

# THE WALL STREET JOURNAL.

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Last week: DJIA 51876.11 ▲ 311.41 0.60% NASDAQ 25297.62 ▼ 4.6% STOXX 600 635.88 ▲ 0.04% 10-YR. TREASURY ▲ 20/32, yield 4.372% OIL \$69.23 ▼ \$6.62 EURO \$1.1384 YEN 161.75

## What's News

### Business & Finance

- ◆ **Chinese AI systems** have matched the performance of Anthropic's powerful model Mythos in some cybersecurity scenarios, a development poised to reset the global tech race and pressure the White House in its overhaul of U.S. AI policy. **A1**
- ◆ **Investors have never been** more eager to ratchet up their stock returns through margin loans, which hit a record \$1.4 trillion in May from a year earlier, and through funds that amplify gains and losses, but that may be a sign of trouble. **A1**
- ◆ **Taser-maker Axon's** founder and CEO Rick Smith topped last year's list of the highest-paid CEOs, with a compensation package valued at \$164.4 million. **B1**
- ◆ **CEOs making more than** \$100 million hit a four-year high in 2025, and nearly a dozen chiefs blew past the \$200 million mark. More corporate bosses surpassed \$50 million as well. **B2**
- ◆ **Airlines are** in an amenities arms race to fly passengers in comfort and style, but some of the offerings are still waiting to be certified by aviation authorities. **B1**
- ◆ **Saks Global is emerging** from Chapter 11 bankruptcy and rebranding itself as Exemplar Luxury Group. **B3**
- ◆ **The EU said** Amazon.com and Microsoft should be required to take extra steps to ensure they aren't stifling competition for cloud computing services. **B4**
- ◆ **Germany's famously open** economy turned it into one of the biggest winners of globalization, but that openness is now its biggest liability. **A6**

### Worldwide

- ◆ **The U.S. and Iran** have agreed to end days fighting around the Strait of Hormuz and resume peace talks, said officials from the U.S. and other countries. During the recent fighting, Iran asserted the exclusive right to manage traffic in the strait. **A1**
- ◆ **Top Justice Department** officials closed a probe of an Abbott Laboratories facility, despite some prosecutors' belief there was evidence to criminally charge the company for allegedly selling contaminated baby formula. **A1**
- ◆ **California's proposed** billionaire tax will appear before voters in November, teeing up a fight among Democrats over wealth, affordability and the future of their party. **A3**
- ◆ **The U.S. is set** to pay a record \$55 billion to help ease American farmers' economic woes if Congress approves Trump's new request for \$11 billion to deal with effects from the war with Iran. **A4**
- ◆ **Rep. Julia Letlow** has won a GOP Senate runoff in Louisiana, defeating state Treasurer John Fleming in the contest to succeed Sen. Bill Cassidy, who had run afoul of Trump. **A4**
- ◆ **Trump has nominated** Lance Schroyer, a veteran of Oklahoma law enforcement, to serve as his next director of U.S. Immigration and Customs Enforcement. **A4**
- ◆ **In South Africa,** angry citizens wielding traditional whips, spears and clubs are taking it upon themselves to force foreigners out, and the government seems unable or unwilling to stop them. **A8**
- ◆ **China is preparing** new legal tools for striking back against economic pressure from abroad, raising risks for foreign businesses. **A9**

**CONTENTS**

Opinion.....	A15-17
Arts in Review.....	A14
Business & Finance B2-3	Personal Journal A11-12
Crossword.....	A13
Heard on Street.....	B10
Market Data.....	B6
Markets.....	B9
U.S. News.....	A2-5
World News.....	A6-9

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## No Relief as Heat Wave Fans Out Across Europe



**SEEKING SHADE:** Visitors outside the Colosseum in Rome looked for relief on Sunday. Temperature records were broken across several countries in Europe over the weekend as the deadly heat wave moved east. **A8**

## U.S., Iran Agree to Halt Days Of Strikes In Strait

Talks in Doha could begin as soon as Tuesday and focus on Hormuz traffic

The U.S. and Iran have agreed to end days of back-and-forth fighting around the Strait of Hormuz and resume peace talks, said officials from the U.S. and other countries involved in the negotiations.

