THE WALL STREET JOURNAL.

DOW JONES | News Corp ** WEDNESDAY, AUGUST 9, 2017 ~ VOL. XXXV NO. 133 WSJ.com EUROPE EDITION

DJIA 22085.34 ▼ 0.15% NASDAQ 6370.46 ▼ 0.21% NIKKEI 19996.01 ▼ 0.30% STOXX 600 382.65 ▲ 0.17% BRENT 52.14 ▼ 0.44% GOLD 1256.40 ▼ 0.14% EURO 1.1731 ▼ 0.56%

What's News

Business & Finance

Google fired the employee who wrote an internal memo suggesting men are better suited than women for tech jobs. **A1, B4**

◆ **Uber plans** to wind down its U.S. subprime car-leasing due to high losses, just two years after starting the business. **A1**

◆ **Co-founder Kalanick** won't return as CEO, Uber's chairman said. **B4**

◆ **Michael Kors** and Ralph Lauren reported quarterly sales declines but better-than-expected earnings, boosting their shares. **B1**

◆ **U.S. public pensions** saw returns jump in fiscal 2017 but still face a $4 trillion funding gap because their liabilities are so large. **B1**

◆ **J.P. Morgan canceled** a program that let customers replace lost debit cards at bank branches, in part due to an uptick in fraud. **B1**

◆ **Disney said** it will launch an ESPN video-streaming service, as it reported that the sports network continued to pressure results. **B1**

◆ **Time plans** a cost-cutting program after declines in circulation and advertising led to a quarterly loss. **B3**

◆ **Blackstone agreed** to acquire a majority stake in Banco Popular Español's real-estate portfolio. **B6**

◆ **Wells Fargo** is facing more regulatory scrutiny related to the bank's auto insurance practices. **B6**

◆ **Nissan agreed** to sell its car-battery operations to a Chinese investment firm. **B4**

World-Wide

◆ **Tillerson pressed** Southeast Asian nations to shut down North Korean front companies as the U.S. seeks cooperation on sanctions enforcement. **A4**

◆ **Trump demanded** that Pyongyang stop making threats against the U.S., vowing a harsh reaction. **A4**

◆ **U.S. demand** for Mexican temporary workers is surging as the Trump administration moves to curb immigration. **A2**

◆ **Arrests of people** caught trying to illegally cross the Mexican border into the U.S. rose again in July. **A7**

◆ **U.S. tax-overhaul efforts** are being shaped by a debate about whether workers or investors bear the greater burden of corporate levies. **A5**

◆ **South Africa's Zuma** survived his eighth motion of no-confidence in the face of corruption allegations. **A3**

◆ **Pakistan's ousted premier** said the country is headed toward tragedy if elected leaders keep being removed. **A3**

◆ **Kenyans headed** to the polls to elect a new president after a hotly contested race raised fears of violence. **A3**

◆ **South Carolina is suing** the federal government for $100 million over plutonium at a site in the state. **A5**

◆ **An earthquake** in the Chinese province of Sichuan killed seven people and trapped 100 tourists. **A4**

◆ **The U.S. is set** for steady growth, while the U.K. and Russia could face slowdowns, the OECD forecast. **A4**

CONTENTS

€3.20; CHF5.50; £2.00;
U.S. Military (Eur.) $2.20

32
9 779219 986139

Trump Warns North Korea Will Face 'Fury' if Threats Continue

EVAN VUCCI/ASSOCIATED PRESS (LEFT); WONG MAYE-E/ASSOCIATED PRESS

ON NOTICE: President Donald Trump on Tuesday demanded that North Korean leader Kim Jong Un not 'make any more threats' to use nuclear weapons against the U.S., saying Washington would respond 'with fire and fury like the world has never seen.' **A4**

Uber Retreats on Leasing

Ride-hailing giant to end U.S. car-lease program because of unsustainable losses

By Greg Bensinger

Uber Technologies Inc. plans to wind down its U.S. subprime car-leasing division to stem unsustainably high losses, according to people familiar with the matter, a major retreat just two years after starting the business.

The ride-hailing company is aiming to close out or sell most of the business by year-end, these people said. As many as 500 jobs could be affected by the exit of the Xchange Leasing program, representing roughly 3% of Uber's 15,000-employee staff.

Uber executives were prompted to hit the brakes on the auto-leasing unit in part because they recently came to a major realization: The average loss per vehicle was about 18 times what they had thought.

The Xchange Leasing division had been estimating modest losses of $500 per auto on average, these people said. But managers recently informed Uber executives that the losses were actually about $9,000 per car—about half the sticker price of a typical leased vehicle.

Uber executives last month briefed a board committee on the unit's growing losses and agreed to put an end to it, the people said.

After investing billions of dollars to rapidly expand its app into more than 70 countries, Uber has sought to tame losses that totaled more than $3 billion last year. Last month, Uber merged its Russian operation with the more popular ride-hailing app in that country, Yandex.Taxi.

Investors have exerted pressure on Uber to rein in

Please see LEASE page A2

◆ Kalanick won't return as Uber chief executive........ B4

Google Employee Is Fired For Memo

By Jack Nicas

Google fired the employee who wrote an internal memo suggesting men are better suited for tech jobs than women, escalating a debate over free speech at the firm.

Google Chief Executive Sundar Pichai said in an email to his staff that the employee's memo violated company policy. Google, part of **Alphabet** Inc., didn't publicly name the memo's author.

Software engineer James Damore, who said in an email that he wrote the memo and was fired for it, said he was considering legal action against Google for firing him on Monday after he complained to federal labor officials about executives' alleged efforts to silence him.

Mr. Damore published an internal memo last week that criticized Google's efforts to increase diversity at the company, arguing the program discriminated against some employees. He said men were generally better at engineering jobs than women and a liberal bias among executives and many employees made it difficult to discuss the issue at Google.

The memo went viral inside the company, which spilled into public view when Google employees publicly criticized it and eventually leaked it to the media.

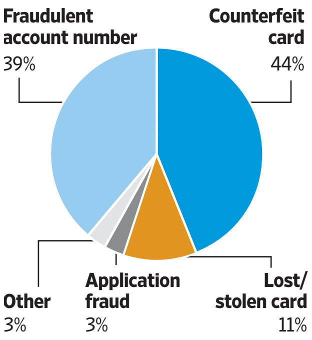
The controversy posed a thorny question for one of the world's largest companies, one

Please see MEMO page A2

◆ Uproar stirs debate on voicing opinions at work........ B4

Fraud Fears Hit Debit Cards

Card fraud breakdown, 2015



Source: Federal Reserve
THE WALL STREET JOURNAL.

J.P. Morgan Chase canceled a debit-card replacement program amid an uptick in fraud. **B1**

FORD CHAIRMAN: 'IT IS ME NOW'

Bill Ford led management shake-up to shift faster into electric vehicles and self-driving cars

By Christina Rogers and Joann S. Lublin

Two decades ago, when Bill Ford took the helm of his family's auto company, he was ready to talk about the coming shift to electric vehicles and the eventual demise of car ownership.

His ideas were dismissed. At one point, when he wanted Ford Motor Co. to invest in developing alternative transportation, "the board kind of looked at me like once again I was over my ski tips," Mr. Ford said in an interview.

As years went by, other auto makers and tech companies got on board with his way of thinking. They overtook Ford in electric and self-driving technologies, and in April, Tesla Inc., which sells stylish electric cars, passed Ford in investor value, a dashboard warning signaling Wall Street's skepticism about the growth prospects of traditional car makers.

Ford was being left behind, and the man with his name on the door, who for years had largely deferred to management, decided to intervene.

In the past, the family heir let CEOs take the center stage. But what was leading the industry forward—new concepts in fuel efficiency and transportation—had been his focus for years. Plus, he was changing, spurred by the death in 2014 of his father, William Clay Ford Sr., who was a presence at the company for more than 50 years.

His passing "made me realize it is me now," said Mr. Ford, referring to securing the family's leadership. "I've got to do this."

A month after the Tesla milestone, Mr. Ford led a rare management shake-up, people familiar with the decision said. Chief Executive Mark Fields, a 28-year veteran, was out, and Jim Hackett, the executive brought aboard in 2016

Please see FORD page A6

Bad Debts Bedevil European Lenders

When a small Italian bank was looking to buy a portfolio of nonperforming loans last year, its due diligence turned up an unpleasant surprise: Virtually all the documentation for the 40,000 loans was on paper.

By Giovanni Legorano in Rome and Nektaria Stamouli in Athens

With each loan dossier consisting of about 1,000 pages, "we were talking about several 18-wheelers full of paper," recalls Andrea Clamer, head of **Banca Ifis** SpA's bad-loans unit. So he knocked the price down by 10%, paying less than 5% of the loans' €1 billion ($1.17 billion) face value. Teams of employees have since spent months manually sorting and scanning all of the paper.

Efforts have accelerated to combat the bad-loan problem afflicting much of southern Europe. In Italy, where the central bank says 16% of all loans are nonperforming, banks may shed more than €60 billion in bad loans this year, according to PricewaterhouseCoopers LLP,

Please see LOANS page A2

INSIDE

NIC BOTHMA/EUROPEAN PRESSPHOTO AGENCY

ZUMA SURVIVES CHALLENGE

WORLD NEWS, A3

'GIG ECONOMY' FIRMS HUSTLE FOR WORKERS

MANAGEMENT, B5

MALL OWNERS: DON'T COUNT US OUT YET

PROPERTY REPORT, B9

Was the Bride Lovely? I Forgot To Take Off My Eclipse Glasses

* * *

Some couples plan to marry during the eclipse, presenting logistical issues

By Daniela Hernandez

During most weddings, all eyes are on the bride.

Halfway through the ceremony joining Haley Cohen and Phil Schembri in Wilson, Wyo., however, the couple expects everybody to turn away. For at least two minutes and 15 seconds.

Ms. Cohen and Mr. Schembri are among the couples who have gone to great lengths to schedule their nuptials during the Aug. 21 solar eclipse, which will cast a shadow of darkness across the U.S., from Oregon to the Carolinas as the moon passes directly between the Earth and the sun. And, yes, they all hope it's a good omen.

"Weddings are so cookie-cutter now," Ms. Cohen said, "you have to make sure it's something special."

Some couples are astronomy nerds. Others just want a bit of solar flair. The last eclipse to traverse the continental U.S. was in 1918.

The once-in-a-lifetime opportunity does present some logistical challenges: corralling guests to a Monday wedding for one, repeated calls for the DJ to play the 1980s song "Total Eclipse of the Heart" and dark wedding photos featuring guests in near-blackout eclipse glasses.

One complication, notes Mr. Schembri, a 29-year-old astronautical engineering student, is that the glasses, which the couple will provide as wedding favors, filter out so much light that nothing but the brightest objects will be visible. That, he says, means their 30 guests aren't "going to be able to see us."

