- ◆ **Most small drones** made by U.S. startups have failed to perform in combat in Ukraine, dashing companies' hopes for sales and positive attention and diminishing the Pentagon's sources of reliable supplies of thousands of unmanned aircraft. **A1**
- ◆ **South Korean President Yoon's** ruling conservatives stumbled badly in legislative elections, an outcome that raises new foreign-policy questions for allies and foes. **A8**
- ◆ **U.S. intelligence reports** show that an attack on Israeli assets by Iran or its proxies could be imminent, U.S. officials said, as the top American military commander for the Middle East headed to Israel to coordinate a response. **A6**
- ◆ **Israeli airstrikes killed** three adult sons of the head of Hamas's political leadership on the first day of the Muslim holiday of Eid al-Fitr, an attack that could complicate a U.S.-led plan for a Gaza truce. **A6**
- ◆ **Richneck Elementary** School administrators dismissed or ignored security risks before a 6-year-old shot his teacher in Newport News, Va., last year, a special grand jury found. **A5**
- ◆ **House Speaker Johnson's** tenuous grip on the gavel was dealt another blow after holdout Republicans egged on by Trump derailed passage of a critical but controversial national-security spying law. **A5**
- ◆ **Allen Weisselberg**, the former finance chief of Trump's family business, was sentenced to five months in jail for lying during a civil-fraud investigation into the former president. **A3**

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## Inflation Upsets Rate-Cut Plans

Consumer-price index rose 3.5% in March, a touch higher than expected

By SAM GOLDFARB AND NICK TIMIRAO

Stubborn inflation pressures persisted in March, derailing the case for the Federal Reserve to begin reducing interest rates in June and raising questions over whether it can deliver cuts this year without signs of an economic slowdown.

The consumer-price index,

a measure of goods and services prices across the economy, rose 3.5% in March from a year earlier, the Labor Department said Wednesday. That was a touch higher than economists had forecast and a pickup from February's 3.2%.

Core prices, which exclude volatile food and energy categories, also rose more than expected on a monthly and annual basis.

Stocks fell, with the Dow Jones Industrial Average down more than 400 points to its lowest close in nearly two months. Yields climbed on U.S. government bonds, reflecting bets that the data could help

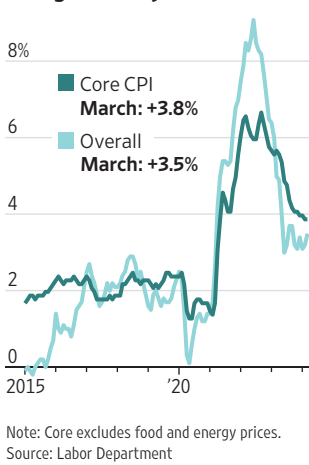
delay and diminish future interest-rate reductions.

The yield on the benchmark 10-year Treasury note settled at 4.559%, marking its highest close since November and its largest single-day increase since September 2022. An auction of 10-year Treasury notes on Wednesday afternoon was met by soft demand, with the weakest participation from investors since November 2022, according to BMO Capital Markets.

Futures contracts tied to the federal-funds rate show traders see rates ending the year around 5%, according to

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Consumer-price index, change from a year earlier



## Around the World, Muslims Mark End of Ramadan



ON HAND: A girl attends Eid al-Fitr prayers in Nairobi, Kenya, on Wednesday, as Muslims around the world celebrated the end of the holy month of Ramadan. For many, the holiday was overshadowed by the fighting in Gaza. **A6, A8**

## The Real Estate Nightmare in St. Louis

Downtown has empty office towers, copper thieves and failing retail—even the Panera left

By KONRAD PUTZIER

The Railway Exchange Building was the heart of downtown St. Louis for a century. Every day, locals crowded into the sprawling, ornate 21-story office building to go to work, shop at the department store that filled its lower floors or dine on the famous French onion soup at its restaurant.

Today, the building sits empty, with many of its windows boarded up. A fire broke out last year, which authorities suspect was the work of copper thieves.

Police and firefighters send in occasional raids to search for missing people or to roust squatters. A search dog died during one of the raids last year when it fell through an open window.

"It's a very dangerous place," said Dennis Jenkerson, the St. Louis Fire Department chief.

It anchors a neighborhood with deserted sidewalks sprinkled with broken glass and tiny pieces of copper pipes left behind by scavengers. Signs suggest visitors should "park in well-lit areas."

Nearby, the city's largest office build-

ing—the 44-story AT&T Tower, now empty—recently sold for around \$3.5 million.

Cities such as San Francisco and Chicago are trying to save their downtown office districts from spiraling into a doom loop. St. Louis is already trapped in one.