By Benoit Faucon, Robbie Gramer and Alexander Ward

The dangerous period of violence that began Thursday disrupted President Trump's attempt to end hostilities with Iran and negotiate a settlement that addresses Tehran's nuclear program. Traffic in the Strait of Hormuz fell during the tit-for-tat strikes, slowing the recovery of a waterway through which 20% of the world's crude oil once flowed. A U.S. official said vessels would now move freely.

The U.S. offered to hold talks with Iran at a summit in the Qatari capital of Doha, some of the officials said. Details for the Doha summit have yet to be finalized, some of the officials said, but it could take place as early as Tuesday and would focus on Hormuz, which has again come to the fore of the conflict.

Axios first reported the agreement to stop fighting and resume talks.

During the worst fighting since both sides signed a

## China Resets AI Race With U.S. As Security Models Mark Gains

Advances intensify industry worries over White House barriers to developer releases

Chinese artificial-intelligence systems have matched the performance of Anthropic's Mythos model in some cybersecurity scenarios, a development poised to reset the global tech race and pressure the White House over its overhaul of U.S. AI policy.

Security researchers said that a new AI model, released this month by China's Zhipu AI, also known as Z.ai, can match the latest U.S. models when it comes to finding security bugs, although it still lags behind Anthropic's and OpenAI's products in other tasks.

Overall, the capability gap between top U.S. models and those built by Chinese companies has narrowed significantly, and use of Chinese AI systems has surged as businesses seek to rein in runaway

By Robert McMillan, Raffaele Huang and Amrith Ramkumar

costs. A host of companies, including Microsoft, are weighing how they can offer Chinese models on their platforms, a development that is set to alter the balance of power among tech companies.

"China is making sure that the gap becomes smaller and smaller over time," said Lior Div, chief executive officer of

cybersecurity company 7AI.

The ability of AI systems to find bugs in software has added urgency to efforts to use models to close vulnerabilities that could be exploited by hackers. Otherwise, the world will face what some researchers call a bugmageddon.

Unlike models from Anthropic or OpenAI, Zhipu's GLM-5.2 is open-weight. That means it can be downloaded and run on hardware operated by anybody and can be modified. *Please turn to page A9*

## Debt Binge Drives Stocks Into Risky Territory

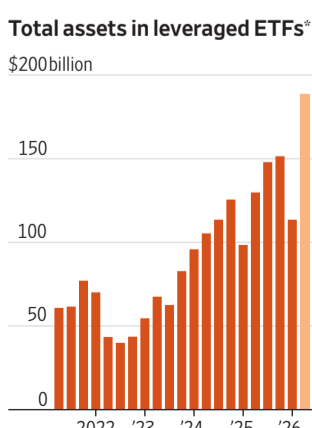
By JACK PITCHER

Investors have never been more eager to ratchet up their stock returns through margin loans and funds that amplify gains and losses. It may be a sign of trouble.

U.S. margin debt, or what investors borrow from their brokerages to buy securities, rose 54% to a record \$1.4 trillion in May from a year earlier, according to Finra data. Meanwhile, high-risk leveraged exchange-traded funds that produce double or triple the daily move of underlying stocks are growing rapidly, as is trading in options tied to them.

The risks surfaced last week in South Korea, a market dominated by highflying semiconductor stocks and rife with investors eager to pile on leverage. Korean stocks gyrated, triggering circuit breakers meant to stop losses on the way down. As the souring mood spilled into U.S. trading, hitting AI-related stocks, a chorus of investors and analysts

*Please turn to page A2*



### INSIDE



ALISON JOYCE/BLOOMBERG NEWS

#### U.S. NEWS

As travel prices climb, Americans are scaling back their vacation plans. **A3**

#### BUSINESS & FINANCE

Disney's boss is 100 days into his tenure to make the company faster and fiercer. **B1**

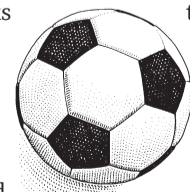
## FIFA Told Stadium Sponsors to Get Lost. It Was Marketing Gold.