In any event, Mr. Schembri is certain that he and Ms. Cohen will only have eyes for each other. That's because it's their wedding day and they're very much in love. Also, they don't plan to wear their glasses at the altar for most of the ceremony and staring at the eclipse in its partial

Please see ECLIPSE page A6

WORLD NEWS

U.S. Demand for Mexican Laborers Jumps

In the first nine months of fiscal 2017, number of mostly Mexican workers rose by 20%

By Robbie Whelan

MEXICO CITY—Demand in America for Mexican farmhands, landscapers and other temporary workers is surging as the Trump administration moves to curb immigration and renegotiate its trade relationship with Mexico.

That demand is prompting both countries to search for ways to ease labor shortages in key parts of the U.S. economy.

In the first nine months of fiscal 2017, which began Oct. 1, the U.S. Labor Department certified more than 160,000 temporary workers—the bulk of them from Mexico—to harvest berries, tobacco and other crops in the U.S. under the H-2A agricultural visa program. That was up 20% from the year-earlier period.

The annual issuance of H-2A visas nearly doubled from 85,248 in fiscal 2012 to 165,741 in 2016. The U.S. doesn't cap the number of these visas.

Outside agriculture, use of another type of seasonal-work visa also has surged in response to increased U.S. demand for unskilled laborers such as hotel housekeepers. The Department of Homeland Security in July raised the annual cap on H-2B visas by more than 20% to 81,000. The majority of workers

SANDY HUFFAKER/AGENCE FRANCE-PRESSE/GETTY IMAGES

Workers harvest celery in Brawley, Calif. Demand is causing a search for ways to ease labor shortages.

receiving this type of visa also are from Mexico.

Among the employers that applied in the past year for guest workers under the H-2B program are two operations owned by the Trump Organization, the real-estate company controlled by President Donald Trump's family: the Mar-a-Lago resort in Florida and a Virginia vineyard. The Trump Organization declined to comment.

In raising the cap, DHS said it had "considered the needs of American businesses and other factors, including the impact on U.S. workers."

American farmers for several years have voiced concerns about labor shortages, often paired with complaints about the H-2A visa program, which many see as overly bureaucratic, costly and time-consuming. The program requires employers to pay for food, housing and transportation for seasonal guest workers. Still, most farmers say the program is crucial to the U.S. agricultural industry.

"It's extremely burdensome," but cutting the program would "bring the industry to its knees" because there aren't enough U.S.-born farmworkers, said Steve Scaroni, owner of large-scale farms in several states and founder of Fresh Harvest, one of the largest recruiters of H-2A workers in the U.S. "Within a week, there wouldn't be salad in the store" if the program was canceled, he said.

In 2015, farmers in California's Santa Barbara and San Luis Obispo counties, which grow roughly 30% of the strawberries in the U.S., reported $13 million in losses because they lacked enough labor to harvest their crops in a timely manner.

Last year, vegetable farmers in the two counties reported they had 22% less workers than needed on average, while berry farmers put the worker shortage at 26%, according to a survey conducted by a local growers association.

Last week, Mr. Trump unveiled legislation alongside two Republican senators that would make the U.S. immigration system more merit-based and change how the country issues permanent resident cards to foreigners with the aim of raising wages. The proposal doesn't address temporary worker visas.

In early July, Mr. Trump and President Enrique Peña Nieto of Mexico agreed to explore new ways of allowing Mexican guest workers into the U.S., but stopped short of committing to an expansion of existing visa programs.

Mexico's government argues that the guest-worker programs help tamp down on illegal border crossings, a Trump administration priority.

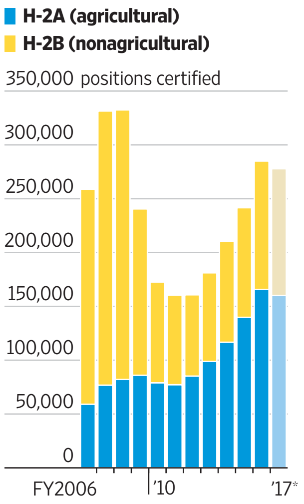
"If there are possibilities to have legal, temporary immigration, that deals with the problem of the work force supply, and then you won't have an illegal immigration problem," said Ildefonso Guajardo, Mexico's economy minister.

The U.S., Mexico and Canada are set to start renegotiating the North American Free Trade Agreement on Aug. 16. Mr. Guajardo said the renegotiation would likely address Nafta's professional visa program, which allows some skilled workers to live and work in Nafta countries.

Advocates for migrants have pushed to expand that program to include a broader range of professions. But U.S. Agriculture Secretary Sonny Perdue said in a recent interview that the Nafta talks likely won't address the concerns by U.S. growers about labor shortages.

Hungry for Workers

Visa certifications for temporary workers, a proxy for seasonal U.S. labor demand, have nearly doubled since 2011 and appear to be on track to match the 10-year high reached in 2008.



*Through third quarter
Note: Fiscal year ends Sept. 30.
Source: U.S. Department of Labor
THE WALL STREET JOURNAL.

MEMO

Continued from the prior page
that espouses free speech: How would it handle an employee who offered opinions that were, to many inside the company, offensive?

"Portions of the memo violate our code of conduct and cross the line by advancing harmful gender stereotypes in our workplace," Mr. Pichai said in his email. He added that the company's code of conduct requires "each Googler to do their utmost to create a workplace culture that is free of harassment, intimidation, bias and unlawful discrimination."

Mr. Damore said in an email that he "was fired for 'perpetuating gender stereotypes,' but I believe it was politically motivated." He said he believes he has "a legal right to express my concerns about the terms and conditions of my working environment and to bring up potentially illegal behavior, which is what my document does."

Before he was fired, several Google executives publicly criticized his memo. Mr. Damore said that prompted him to submit a formal charge to the National Labor Relations Board "about how Google's upper management is misrepresenting and shaming me in order to silence my complaints." In reference to his firing, he added, "It's illegal to retaliate against a NLRB charge. I'm currently exploring all possible legal remedies."

Mr. Damore's firing is likely to spark a larger debate inside and outside Google about free speech. The memo received both support and disapproval from colleagues inside Google, according to news reports.

Mr. Pichai said in his Monday email: "We strongly support the right of Googlers to express themselves, and much of what is in that memo is fair to debate, regardless of whether a vast majority of Googlers disagree with it." Mr. Pichai said he scheduled an employee town hall on Thursday to discuss the issue.

Danielle Brown, Google's vice president for diversity and inclusion, said in a statement to employees after the memo was published online Saturday that it "advanced incorrect assumptions about gender" and is "not a viewpoint that I or this company endorses, promotes or encourages." Google engineering executive Ari Balogh, one of Mr. Damore's managers, wrote

MICHAEL SHORT/BLOOMBERG NEWS

Google CEO Sundar Pichai

that the memo "troubled me deeply" because it suggested "most women, or men, feel or act a certain way. That is stereotyping, and it is harmful."

The memo also drew condemnation from outside Google. Facebook Inc. Chief Operating Officer Sheryl Sandberg posted a story on Facebook that said differences between men and women were exaggerated. "Inequality in tech isn't due to gender differences. It's due to cultural stereotypes that persist. We all need to do more," she wrote.

The controversy comes against a backdrop of broader debates about diversity in the tech industry, which employs a majority of white or Asian men, particularly in technical and leadership roles. A string of sexual-harassment scandals has also plagued some tech companies and investment firms over the past year.

Google, meanwhile, is facing a Labor Department investigation into whether it compensates men and women differently. Last month, an administrative law judge ruled Google had to turn over some data to the Labor Department as part of the probe, which began as a routine audit into a federal contractor. Google sells advertising and cloud services to the federal government. During the case, a Labor Department official testified that initial evidence showed Google systematically pays women less than men.

Google denies the allegation, saying its internal analyses have shown no pay gap among Alphabet's nearly 76,000 employees. The Labor Department hasn't formally charged Google with any wrongdoing.

Google said in its annual diversity report in June that 31% of its employees are women, unchanged from a year earlier. The percentage of black employees also was unchanged at 2%, and the number of Hispanic workers increased to 4% from 3%. Most Google workers are white and Asian men.

LOANS

Continued from the prior page
partly as a result of this summer's €25 billion government bailout of three ailing lenders.

Greece has passed new laws aimed at kick-starting a market for bad loans, and banks there have added staff—a fivefold increase to about 10,000—to chip away at their €110 billion of bad debt. Meanwhile, investors have poured hundreds of millions into new funds to buy up debt representing bundles of loans. Investors make money mainly by buying nonperforming loans at a fraction of their face value and renegotiating terms with borrowers or seizing collateral.

Yet the lenders face such a long slog in bringing the bad debt to manageable levels that bank executives and analysts don't expect a resolution of the problem for years to come. Instead, nonperforming loans will continue to eat up capital and depress lending, they say, possibly stifling the long-awaited recovery under way in Europe.

The enormity of the problem caused a crisis of confidence in southern banks last year. In response, the European Central Bank has forced several banks to present plans to trim their bad loans.

UniCredit SpA, whose shares plummeted last year in part on concerns over bad debt, sold €18 billion of bad loans to two investors last month. Greece's **Eurobank** and **Alpha Bank** plan to sell more than €6 billion in bad loans by the end of 2018, officials there say.

In a recent report, Morgan Stanley calculates that Italian banks alone have announced plans to dispose of as much as €100 billion in bad loans over the next three years. Even so, it could take Italian banks 10 years to reach the European average for bad debt, it says.

Meanwhile, the disposal of bad debt in Italy is so complex that banks are unable to recover much on their own. Instead, about two-thirds of the disposals will come from write-offs and sales, often at cut-rate prices that can eat into banks' capital cushions and profits, according to the analysis.

Indeed, most of the sales announced so far are of unsecured debt at steep discounts. In some cases, a lack of proper documentation forces banks or debt servicers to drop attempts to recover the loan. "For a portfolio worth 300,000 to 400,000 euros, which can include 30,000 to 40,000 borrowers, it takes three months and costs us €20 per borrower simply to have the correct information to start out with," says Carmine Evangelista, head of debt servicer AZ Holding.

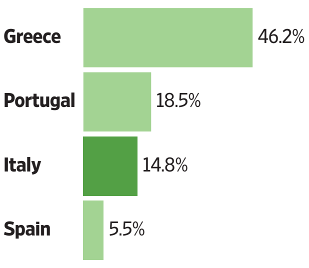
In Spain, organized groups of squatters target properties the banks are anxious to sell, demanding money from the lenders in exchange for vacating the premises. In Portugal, bankers say, it can take them six years to seize assets backing bad loans, roughly double what it takes on average in Europe.

In Greece, about half of all restructured debt turns sour again. So-called strategic defaulters—solvent borrowers who stop paying loans—represent one out of every five bad loans, according to bank officials. Creditors take several years to secure a court decision on insolvency procedures, compared with six months in Ireland, according to EU data.