As offices sit empty, shops and restaurants close and abandoned buildings become voids that suck the life out of the streets around them. Locals often find boarded-up buildings depressing and empty sidewalks scary. So even fewer

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## For Most Teachers, Parental Leave Is Still Absent

By SARA RANDAZZO

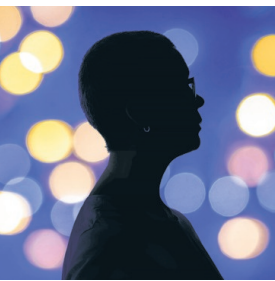
Elementary art teacher Kathryn Vaughn wasn't nearly ready to return to her rural Tennessee classroom three weeks after giving birth to her son in 2021.

But Vaughn's school district, like most in the U.S., offered no paid maternity leave. As her family's sole wage earner, she felt she had little choice but to go back to work, where she sneaked glances midday of a video feed of her son at home with her husband.

"It's the sad reality," she said of the parental-leave policies of her profession, one largely dominated by women and tasked with caring for other people's children.

Some 18% of the nation's largest school districts offer some form of paid parental leave, according to the National Council on Teacher

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### PERSONAL JOURNAL

Intervening during middle age can help you stay sharp as you grow older. **A11**



### SPORTS

Stewart Hagestad will play in the Masters, then go back to work on Wall Street. **A14**

## American Households Are Divided Over How to Load the Dishwasher

The divisive appliance keeps causing sudsy showdowns; 'control freak in the kitchen'

By NATASHA KHAN

Nina and Stephen Edwards have been on the same page for most things in their 25-year marriage: what to have for dinner, where to vacation, where to set the thermostat in their New York City home. But there is one thing they can't agree on: how best to load the

dishwasher.

Nina, an illustrator and adjunct lecturer at Pratt Institute, has a more freewheeling approach. Just make sure everything fits. "It might look random and messy," she says. "But I know where it all is."

Stephen, a professor of computer science at Columbia

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## U.S.-Made Drones Have Largely Failed In Ukraine Combat

By HEATHER SOMERVILLE AND BRETT FORREST

The Silicon Valley company Skydio sent hundreds of its best drones to Ukraine to help fight the Russians. Things didn't go well.

Skydio's drones flew off course and were lost, victims of Russia's electronic warfare. The company has since gone back to the drawing board to build a new fleet.

Most small drones from U.S. startups have failed to perform in combat, dashing companies' hopes that a badge of being battle-tested would bring the startups sales and attention. It is also bad news for the Pentagon, which needs a reliable supply of thousands of small, unmanned aircraft.

In the first war to feature small drones prominently, U.S. companies still have no meaningful presence. Made-in-America drones tend to be expensive, glitchy and hard to repair, said drone-company executives, Ukrainians on the front lines, Ukrainian govern-

ment officials and former U.S. defense officials.

Instead, Ukraine has turned to cheaper Chinese products. "The general reputation for every class of U.S. drone in Ukraine is that they don't work as well as other systems," Skydio Chief Executive Adam Bry said, calling his own drone "not a very successful platform on the front lines."

There has been a deluge of venture capital invested in startups trying to build small, AI-powered aircraft, hoping to sell them to the U.S. government. Startups have focused on commercial drones that can be built faster and cheaper than the large military drones made by traditional defense contractors. Nearly 300 U.S.-based drone-technology companies raised a total of around \$2.5 billion in venture-capital funding in the past two years, according to the data firm PitchBook.

Ukrainian officials have found U.S.-made drones fragile and unable to overcome Rus-

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## Stocks Drop as Price Data Rattle Markets

Doubts grow among investors about the Fed's plans, driving up Treasury yields

By KAREN LANGLEY

A fresh inflation shock drove major stock indexes lower Wednesday, heightening investors' worries that the Federal Reserve won't cut interest rates anytime soon.

Stocks dropped broadly, with 10 of the S&P 500's 11 sectors falling and the Dow Jones Industrial Average losing more than 400 points. Shares of smaller companies, banks and real-estate firms slid. The yield on the benchmark 10-year U.S. Treasury note, which rises when bond prices fall, posted its biggest one-day climb in more than 18 months.

Wednesday's moves came after data showed the consumer-price index rose more than Wall Street expected on both a monthly and annual basis. So-called core prices, which exclude the volatile categories of food and energy, also topped investors' estimates.

That marked the latest in a series of readings showing persistent growth and lingering inflation that has forced investors to reconsider when the Fed will shift from raising interest rates to cutting them. The prospect of rate cuts had sparked a rally that helped send major indexes to records, but now investors are doubting central bank officials will cut rates many times in 2024. Some are even beginning to question whether any cuts are in store.

"If you travel 1,000 miles to go fishing, the most important aspect is the last 30 feet where you're presenting the fly to the fish," said Richard Saperstein, chief investment officer at Treasury Partners. "Inflation has come down, yet the final stage in moving it towards their anticipated goal of 2% is not occurring."

The S&P 500 dropped 0.9%, paring its 2024 advance to 8.2%. The tech-heavy Nasdaq Composite lost 0.8%.

The Dow industrials re-

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- ◆ **Fed prepares to slow pace of asset runoff**..... **A2**
- ◆ **Heard on the Street: Buy on the freakouts**..... **B10**