Levi's, Gillette and others had to cover up during World Cup—and got more exposure

By KATIE DEIGHTON

When the stadium in Santa Clara, Calif., was selected as one of 16 sites for World Cup games, it looked like a coup for Levi's. The sports complex is ringed with four elephant-size logos of the apparel company, one of the perks of a \$220 million naming-rights sponsorship that saw its brand splashed far and wide during the Super Bowl.

FIFA, soccer's world governing body, had other plans. It told stadium sponsors across the U.S., Mexico and Canada that every inch of their sponsors' branding had to be removed. FIFA has its own marketing deals and it didn't want anything to divert attention from its corporate



No logos

partners, who combined in 2026 are paying it an estimated \$1.8 billion for World Cup marketing rights.

But something unexpected has happened since Levi's followed orders to shield its brand from public view: It's gotten even more attention.

In the process, the company started an exposure-grabbing movement among Heinz, Gillette and other brands that were supposed to go into hiding this summer. Instead they have banded together in a rare display of gentle mockery of an organization that doesn't mess around.

The coverup crew of Levi's Stadium sneaked one past *Please turn to page A13*

## The Father Who Bankrolled School Football Team for Son

Eric Obrokta put millions into First Academy high school as he worked to propel his son's college career. It ended in disaster.

By HARRIET RYAN

In Orlando, The First Academy is a destination for families of affluent evangelicals. "Central Florida's #1 Private Christian School" asks applicants to its now \$28,370-a-year high school for reference letters from pastors. Prospective parents have been quizzed about Scripture. An honor code requires students to avoid cursing, witchcraft and "professing to be a homosexual."

On the athletic fields of its 160-acre campus, the children of doctors, lawyers and other professionals won state championships in golf and baseball. But in football, Florida's marquee high-school sport, the TFA Royals were an afterthought with small

players and a cupcake schedule.

That changed in 2024 after a wealthy entrepreneur named Eric Obrokta stepped in. The father of a TFA student with ambitions to play high-level football, Obrokta sank millions into the school.

More than 30 players, including some bound for big college programs, suddenly transferred to TFA before the 2024 season. The offensive line, once anchored by a 160-pound center, came to average about 280 pounds. There were new uniforms and helmets, NFL-style sideline monitors, drones for filming practice and a coach with a \$230,000 compensation package.

Unsurprisingly, TFA crushed the competi- *Please turn to page A11*

## Closed Baby Formula Probe Found Issues

WASHINGTON—The Justice Department spent years investigating Abbott Laboratories over how it managed a baby formula facility where potentially deadly bacteria was discovered and suspected of causing infant deaths, worsening a national shortage.

By Dave Michaels, Sadie Gurman and Liz Essley Whyte

Some prosecutors believed they had evidence to criminally charge the company under a law they have used to pursue other businesses for allegedly selling contaminated foods, according to people familiar with the matter. Some supervisors also thought it was a good case, they said. Top decision makers instead closed the probe, the people said, opting for a lighter-touch option: clawing back money the company earned from selling for-

mula through federally funded nutrition programs.

The outcome, which hasn't been previously reported, illustrates how the Justice Department under President Trump has moved away from strict approaches to corporate enforcement and raised the bar for punishing companies. Trump in an executive order last year called for minimizing the use of criminal sanctions, where civil penalties could be used instead.

Prosecutors had been considering a misdemeanor charge against Abbott for violating the federal Food, Drug and Cosmetic Act and a separate count for misleading the government, some of the people said. Investigators in early 2022 had found traces of a potentially deadly bacteria at its plant in Sturgis, Mich., including on equipment very close to infant formula containers—as well as *Please turn to page A5*