As a result, bankers privately say it is all but impossible to meet ECB-set targets of reducing problematic loans by 40% in two years. "This is the biggest challenge of my career," says Theodoros Kalantonis, Eurobank's deputy CEO in charge of troubled assets. "This job requires a strong stomach, knowledge of many technical issues and rarely offers any joy."

Tough Shedding

Ratio of nonperforming loans and advances



Note: As of end of Q1 2017
Source: European Banking Authority
THE WALL STREET JOURNAL.

LEASE

Continued from the prior page
costs and prepare for a possible initial public offering following the ouster of Travis Kalanick as chief executive in June. As Uber's board searches for a new CEO, a 14-member executive committee is making weighty decisions while also dealing with the aftermath of a monthslong investigation into its culture, a trade-secret lawsuit from Alphabet Inc. and fierce ride-hailing battles around the world.

News of the planned shutdown follows a report from The Wall Street Journal that exposed safety problems at Uber's rental-car operation in Singapore, which the company began in 2013 and has extended to Vietnam and India.

Uber launched the U.S. car-leasing program in 2015 under Mr. Kalanick, and had high hopes for it, investing some $600 million in the business, according to the people familiar with the matter. The idea was to offer leases to new drivers who otherwise might not be able to get cars because of spotty credit histories, in an attempt to maintain a healthy supply of vehicles, crucial to keeping fares and driving times low.

Uber has since expanded Xchange Leasing into 24 U.S. metro areas, including 14 branded showrooms. To support new car leases, Uber last year raised a roughly $1 billion credit facility from a consortium of banks including Goldman Sachs Group Inc., J.P. Morgan Chase & Co., Citigroup Inc. and Morgan Stanley.

But Uber has struggled to control losses at Xchange Leasing despite rates of more than $500 a month—well above an equivalent lease price from a regular dealer. The high lease fees pushed many drivers to work longer hours and return the vehicles in poor shape, damaging their resale value, these people said. A fickle pool of drivers mixed with inconsistent earnings made it a challenging business to maintain, they said.

Uber had relied on a network of established dealers to offer leases, but soon found they were pushing drivers into more expensive vehicles, lowering their likelihood of turning a profit, according to a person familiar with the business. So Uber decided to start opening leasing facilities of its own, where it could better control the lease terms and streamline the process of registering new drivers.

Another person familiar with the matter said Uber might try to sell off the vehicles or the whole division and has held some preliminary discussions already. Uber may move some of the 500 workers into other divisions of the company such as customer service, this person said.

Uber has said Xchange Leasing was never meant to be profitable on its own, though executives were scrambling to bring the program closer to break-even, the people said. Vehicle depreciation and costly repossessions cut into Xchange Leasing's profits, they said.

Unlike the Asian car-leasing program—which involves Uber buying cars from importers and leasing them to drivers—with Xchange Leasing, Uber holds titles in a trust rather than on its balance sheet. Uber has titles to nearly 40,000 vehicles through Xchange Leasing and would need to sell the vehicles. The San Francisco company has leased a variety of vehicles through the program, including Ford Focus, Hyundai Elantra and Nissan Sentra sedans.

A 2014 Toyota Corolla was recently being offered for a term of 130 weeks at $122 a week, totaling roughly $500 a month, according to marketing materials distributed by Uber. Leases for current-model Corolla sedans, by comparison, can be had for around $150 a month after a $1,500 payment, according to Toyota's website, though generally for customers with high credit ratings.

A 130-week lease for a base-trim 2014 Corolla would end up costing a driver more than $16,000, which compares with the Kelley Blue Book fair purchase price of about $11,700. As Xchange Leasing is only two years old, no driver has yet gone through to the end of a vehicle lease.

The Thinking Behind The Lease Program

Uber is plagued by constant turnover among its drivers, who may find wages are less than anticipated or simply grow tired of the work.

As a result, Uber has tried a host of programs to get more drivers on the road, including a recent partnership with Avis Budget Group Inc.'s Zipcar allowing for hourly rentals. Last year it reached deals with Toyota Motor Corp. and General Motors Co. to offer leases or rentals to potential drivers.

Unlike more traditional leases, Uber allowed drivers to return vehicles with just two weeks' notice after the first month and didn't restrict mileage, a bid to keep the vehicles racking up rides. If a driver isn't logging shifts, payment obligations continue to pile up.

Uber keeps a $250 deposit that drivers pay if they turn in their cars early, which is a fraction of typical termination fees. Drivers' earnings are deducted through the app to help pay for the lease, which also gives them a disincentive to drive for rival Lyft Inc. or small competitors. Uber installs tracking devices on many of the vehicles, which can help in repossessing the vehicles from drivers who miss multiple payments.

—Greg Bensinger

CORRECTIONS & AMPLIFICATIONS

Readers can alert The Wall Street Journal to any errors in news articles by emailing
wsjcontact@wsj.com.

THE WALL STREET JOURNAL.
Europe Edition ISSN 0921-99
The News Building, 1 London Bridge Street, London, SE1 9GF

Thorold Barker, Editor, Europe
Grainne McCarthy, Senior News Editor, Europe
Cicely K. Dyson, News Editor, Europe
Darren Everson, International Editions Editor

Joseph C. Sternberg, Editorial Page Editor

Anna Foot, Advertising Sales
Jacky Lo, Circulation Sales
Andrew Robinson, Communications

Jonathan Wright,
Global Managing Director & Publisher

Advertising through Dow Jones Advertising Sales: Hong Kong: 852-2831 2504; Singapore: 65-6415 4300; Tokyo: 81-3 6269-2701; Frankfurt: 49 69 29725390; London: 44 207 842 9600; Paris: 33 1 40 17 17 01; New York: 1-212-659-2176

Printers: France: POP La Courneuve; Germany: Dogan Media Group/Hürriyet A.S. Branch; Italy: Qualiprinters s.r.l.; United Kingdom: Newsprinters (Broxbourne) Limited, Great Cambridge Road, Waltham Cross, EN8 8DY

Registered as a newspaper at the Post Office.

Editeur responsable: Thorold Barker M-17936-2003. Registered address: Avenue de Cortenbergh 60/4F, 1040 Brussels, Belgium

NEED ASSISTANCE WITH YOUR SUBSCRIPTION?
By web: http://services.wsje.com
By email: subs.wsje@dowjones.com
By phone: +44(0)20 3426 1313

WORLD NEWS

Zuma Survives Strong Challenge

South African parliament votes on president's fate amid corruption allegations

By Gabriele Steinhauser

JOHANNESBURG—South African President Jacob Zuma survived his eighth motion of no-confidence on Tuesday, displaying his control over the ruling African National Congress in the face of mounting allegations of corruption against him and his government.

A total of 177 lawmakers voted in favor of ousting the president, while 198 voted against the motion to remove him. Nine lawmakers abstained from the vote.

Even before Baleka Mbete, the speaker of the National Assembly, announced the results, ANC deputies started dancing and chanting, leaving little doubt that their embattled president had shrugged off yet another challenge.

Although the result fell short of the ANC's majority of 249 members in the 400-member assembly, the vote still leaves Mr. Zuma strengthened, showing that he can rein in dissent within the storied liberation movement when it matters. Many prominent ANC members had urged lawmakers to oust the president in an effort to save the party from sagging approval ratings and opposition parties marked a surprise win Monday, when Ms. Mbete announced that the motion would be voted in secret.

Opposition supporters march in Cape Town, South Africa, ahead of the parliamentary vote.

MIKE HUTCHINGS/REUTERS

It wasn't enough.

"We reject the craven opportunism and hypocrisy of members of the political opposition who have consistently sought to portray our [members of parliament] as unprincipled and cowardly," the ANC said in a statement, congratulating Mr. Zuma on his victory.

The vote had captivated a country that has been pounded by almost daily revelations, stemming from a huge email leak, of how the president, his family and several ministers have allegedly helped the controversial Gupta family make billions from fraudulent government contracts. Mr. Zuma, the Guptas—a family of Indian immigrants that has built a corporate empire stretching from media to mining—and the implicated ministers have all denied the allegations.

Sharing a minibus taxi in Johannesburg, more than a dozen commuters were listening intently to the radio, where lawmakers were debating the motion of no-confidence. "The ANC is no longer the ANC of the people. Zuma must just go," an elderly woman said, earning a few supportive "yeses" from those around her. But in parts of Soweto, a poor township south of Johannesburg where Nelson Mandela and Desmond Tutu once lived, ANC supporters stormed to the streets after the vote, dancing and blowing vuvuzelas.

Opposition parties first called for the vote in April, shortly after Mr. Zuma dismissed popular Finance Minister Pravin Gordhan and his deputy, Mcebisi Jonas, sparking nationwide protests and two downgrades of South Africa's credit rating to junk. But the vote was delayed as they awaited a Constitutional Court ruling on whether a secret ballot was possible.

During the debate, Mmusi Maimane, the leader of the opposition Democratic Alliance, urged ANC lawmakers to vote against the president and repeatedly quoted ANC members who had spoken out against Mr. Zuma. "It is not about who tabled this motion and who didn't," he said. "Today our choice is between right and wrong, between good and evil."

Minister of Arts and Culture Nathi Mthethwa, meanwhile, rejected the motion as an attempted coup d'état by "agents of apartheid," saying it was "founded on fake news."

Mr. Zuma's term as president runs out in 2019, but the ANC will elect a new party leader—and candidate for the next national elections—to succeed him in December.

—Nthabiseng Gamede contributed to this article.

Pakistan's Ousted Premier Stays in The Fray

By Saeed Shah

ISLAMABAD—Ousted Pakistan Prime Minister Nawaz Sharif warned that the country is headed toward tragedy if elected leaders keep being removed, as he prepared for a show of strength with a political tour from the capital to his hometown.

"We want democracy to be respected, the Pakistani people's mandate to be respected, rule of law, for the constitution to be implemented," Mr. Sharif told a group of journalists Tuesday. "It shouldn't be that there's a hobbled democracy."

Mr. Sharif was disqualified from office last month by the Supreme Court for not being honest—a requirement for lawmakers under the constitution.

Despite losing his job, Mr. Sharif still wields great power. The ruling Pakistan Muslim League-N party is built around him and his family. He chose his successor, former petroleum minister and party loyalist Shahid Khaqan Abbasi, who was supposed to be quickly replaced by Mr. Sharif's brother, Shehbaz. However, the former prime minister said Tuesday that Mr. Abbasi may remain in the job.

Starting Wednesday, Mr. Sharif will lead a vehicle cavalcade along the historic Grand Trunk Road to his home and power base, Lahore, stopping frequently at towns along the way to greet and address supporters.

The 200-mile journey is to take two to three days, in what his aides say will be a demonstration of his popularity with the people.

The route passes through battleground area for elections due next year. Opposition leader Imran Khan, who brought the case against Mr. Sharif, has said that the journey is an act of defiance against the court verdict.

The former premier faces a corruption trial expected to start in the next few weeks. If convicted, Mr. Sharif could go to jail, lawyers say. He denies corruption and believes the Supreme Court dismissed him on unfair grounds—for not declaring a salary, from a family company, that he says he never received.

Mr. Sharif said that he intends to start a "grand debate" about democracy in Pakistan. Mr. Sharif has been elected prime minister three times, and each of his terms has been cut short (two by military intervention). No Pakistan prime minister has been able to complete his or her tenure—usually removed by the military, the courts or assassination—in its 70-year history.

The prime minister will lead a rally to his hometown in a show of popularity.

"Will this keep happening to the country?" he said. "Will there ever be rule of law and supremacy of the people's mandate in this country? Are 200 million people just sheep, that they vote and elect a prime minister and are then insulted and disrespected like this?"

Mr. Sharif's party won in a landslide in 2013. His aides believe that the military found common cause with the courts to oust him, to prevent his reelection next year. The military denies any involvement.

Mr. Sharif declined to spell out what he thought lay behind his removal, saying that he hoped the answer would emerge through the national debate he envisages.

Mr. Sharif began his term in 2013 by saying he wanted to see civilian supremacy, and pushed for peace with neighbors India and Afghanistan, leading to clashes with the military as it traditionally controls these policy areas.

—Qasim Nauman contributed to this article.


THOMAS MUKOYA/REUTERS

People stood in line outside a polling station in Nairobi on Tuesday to cast their vote in the country's hotly contested presidential race.

Kenyans Vote in Tense Presidential Election

By Matina Stevis And Joe Parkinson

NAIROBI—Kenyans headed to the polls to elect a new president after a hotly contested race between the country's top political dynasties raised fears of violence in one of Africa's most dynamic democracies.

A projected 20 million Kenyans were casting ballots Tuesday at 40,000 polling stations across East Africa's largest economy. The contest is pitting the scions of two major political families against one another: incumbent Uhuru Kenyatta, the 55-year-old businessman son of Kenya's first president, and Raila Odinga, the 72-year-old son of the first vice president.

After a bruising two-month campaign marked by acrimony, the murder of an election official, an explosion of fake news and mounting concerns of violence, opinion polls have put the candidates neck-and-neck. The winner needs one vote more than 50% to win. Final results aren't expected until Wednesday at the earliest, but election officials have up to a week to declare the outcome.

In a potent sign of electoral tensions and the importance of the vote as a bellwether for democracy in Africa, former U.S. President Barack Obama urged Kenyan leaders to reject violence and incitement.

"Respect the will of the people; urge security forces to act professionally and neutrally; and work together no matter the outcome," said Mr. Obama, whose father was Kenyan.

Voters began lining up before sunrise on Tuesday in a drizzle-soaked Nairobi, with election officials predicting a high turnout. At a polling station in the capital's diverse Brookside district, most voters said they were optimistic.

"There's a lot riding on this. We are hoping for the best but I know communities are also preparing for the worst," said Daniel Gitonga, a 27-year-old barista.

The narrowing margin between the candidates has raised fears that glitches in the country's expensive new polling technology could give the loser grounds to question the result and bring supporters onto the streets. In 2007, accusations of cheating prompted nationwide clashes in which more than 1,100 people died and hundreds of thousands were displaced.

At stake is Kenya's hard-won stability and standing as a dynamic regional hub for enterprise and a destination for local and international businesses. The result and conduct of the vote will reverberate across Kenya's borders, from war-torn Somalia where Kenyan troops are fighting the Islamist insurgency al-Shabaab, to the faster-growing economies of Ethiopia, Rwanda and Tanzania, where democracy is in retreat.

"There is a tsunami of money that would flood into Kenya if this election can be pulled off well," said Aly Khan Satchu, an investment expert in Nairobi. "From an economic perspective, this is a pivot election."

The largest and most sophisticated economy in East Africa, Kenya avoided the economic slowdown that hit many of its mineral-exporting neighbors when prices for oil and ores plunged in 2014. Gross domestic product grew 6% last year, outperforming the sub-Saharan average rate of 1.4%.

Lured by stability and an open market, international capital has poured into Kenya, cementing the country's position as a hub for finance and technology. But the infrastructure-driven growth has inflated a mushrooming debt load. Kenya's debt-to-GDP has jumped to 55%—some 10 percentage points higher than a decade ago.

Both presidential candidates are pledging to spend on development projects and stamp out corruption, but tribal divisions continue to frame Kenyan politics. Mr. Kenyatta says his leadership transcends ethnic divides, though he is dependent on support from his Kikuyu tribe, the nation's largest, and its allies; Mr. Odinga says his Luo tribespeople and other friendly smaller tribes have been neglected.

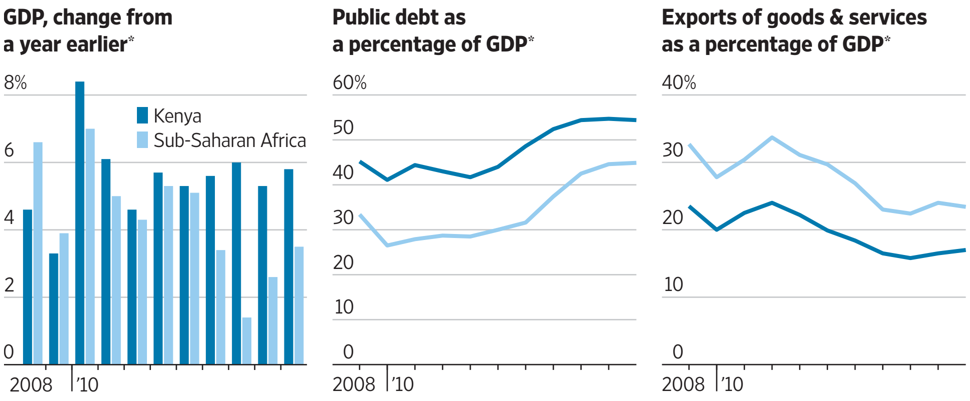
After the 2007 violence pitted tribes against one another, Mr. Kenyatta and his deputy, William Ruto, were accused of crimes against humanity at the International Criminal Court. The charges were later dropped.

Kenya's Western allies, concerned about the prospect of violence, have poured in \$90 million in election assistance, deploying hundreds of international monitors and helping fund some 6,000 local observers in a mission to be led by former U.S. Secretary of State John Kerry.

"The system is being tested today," said Mr. Kerry as he headed into a polling station. "It's important that the legitimate processes are followed."

Mixed Picture

While Kenya's growth has far outpaced the sub-Saharan average, its debt has been piling up and exports shrinking.



*2008 figure is an average 2004-'08. 2017 and '18 figures are estimates.
Source: International Monetary Fund

THE WALL STREET JOURNAL.

Tillerson Seeks Help on Sanctions

Secretary of state pushes Southeast Asian allies to clamp down on North Korea

U.S. Secretary of State Rex Tillerson ramped up pressure Tuesday on Southeast Asian nations to shut down North

By Jake Maxwell Watts in Manila and Ben Otto in Kuala Lumpur, Malaysia

Korean front companies, seeking cooperation on sanctions enforcement from longtime allies despite recent friction.

Mr. Tillerson visited Thailand and Malaysia after an Asian security summit in the Philippines at which North Korea flatly rejected any bid to force negotiations over its growing nuclear deterrent and said those weapons weren't targeted at any other nation than the U.S.

North Korea launched two missiles last month that officials said would be capable of striking the U.S. mainland, which was followed last Saturday by new sanctions on Pyongyang by the United Nations Security Council, the toughest yet on North Korea.

Mr. Tillerson is the most senior U.S. official to visit Thailand since the military seized power in a 2014 coup d'état, and also the most senior U.S. official to visit Malaysia since U.S. investigators began probing an alleged multibillion-dollar misappropriation from state-owned fund 1Malaysia Development Bhd. around two years ago.

Malaysia's relations with North Korea were shaken after Kim Jong Nam, the half-brother of North Korea's leader, was killed in broad daylight in a Kuala Lumpur airport in February. South Korean intelligence officials believe the killing was orchestrated by Pyongyang. North Korea has denied any connection with the killing.

At the summit in the Philippines, Mr. Tillerson called on Southeast Asian foreign ministers and more than a dozen other nations gathered there to enforce the sanctions. Mr. Tillerson also sought to build the U.S. relationship with Manila, 10 months after Philippines President Rodrigo Duterte declared his "separation" from the U.S., a treaty ally, saying

ATHIT PERAWONGMETHA/REUTERS (TOP); ED JONES/AFP

U.S. Secretary of State Rex Tillerson paid his respects in front of a portrait of Thailand's late King Bhumibol Adulyadej on Tuesday, above. Below, a woman stood at the entrance to a supermarket in Pyongyang in July.

that he wanted to forge a new independent foreign policy.

Cooperation from Asian countries, especially in Southeast Asia, is essential if sanctions are to work, according to experts who study sanctions enforcement and North Korean business. Many countries in the region maintain diplomatic and economic relationships with North Korea that officials believe have allowed the regime to evade sanctions.

Susan Thornton, acting assistant secretary of the State Department's East Asian bureau, said Mr. Tillerson wanted to persuade Thailand's ruling military junta to take the lead in Southeast Asia on freezing out the North Korean regime. Relations with Thailand soured after the Obama administration raised concerns about the military's conduct in Thailand when it seized power.

A U.S. official said that North Korea was also on the agenda of evening talks with Malaysian Prime Minister Najib Razak.

U.S. investigators probing 1MDB's finances have frozen more than $1 billion in assets linked to the fund, which was set up in 2009 by Mr. Najib. Malaysia's attorney general has cleared Mr. Najib of any

wrongdoing in the alleged 1MDB misappropriation. The fund has denied wrongdoing and said it will cooperate with any lawful investigation.

"Southeast Asia is a logical place to focus on," said Sheena Greitens, an assistant professor of political science at the University of Missouri and an expert on North Korea sanctions evasion. "Many of the existing U.N. sanctions on the books already aren't strictly enforced, and so the effect of recent measures such as the U.N. resolution is going to depend heavily on how seriously countries take enforcement."

North Korea maintains eight embassies in Southeast Asia, including in Thailand, Malaysia and Indonesia. While China is by far North Korea's largest trading partner, Thailand and the Philippines were among its top five largest import partners in 2015, estimates by trade experts show.

There are signs that some states are recalibrating their relations. One Southeast Asian diplomat said his country wasn't approving some staff at the North Korean embassy and had denied meetings at a senior level. The 10-member Association of Southeast Asian Nations called on North Korea on Saturday to comply with sanctions and said they supported "irreversible denuclearization of the Korean Peninsula."

In Bangkok on Tuesday, Foreign Minister Don Pramudwinai said Thailand had cut trade with North Korea by more than 90% in the first six months of this year, compared with the same period a year earlier. He said Thailand would also implement U.N. sanctions but that "we are not going to completely cut ties."

North Korea has used embassy staff, who enjoy diplomatic immunity, to conduct illicit business abroad to support the regime's agenda, according to U.N. sanctions reports.

North Korean businesses overseas are hard to track, frequently changing names and staff and benefiting from confusion in some cases about whether they are from North or South Korea, according to the U.N. and sanctions experts.

North Korea also earns money by allowing some citizens to work abroad for the regime. Wages are paid directly to North Korean officials, raising hundreds of millions of dollars each year, according to estimates by human rights groups.

—Warangkana Chomchuen in Bangkok contributed to this article.

Trump Warns Kim of U.S. 'Fury'

By Eli Stokols

WASHINGTON—President Donald Trump on Tuesday demanded North Korea not "make any more threats" to the U.S., saying the U.S. would respond "with the fire and the fury like the world has never seen."

On vacation in Bedminster, N.J., Mr. Trump made the comments to reporters before a briefing on opioid addiction.

"North Korea best not make any more threats to the U.S.," the president said. "They will be met with the fire and the fury like the world has never seen. He has been very threatening beyond a normal state," he continued, referring apparently to North Korean leader Kim Jong Un.

Mr. Trump's remarks came in response to provocative statements from Pyongyang in recent days, including a threat to use nuclear weapons against the U.S. if militarily provoked, and a vow never to negotiate on its nuclear and missile weapons programs.

North Korea's remarks came after a unanimous U.N. Security Council vote on Saturday to impose stiff sanctions on the Pyongyang regime that would slash about $1 billion from North Korea's annual foreign revenue.

Last month, North Korea fired two intercontinental ballistic missiles within target range of the continental U.S. and Europe. Diplomats said this raised the stakes and elevated North Korea's military and nuclear threat from regional to global.

On Wall Street, the president's comments shook up an otherwise quiet summer session. The Dow Jones Industrial Average closed down about 33 points, or 0.2%, to 22085, snapping a 10-session streak of consecutive gains. The S&P 500 and Nasdaq Composite Index each fell about 0.2% as well.

Haven assets rose. The yield on 10-year Treasury notes fell, while gold bounced back from its lowest level of the month.

—Chris Dieterich and Erik Holm

WORLD WATCH

OECD

U.S. Appears Poised For Steady Growth

The U.S. is set for steady economic growth, while the U.K. and Russia appear to be heading for slowdowns, according to leading indicators released Tuesday by the Organization for Economic Cooperation and Development.

The leading indicator for the U.S. was unchanged at 99.7 for the third straight month, signaling that its growth outlook has steadied, albeit at a weaker rate than normal.

This is an improvement on indicators published in July, which hinted at a U.S. slowdown, and implies global economic prospects could be boosted as U.S. trade flows pick up.

The Paris-based research body's gauge of future activity, based on data for June, continued to point to faster growth in Germany, France, China and Brazil.

The leading indicators suggest global economic growth is on course to pick up in 2017 and maintain that slightly stronger rate of growth into 2018.

These indicators are designed to provide early signals of turning points between the expansion and slowdown of economic activity and are based on data series that have a history of anticipating such swings. The changes signaled usually follow six to nine months later.

The OECD's composite leading indicator for its 34 member countries was steady at 100. A reading below 100 indicates growth that is slower than normal.

Across the Group of 20 largest economies, which account for most of the world's output, growth firmed in the final three months of 2016 and stayed at that faster pace in the first three months of 2017.

—Paul Hannon

CHINA

Trade Continues To Fuel Expansion

China's unexpectedly robust economy is still getting a boost from trade, with exports and imports growing last month, albeit at a more moderate pace.

China's exports increased 7.2% in July from a year earlier, down from an 11.3% gain in June while imports expanded 11.0% from a year earlier, slower than June's 17.2% expansion, the General Administration of Customs said Tuesday.

Though both rates were lower than analysts expected, exports have now risen for five months in a row on sustained overseas demand.

Imports slowed in part due to softer commodity prices, but overall are holding up on the strength of a continuing domestic property boom, economists said.

—Grace Zhu and Liyan Qi

CHINA

Sichuan Earthquake Leaves Seven Dead

An earthquake measuring 6.5 in magnitude struck a remote and mountainous part of the southwestern province of Sichuan on Tuesday, the U.S. Geological Survey said, killing seven people and trapping 100 tourists in a popular scenic spot.

The quake hit a sparsely populated area 200 km (120 miles) west-northwest of the city of Guangyuan at a depth of 10 km, the USGS said. It had earlier put the quake at magnitude 6.6 and 32 km deep.

The Sichuan earthquake administration said the epicenter of the tremor was in Ngawa prefecture, largely populated by ethnic Tibetans, many of whom are nomadic herders.

It was also close to the Jiuzhaigou nature reserve, a tourist destination.

State television said seven people had been killed and 88 were injured, 21 of them seriously. The official People's Daily said five of the dead were tourists.

Sichuan's government added that 100 tourists had been trapped by a landslide, but that there were no reports of any deaths or injuries among them yet.

—Reuters

JERRY TAVIN/EVERETT COLLECTION; JUNJI KUROKAWA/ASSOCIATED PRESS (BOTTOM)

'Godzilla' in 1954 and original suit actor Haruo Nakajima during an interview in 2014. Mr. Nakajima, who died Monday, played the role in a dozen films to 1972.

JAPAN

Actor Who Played Godzilla Dies at 88

The man who dressed in a rubber suit to play the original Godzilla, crashing through Japanese cities and destroying them with swipes of his massive tail, has died at the age of 88, film company Toho said on Tuesday.

Haruo Nakajima, who donned the cumbersome suit to play the monster who rose from the depths after a hydrogen bomb test in the original 1954 "Godzilla," died on Monday of pneumonia, a Toho spokesman said.

The first suit weighed 100 kg (220 lb) and was so hard to breathe in that an oxygen tube was attached, Mr. Nakajima reminisced in later years. He played the monster in a dozen films in total, running through to 1972.

The first "Godzilla"—his name a combination of "gorilla" and the Japanese word for whale—crashed ashore as a symbol of atomic weapons less than a decade after the Hiroshima and Nagasaki bombings, as well as of frustrations with the United States, which had just held a hydrogen bomb test at Bikini Atoll that irradiated a boat full of Japanese fishermen.

The most recent film in the franchise, which has included both Japanese and U.S.-made films, came out from Toho in 2016.

—Reuters

BELGIUM

No Explosives Are Found After Car Chase

Authorities found no signs of explosives after a 36-year-old Rwandan man touched off a bomb scare in the Belgian capital on Tuesday following a car chase in which police opened fire.

"He didn't stop at at least one traffic light and bumped two police cars who tried to stop him," said Ine Van Wymersch, spokeswoman for the Brussels prosecutor's office.

One police officer opened fire in his attempt to stop the car but no one was injured, Ms. Van Wymersch added.

The chase ended Tuesday evening with the man being arrested in the Brussels neighborhood of Molenbeek, where several terrorists involved in recent attacks came from.

When arrested, the man claimed that he was carrying explosives in his car. But after several hours, a bomb disposal unit deployed to the site found no trace of explosives, Ms. Van Wymersch said.

Belgium has been on the second-highest terror alert since 2015.

—Valentina Pop

Debate on Tax Cuts Hinges on Who Gains

Economists disagree whether Investors or workers bear the brunt of corporate levies

By Richard Rubin

TING SHEN/XINHUA/ZUMA PRESS

Treasury Secretary Steven Mnuchin, shown in July in Washington, says most of the corporate-tax burden is borne by workers.

WASHINGTON—Tax-overhaul efforts in Washington are being shaped by a debate about whether it is workers or investors who bear the greater burden of U.S. corporate taxes.

If the load falls mainly on investors, cutting corporate taxes will mostly benefit high-income households in which there is a greater proportion of stockholdings. If employees bear the brunt of the burden, corporate tax cuts could be a path to boosting middle-class incomes by raising wages and employment opportunities, which would support a promise by President Donald Trump's administration to tilt tax cuts toward the middle class.

Economists largely agree that workers do shoulder a part of the corporate tax burden, and that permanent cuts could help them, particularly if those changes encourage investment. But agreement largely ends there, with wide-ranging differences of opinion about how the share of the tax burden is divided.

Official estimates from Congress and the Treasury Department have said owners of capital pay the majority of corporate taxes—a position held by many Democrats. Administration officials, Senate Finance Chairman Orrin Hatch (R., Utah) and conservative advocates are challenging that view as they mount a campaign this fall to lower business tax rates and build broad support for the idea.

The two views of who is hurt by the corporate tax could lead to fiery disagreements between Republicans and Democrats about who stands to benefit the most from a tax rewrite as the issue is debated in the coming months.

"This is about creating jobs," Treasury Secretary Steven Mnuchin said on CBS in April, noting many surveys show that 70% or more of the tax burden is borne by the U.S. worker. "This is about putting money back in the American worker's pocket."

Although some research supports a 70-30 labor-capital breakdown, many other analyses cut the other way, including work by Treasury Department staff in 2012 and estimates used by the Congressional Budget Office and the Joint Committee on Taxation. Their research attempts to determine how companies would distribute any after-tax profits and which groups would benefit from new, incentivized investments.

The JCT, which evaluates tax bills that move through Congress, estimated that capital bears 75% of the long-run corporate tax burden, with labor paying the rest. Treasury Department staff estimated that 82% of corporate taxes are paid by owners of capital.

"The focus of tax reform is to deliver a major tax cut for middle-income Americans and encourage American businesses to create jobs, all to build sustained economic growth," a Treasury Department aide said in a recent statement.

However, no academic model or foreign data perfectly capture what would happen if the U.S. were to change its 35% corporate tax rate for the first time since 1993.

"There's a pretty wide band of possible outcomes that are plausible," said Alan Auerbach, a tax economist at the University of California, Berkeley.

Until a few years ago, the Treasury Department and the JCT assumed the burden of corporate taxes fell entirely on owners of capital. Holders of stock get what is left over from a company's profit after it covers its expenses, including its taxes and worker pay. Reducing corporate taxes would thus mean more money available for shareholders.

The nature of a global economy complicates the situation, however, as corporations are taxed differently depending on their location and as capital flows easily across borders. A high corporate tax pushes investment and hiring to foreign economies, punishing domestic workers. By this logic, reducing the corporate tax could help domestic workers by drawing in capital.

That effect is in turn countered by the fact that the world economy isn't entirely open and there isn't unlimited investment that would flow into one country if its taxes dropped.

"I don't think any paper finds that it's a negligible incidence on workers," said Aparna Mathur, a resident scholar at the American Enterprise Institute, a conservative think tank.

Even if the benefits of a cut flow to workers, the uneven U.S. wage distribution means high-income workers would capture a significant portion of that benefit. And, so far, it is companies, not workers, that have been the loudest advocates for corporate tax cuts.

Attorney General Scuttles Forensics Team

By Beth Reinhard

BRENDAN SMIALOWSKI/AGENCE FRANCE-PRESSE/GETTY IMAGES

Attorney General Jeff Sessions, left, accompanied by his deputy, Rod Rosenstein, spoke last week.

Prosecutors notched a victory this week over academics and defense attorneys in the long-running debate about what qualifies as sound crime-scene evidence versus "junk science" used to wrongly convict defendants.

Guidelines for the use of forensic evidence in court, previously developed by a partnership between the Justice Department and a panel of scientists, will now be spearheaded by a former state prosecutor who reports to the department's top leadership.

Forensic science has come under heightened scrutiny since a 2009 report by the National Academy of Sciences concluded that hair samples, bite marks, ballistics reports and handwriting analysis used to prove guilt were scientifically flawed. The Federal Bureau of Investigation has acknowledged that it used scientifically questionable microscopic hair comparisons to help identify suspects in hundreds of convictions dating back to the mid-1980s.

Prosecutors often say defense lawyers, in challenging scientific evidence, can persuade courts to question techniques that are entirely solid. Deputy Attorney General Rod Rosenstein said Monday that the new initiative to guide what forensic examiners and prosecutors can say about clues collected from crime scenes would counter "efforts in the courtroom and elsewhere to reject reliable and admissible forensic evidence."

The move reflects Attorney General Jeff Sessions' crackdown on violent crime and is another step toward dismantling former President Barack Obama's legacy on criminal justice. Monday's announcement has been expected since Mr. Sessions declined in April to renew the National Commission on Forensic Science, an advisory group of scientists and lawyers created in 2013 after a series of crime lab blunders by federal, state and local police.

In his most sweeping criminal-justice-policy change, Mr. Sessions scrapped an Obama administration policy that avoided charges carrying long, mandatory-minimum sentences for nonviolent drug offenders. The attorney general has also reversed decisions under Mr. Obama to retreat from contracts with for-profit, private prisons and to intervene in local police departments accused of civil-rights abuses.

Despite the attorney general's success at executing President Donald Trump's law-and-order agenda, the president has criticized him repeatedly for recusing himself from the probe into Russia's alleged interference in the 2016 presidential election.

Mr. Sessions appears to be back on Mr. Trump's good side, however, after promising on Friday to take a tougher stance against leaks of classified information. "After many years of LEAKS going on in Washington, it is great to see the A.G. taking action!" Mr. Trump posted Saturday on Twitter.

Defense attorneys, academics and civil-rights activists at odds with many of Mr. Sessions' policies raised concerns about his decision to walk away from the National Commission on Forensic Science.

The partnership between the Justice Department and a scientific panel called the National Institute of Standards and Technology offered a more thoughtful check on courtroom practices, they said, than would an internal Justice Department committee.

Misuse of forensic science contributed to wrongful convictions in nearly half of the 350 cases in which the Innocence Project, a nonprofit at the Cardozo School of Law in New York City, used DNA to help exonerate wrongly convicted defendants.

"The legal perspective is well represented by the Department of Justice, and it's the scientific perspective that I'm concerned won't get the attention it needs," said Suzanne Bell, chairwoman of the Department of Forensic and Investigative Science at West Virginia University and a former member of the National Commission on Forensic Science.

Ted Hunt, a former state prosecutor in Kansas City, Mo., who also served on the commission, will serve as the department's new senior adviser on forensics. Mr. Hunt's biography says that he has prosecuted more than 100 felony jury trials, most of which involved the presentation of forensic evidence.

"His skill set will be of great value to the criminal justice system nationwide," said Jason Lamb, executive director of the Missouri Association of Prosecuting Attorneys.

State Sues U.S. Over Plutonium At Site

By Valerie Bauerlein

South Carolina's attorney general is suing the federal government for $100 million, saying it hasn't removed plutonium from the state as promised, a new tack in a long-running battle over the fate of a Cold War-era nuclear-weapons site.

Attorney General Alan Wilson, a Republican, said in a complaint filed Monday in the U.S. Court of Federal Claims that the Energy Department shouldn't be allowed to "leave South Carolina as the permanent dumping ground for weapons-grade plutonium."

The state is seeking to collect a $1 million-a-day fine set by Congress more than a decade ago as a way to force the Energy Department to either start removing weapons-grade plutonium by 2016 from the Savannah River Site near Aiken or start using it to make mixed-oxide fuel, or MOX. Mixed-oxide fuel is a means to convert weapons-grade plutonium into fuel for nuclear energy.

The Savannah River Site covers 310 square miles and was built in the early 1950s to produce plutonium and tritium for nuclear weapons. It is now primarily a waste management site.

The Obama and Trump administrations have both said they didn't intend to continue with earlier plans to make mixed-oxide fuel at the Savannah River Site. President Donald Trump's fiscal 2018 budget proposal recommends terminating the MOX program and finding "an alternative disposition method that will achieve significant long-term savings."

For now, South Carolina is stuck with a failed and incomplete MOX conversion plant and with plutonium that was shipped from other places for reuse, said Tom Clements, director of Savannah River Site Watch, an environmental group.

"The feds have taken this in a nonchalant manner, so the state is acting," Mr. Clements said. "I don't fault them for that, but I don't think they're going to get much out of DOE from this."

The Energy Department doesn't comment on pending litigation, according to an agency representative.

GOP Senator Faces Challenger Who Promises to Be Trump Ally

By Janet Hook

TOM WILLIAMS/CONGRESSIONAL QUARTERLY/NEWSCOM/ZUMA PRESS

Sen. Dean Heller (R., Nev.) narrowly won his seat in 2012.

WASHINGTON—Sen. Dean Heller, a Nevada Republican up for re-election in 2018 who has been whipsawed by the politics of Congress's health-care debate, has drawn a conservative primary opponent promising to be a more reliable ally for President Donald Trump.

Danny Tarkanian, a Las Vegas businessman, announced his candidacy Tuesday, making real the threat Mr. Trump and his allies have made to challenge Republicans who didn't consistently support the effort to repeal and replace former President Barack Obama's 2010 Affordable Care Act.

"I am a conservative Republican who supports the policies of President Trump to repeal Obamacare and end illegal immigration," said Mr. Tarkanian, who has unsuccessfully run for office in Nevada multiple times, most recently in 2016 when he lost a House race.

A primary challenge complicates the political outlook for Mr. Heller, whose seat is seen as one of the Democrats' best prospects for a pickup in 2018. He won the seat in 2012, beating Democrat Shelley Berkley with 46% of the vote to 45%. He is the only Senate Republican up for re-election next year in a state that was won by Democrat Hillary Clinton in 2016.

Tommy Ferraro, a spokesman for the Heller campaign, called Mr. Tarkanian a "perennial candidate" who will be defeated in the primary.

"He's wasted conservatives' time and cost the Republican Party seats up and down the ballot," Mr. Ferraro said. "Dean Heller is a proven leader and is the only candidate with a solid record voters can count on."

Republican strategists say they take the challenge seriously because, although Mr. Tarkanian has failed in all five of his bids for public office, he did win GOP primaries in all but one of them.

The leading Democratic candidate to challenge Mr. Heller is Rep. Jacky Rosen, who beat Mr. Tarkanian in the 2016 House election by less than 2 percentage points.

Mr. Tarkanian has latched onto the health-care debate because it was difficult for Mr. Heller in the face of the cross pressures between his party and his swing-state constituents.

He openly criticized an early version of the repeal-and-replace legislation, and voted against a bill that would have just repealed the law, without a replacement. He voted for the last version brought to a vote, a stripped-down bill known as "skinny repeal," which was rejected on a 51-49 vote.

The president hasn't taken a public stance on Mr. Heller's re-election.

FORD

Continued from page A1

by Mr. Ford to run the car maker's innovation unit, was elevated to the chief's job.

"The role we're in now requires us to stick our necks out," said Mr. Ford, the company's executive chairman, who has taken a more-commanding role over the past year. "We've got to place bets. We've got to have a point of view about the future."

Mr. Ford believed that the company was losing direction and that Mr. Fields didn't have a clear long-term strategy, the people said. Executives were bitterly divided about how to make progress, they said.

Analysts, though, are still waiting to hear from Mr. Hackett on his broader strategic plan—details are expected out later this year—and point out that Ford still faces a laundry list of near-term challenges. Shares haven't budged since the CEO change, and Ford said it expects pretax operating profit to fall between 16% and 25% this year.

Mr. Ford's leadership has had ups and downs. He had operational control as CEO in the early 2000s, and worked to untangle the complex and splintered organizational model that he inherited from predecessors. But high labor costs and excess capacity hurt finances, and he turned to an outsider to accelerate the turnaround.

Ford and much of the car industry remain dependent on sales of cars and trucks powered by internal combustion engines and designed to be sold for private use. That model is being upended by Tesla and other Silicon Valley tech companies, including Uber Technologies Inc. and Alphabet Inc. They are leading the shift to electric vehicles, autonomous-driving cars and ride-sharing services, which auto makers fear will reduce the need for individuals to own cars.

A third of all cars produced in 2025 are expected to be electric and hybrid cars, up from about 4% in 2016, according to **IHS Markit**, a market analysis firm. Meanwhile, U.S. auto sales fell 3% in the year through July; at Ford, pretax operating profit slipped 4% last year.

Ford is now undergoing a 100-day review of all its operations, with the goal of becoming leaner and more agile. In his first weeks as CEO, Mr. Hackett rolled out a "shot clock" policy to enforce deadlines to help implement plans faster.

Mr. Ford, 60 years old, has spent more than half his life trying to push the Dearborn, Mich., based auto maker founded by his great-grandfather to think about the environment and new forms of transportation. He conceded his timing wasn't always right—including during his own stint as CEO from 2001 to 2006.

In 2008, in the throes of the auto industry's collapse, the board didn't take up his proposal that Ford invest in nontraditional transportation businesses. He said he realized the struggling company at that time was thinking about "the next week, not the next 30 years." He had lined up billions of dollars in financing two years earlier that helped keep the company afloat.

Ford came through that crisis on much firmer financial footing due to a restructuring led by former CEO Alan Mulally that eliminated brands, streamlined the company's global operations and refocused attention on the core Ford and Lincoln lineups.

When Mr. Fields took over in mid-2014, Ford was solidly profitable but needed to switch gears to better prepare for its future. The company pivoted from Mr. Mulally's laser focus on core business efforts, turning its attention to "mobility," a term Mr. Ford started using nearly 20 years ago that describes new forms of transportation.

Mr. Fields, who had been groomed for the top job for years, struggled. Projects appeared disjointed, without a clear path to profitability, and shares tumbled 40% during his tenure.

Mr. Fields didn't respond to requests to comment.

Mr. Ford turned to Mr. Hackett, a longtime office furniture executive and member of the Ford board whom Mr. Ford had helped tap to lead Ford's Smart Mobility alternative transportation unit a year earlier. Ford started the group after the company's talks to build self-driving cars with Alphabet fizzled.

"Jim always made me think," demonstrating depth he rarely encountered in the car business, Mr. Ford said. "So many people I meet in this job I hear the same thing over and over again."

The mobility unit is working with a bike-sharing firm in San Francisco and is crunching data on how people in various settings get from Point A to Point B. It purchased Chariot, an app-based shuttle service that plots out routes based on user demand, which has a growing presence in San Francisco, New York, Seattle and Austin.

In the interview at the Dearborn headquarters, Mr. Ford described Mr. Hackett, who helped transform office spaces away from cubicles into flexible, open plans during nearly 20 years as CEO at Steelcase Inc., as a like-minded ally in the quest to reinvent the car business.

"We're just very much in sync," Mr. Ford said. "I never have to wonder, and he doesn't have to wonder, what the other guy is up to."

Ford's sales of hybrid and electric vehicles grew 17% last year—the genre made up 3% of company sales—and Ford plans to roll out 13 more electrified vehicles in the next five years, including hybrid versions of its Mustang sports car and top-selling F-150 truck.

The auto maker said this year it would invest $1 billion in artificial-intelligence startup Argo AI to develop autonomous-driving technologies. Ford said it plans to put a fully autonomous car on the road by 2021 for commercial use.

Mr. Ford said that when he took over as chairman in 1999, 20 years after joining the company as a product planning analyst, the culture was "hierarchical, almost militaristic."

The rigid style once made Ford a leader in an industry dictated by long development cycles and intense capital needs, but eventually made it too insular and slow to compete with fast-moving technology companies.

In June, Mr. Hackett took Mr. Ford and the senior management team to Steelcase to learn about how the retailer grew from an old-line seller of office furniture into a service-oriented business that helped clients rethink office spaces around technology and modern work habits.

"He just wanted us to get out of our mind-set here, to ask a lot of what-if questions away from Ford," Mr. Ford said.

As part of the management shuffle, Mr. Ford has become a more visible steward of the company. He attends and weighs in at meetings to discuss strategy.

He has direct responsibility for communications and government relations—he worked to defuse President Donald Trump's criticism of the company's plans to move production of the Ford Focus to Mexico. Ford now plans to move the car's production for the U.S. market to China.

Last fall, Mr. Ford met with a small group of dealers at a restaurant in Dearborn, to talk about Ford's push into new ventures, such as ride-sharing and autonomous cars.

Dealers were nervous the company was shifting too much attention away from its core business. Some were alarmed when Ford introduced only one new model at the Detroit auto show in 2016—an annual event typically dominated by unveilings of the SUVs and pickup trucks that deliver the bulk of Ford's profits—and instead focused on mobility ventures. Ford didn't unveil new models at the 2017 show.

Mr. Ford, standing in the middle of the group, reassured them this wasn't the case.

"It was a very frank discussion to let the dealers know where all this is going," said Jim Seavitt, whose Ford dealership is located a stone's throw down the road from Ford's headquarters. Mr. Ford assured the dealers that new models were coming and that Ford was still focused on producing vehicles they could sell, said Mr. Seavitt, who has sold Mr. Ford Mustang sports cars over the years and recently delivered to him a new GT supercar.

In his younger days, Mr. Ford would often shy away from the spotlight, viewing himself as good soldier for the company, an acquaintance said. As he gained management experience, he spoke with more authority, and came across as particularly passionate "when he's talking about something of importance to him like the environment and mobility," the person said.

"Bill may be quiet, he may be modest, but he will step up without fear of consequence or risk when he feels it is important to do so," said Irv Hockaday, a former Hallmark Cards Inc. CEO who served on Ford's board from 1987 to 2013.

The Ford family holds a separate class of stock that gives the members 40% of the voting power at the 114-year-old auto maker. Mr. Ford himself owns 17.7% of the super-voting shares.

He has had an operational role at Ford for decades. Shortly after taking the chairman's role in 1999, he rushed to the scene of an explosion at the River Rouge factory complex in Dearborn that killed six employees and injured more than a dozen. A gas buildup in a six-story boiler resulted in the explosion, which started several fires in the plant, state investigators said.

Mr. Ford rejected the advice of executives handling the response, who were worried both about danger on the scene and the legal implications for the company, according to a person familiar with the incident. Instead, he won the respect of factory workers by speaking to them and emergency personnel on the scene and by meeting with families and attending funerals of victims.

Ford settled with government officials and offered settlements to the families affected.

As a young executive Mr. Ford spent time studying Toyota Motor Corp.'s manufacturing techniques and focus on efficiency and precision.

Later, he spent a decade on the board of eBay Inc., when the online retailer was scrambling to respond to new e-commerce rivals. "He understood that Silicon Valley was doing something different, and that old-line companies were being disrupted," said Meg Whitman, who was chief executive when he joined the board in 2005.

Mr. Ford and then-CEO Jacques Nasser showed off Th!nk electric cars at the 2000 Detroit auto show. Ford had purchased a Th!nk stake as a nod to the belief the auto industry would go electric but sold it in 2002 after failing to have much impact.

Mr. Ford ousted Mr. Nasser in 2001, after leadership blunders, including the mishandling of a tire recall, sank Ford's financial results and hurt employee morale.

Mr. Ford continued to push for more fuel-efficient cars, and Ford in 2004 was the first U.S. auto maker to put a hybrid, a version of the Escape, on the market. He also increasingly spoke out about the problems of traffic congestion in the world's major cities.

In 2009, a year after the board ignored his idea to invest in nontraditional transportation, he separately launched Fontinalis Partners LLC with colleagues to provide seed money to companies such as ride-hailing service Lyft Inc. and self-driving software firm nuTonomy Inc., two tech startups edging in on established auto makers.

"Usually our business plans and time horizons [at Ford] were five years out," said Mark Schulz, a former Ford executive who helped co-found Fontinalis. "Bill would always be looking at what happens in 10 years or 20 years."

In recent years, General Motors Co. and other auto makers have raced past Ford in launching long-range electric cars, such as the Chevrolet Bolt, which can be driven more than 200 miles on a single charge. Ford has said it doesn't expect to have a long-range electric car out until 2020.

GM also started Maven, its own car-sharing brand, and bought a $500 million stake in Lyft.

Toyota and Nissan Motor Co. offer strong-selling electrics and hybrids, some of which are priced for entry-level buyers. Nissan plans to unveil a redesigned electric Leaf next month.

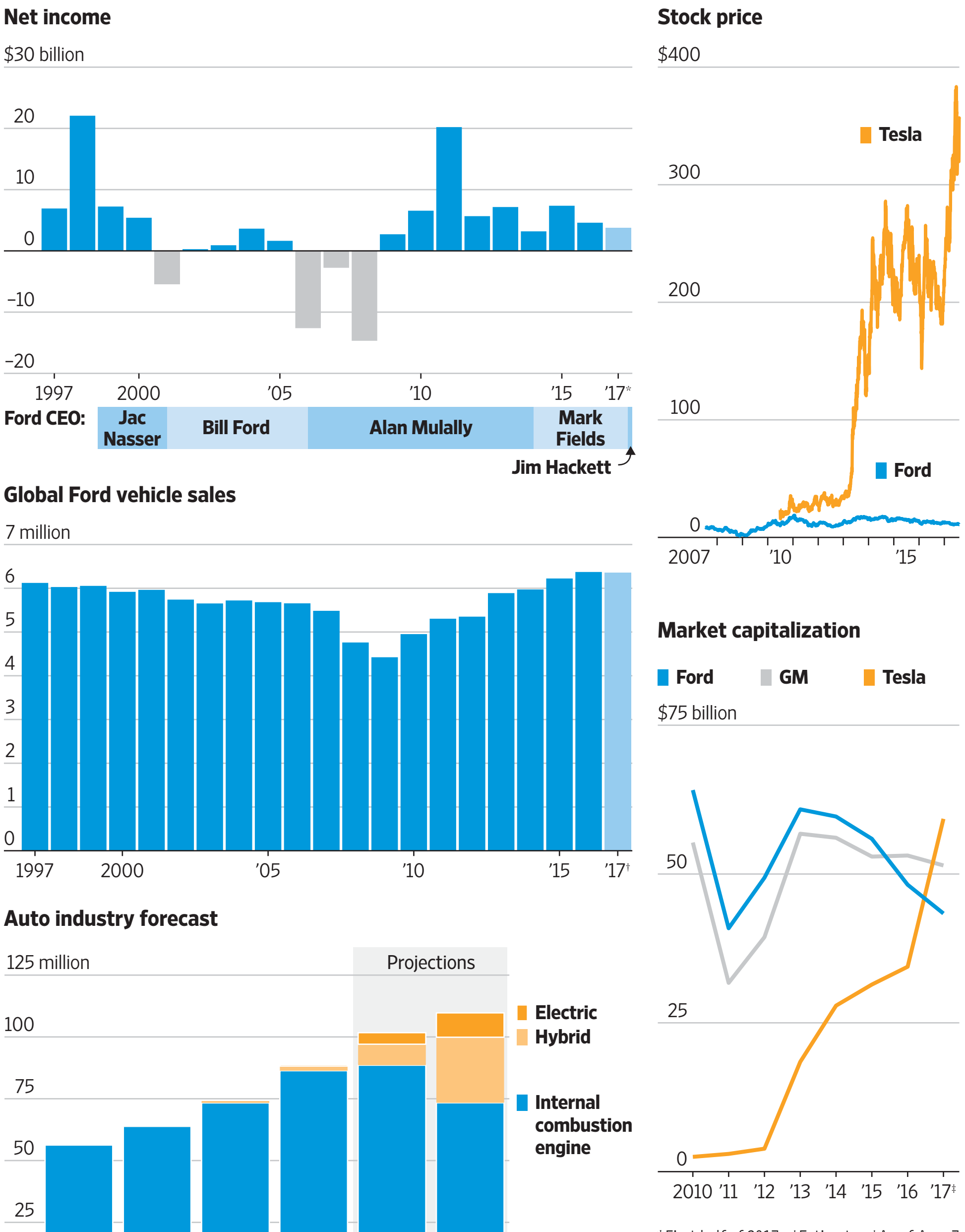
Tesla, which is a fraction of Ford's size, launched the Model 3, a cheaper electric sedan that Chief Executive Elon Musk views as akin to the Model T, which Henry Ford designed to be affordable to the masses. As of Monday, Tesla's market cap was $59.3 billion, compared with Ford's $43.4 billion.

Mr. Ford said he still had a long way to go. "I feel I can and should provide a long-term view for the company in the way the management can't," he said, pointing to his role in the founding family and in the boardroom. "When we need some course correction, I will stand up and be counted."

—John D. Stoll contributed to this article.

A Changing Industry

Ford's sales and profits have flattened, and its stock price has hardly budged in the past decade. Electric and hybrid vehicles are quickly taking share from gas-powered cars. Electric-vehicle maker Tesla surpassed Ford and GM in market cap as its stock price soared.



*First half of 2017 †Estimate ‡As of Aug. 7
Sources: FactSet (profit, stock price, market cap); LMC Automotive (sales); IHS Markit (forecast)
THE WALL STREET JOURNAL.

SEAN PROCTOR FOR THE WALL STREET JOURNAL

Bill Ford, executive chairman of the auto maker, in his office in Dearborn, Mich., last week.

ECLIPSE

Continued from page A1

phase could cause permanent eye damage.

Wedding guests need not worry. Ms. Cohen, a 29-year-old training manager at a car dealership, notes that safety instructions will be printed in the wedding program.

As long as guests don't look at the partially eclipsed sun without protective gear, "they're not in any danger at all," said Ralph Chou, a professor emeritus of optometry and vision science at the University of Waterloo in Canada.

Dr. Chou added that his colleagues and astronomy enthusiasts would be "horrified" at the idea of splitting their attention between a wedding and the eclipse. "They're going out of their way to make sure nothing distracts them from the actual eclipse," he said.

Beeb Ashcroft, 33, a social-media manager from Seaside, Ore., doesn't mind sharing the spotlight. It was also a surefire way that she and fiancé Jai Merrill, a 47-year-old astronomy buff, could guarantee their families and friends didn't miss the eclipse.

The couple started looking for the perfect venue a year ago, cross-referencing maps of the total eclipse's predicted path on their many road trips, before settling on a church in Grand Ronde, Ore. The dream spot is on the so-called path of totality, where the sky will turn darkest, but is also big enough for all their guests.

Darkness will likely permeate some of her wedding photos, but at least they will be "non-traditional," Ms. Ashcroft said.

Evan Mehne and Jazmin Pruneda decided to delay their backyard eclipse wedding in Alliance, Neb., until evening, well after the celestial spectacle. "We're not here to steal the universe's thunder, but we're here to celebrate it," said Mr. Mehne, 27, a local newspaper reporter.

They will, however, host a viewing party and lunch earlier in the day, said Ms. Pruneda, 21, who works in information technology. Their invitations and cake topper feature a sun and moon, and they're planning on dressing in red and blue, their favorite colors, which they say will evoke the aligning orbs and make the ceremony more personal.

The stars aligned for Katie Iaeger, 24, and Dan Carroll, 27, when Mr. Carroll, a supervisor at a Starbucks, entered an "elope at the eclipse" contest, and won. The prize was a chance to be wed, with 15 guests, during the eclipse in the Galactic Gardens at the Adventure Science Center in Nashville, Tenn.

Some couples are astronomy nerds. Others just want a bit of solar flair.

The couple will have to marry before the celestial show, however, to avoid being overrun by the thousands of museum visitors expected to jam the place for the big moment.

"We both love science and space," said Ms. Iaeger, a fine-arts student at Middle Tennessee State University. "No matter what, we wanted to do it on this day."

Back in Wyoming, Ms. Cohen and Mr. Schembri will soon start their wedding festivities in earnest, with a roadtrip next week in their white Subaru Crosstrek, which they've named "The Spaceship," from their home in Spokane Valley, Wash., to Wyoming.

At the wedding, Ms. Cohen plans to wear a shimmering silver dress that mimics moonlight. The ceremony will feature a reading titled "Moon of My Life," that the bride-to-be saw on the TV show "Game of Thrones." Guests will be able to pose for pictures in a photo booth with a hand-held cardboard cutout of an eclipsed sun.

The décor will also include a handmade model meant to resemble Audrey II, the human-eating plant that appeared following an eclipse in the musical "Little Shop of Horrors."

One thing that will be missing from the festivities: booze.

"You have to go through a mountain pass to get to and from the venue, and I don't want that on my conscience," said Ms. Cohen. She'll be serving lemonade with dark huckleberries—meant to evoke the color of the eclipsed sun.

Industrial Hub Grasps for Growth

Like other small cities, Springfield, Mass., has struggled to share in the nation's recovery

BY JON KAMP

JON KAMP/THE WALL STREET JOURNAL

Downtown Springfield, Mass., the state's third-largest city. A new MGM casino rises in the background. The city is too far from Boston to double as a bedroom community.

SPRINGFIELD, Mass.—This city's perch along the Connecticut River was once considered such prime real estate, President Washington put the first national armory there in the late 1700s.

But today, as Springfield tries to shake off decades of postindustrial malaise and capitalize on fresh economic energy downtown, its geography has turned into a liability.

The city of 154,000 is about 90 miles west of Boston, too far to double as a bedroom community, and New York City is also remote.

For decades, Springfield had chugged along as a dynamo of innovation, with inventions ranging from gasoline-powered cars to adjustable wrenches to the sport of basketball.

Now it is among many small and midsize cities dotting the Northeast and Midwest that have struggled to rebound from industrial decline and reap the same benefits as large cities from the U.S. economic recovery.

"We've been left out of the red-hot gains that you've seen in Boston," said Eric Lesser, a Democratic state senator from the Springfield region.

In Ohio, cities like Dayton and Canton haven't shown the same hints of momentum of larger peers like Cleveland and Cincinnati, according to the nonpartisan Greater Ohio Policy Center. President Donald Trump triggered a debate recently when he suggested residents of struggling upstate New York, long the focus of economic-revival efforts, might simply leave.

Skilled workers and large employers are flocking to bigger cities. Health insurer Aetna Inc. underscored the trend in June when it said it would move its headquarters to New York City from longtime home Hartford, Conn. Connecticut already lost General Electric Co.'s headquarters to Boston last year.

"Size has mattered more and more to economic success," Alan Berube, a senior fellow at the Brookings Institution. Many smaller cities "have failed to launch into the new economy," he said.

Proximity to booming cities has at least offered some small cities a lifeline. In Massachusetts, rail lines radiate from pricey Boston, easing the commute from those locales.

Worcester and Lowell are two other old cities—but with commuter-rail links to Boston—and they boast significantly higher median household incomes and postrecession climbs in home values when compared with the more remote Springfield, according to data from the Census Bureau and Zillow.

Springfield is "fairly isolated from the kind of prosperity in Boston," said Robert Triest, an economist with the Federal Reserve Bank of Boston.

A 2009 Boston Fed paper chronicled Springfield's loss of industry and economic decline in the latter half of the 20th century, including the armory's closure in 1968.

The isolation remains a hurdle even as city leaders try to build on brighter, more recent economic initiatives.The refurbished Union Station, a train and bus depot that dates to the 1920s and mostly closed down in the 1970s, anchors one end of downtown after a $95 million overhaul.

On the other end, a $950 million MGM Resorts International casino is scheduled to open next year. Outside the city core, Chinese train maker CRRC Corp. expects to soon open a factory to make subway cars for Boston.

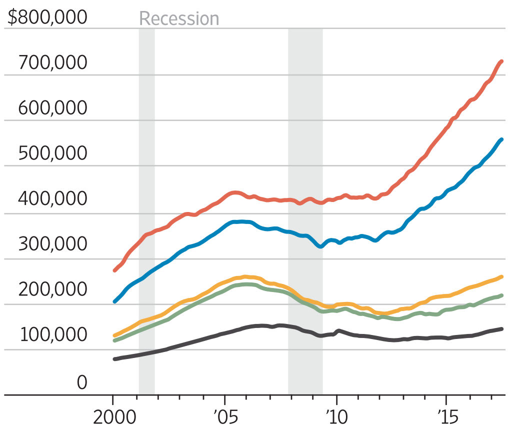
Springfield has also benefited from an improved national labor market. Its unemployment rate was 5.4% in June, according to the U.S. Bureau of Labor Statistics. The city in 2009 regained control from a state finance board that was installed five years earlier to help avert bankruptcy.

"We have to take advantage of this window" and sustain the momentum, said Domenic Sarno, Springfield's Democratic mayor for the past decade.

City leaders have been pushing for stronger transit connections, including new commuter rail to Connecticut coming next year to Union Station, which also hosts intercity buses and three Amtrak routes. But regular commuter service to New England's economic hub—Boston—is a distant hope. Mr. Lesser, the state senator, hasn't been able to pass legislation even to research high-speed rail between the cities.

Weaker Rebound

Springfield, Mass., is about 90 miles from Boston, further away than other Massachusetts cities that have seen stronger housing gains. Median home value of the state's five largest cities:



Source: Zillow Home Value Index

THE WALL STREET JOURNAL.

Overturned Panhandling Laws Force Shifts in Policy

BY JOE PALAZZOLO

TONY DEJAK/ASSOCIATED PRESS

Cities around the U.S., including Cleveland, above, have recently repealed panhandling restrictions in response to court challenges.

Cities across the U.S. are abandoning efforts to regulate panhandling, as more federal courts declare local restrictions on where and when people can beg to be violations of First Amendment rights.

In recent years, federal judges have ruled panhandling ordinances unconstitutional in cities in Colorado, Florida, Illinois and Massachusetts, according to court records. Challenges to panhandling restrictions are pending in Washington, D.C., Houston, Oklahoma City and Pensacola, Fla.

Dozens of cities have repealed their begging laws to head off litigation with advocacy groups buoyed by a two-year-old Supreme Court ruling that expanded free-speech protections, according to civil rights activists and advocates for the homeless. Officials in several other cities have shelved plans for new ordinances, the activists said.

The rulings have frustrated efforts by city officials, who describe panhandling as a nuisance, a drag on tourism and a safety risk for both panhandlers and the people they solicit for donations.

"It is a serious public health issue when pedestrians get struck, or cars are having to get out of the way," said Marc Eichenbaum, a special assistant to Houston Mayor Sylvester Turner. The city's ordinance, the subject of a legal challenge filed in May, a month after it was enacted, prohibits solicitation in roadways and near ATMs, gas stations and outdoor cafes.

A 2016 study of 187 cities by the National Law Center on Homelessness & Poverty, an advocacy group, found that 27% broadly banned solicitation, while 61% prohibited panhandling in certain public spaces. Citywide bans on panhandling increased by 43% since the center began tracking ordinances in the sample group of cities in 2006.

Many cities turned to the policies, often pushed by commercial-property owners, as they struggled to address rising homelessness. But lawyers who represent panhandlers say such policies can make the problem worse by saddling poor people—research shows that a large percentage of panhandlers are homeless—with fines and arrest records that make it harder for them to climb out of poverty.

"What cities need to do is focus on the conduct that is actually problematic," said Joseph Mead, a law professor at Cleveland State University who worked with the American Civil Liberties Union of Ohio to challenge panhandling ordinances in the state, referring to crimes such as assault.

Courts apply varying levels of scrutiny to their review of laws that limit speech.

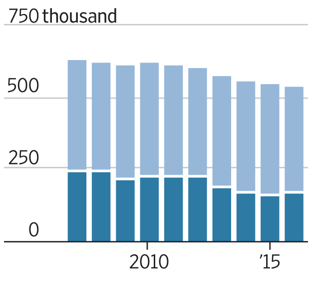
The Supreme Court broadened the category of laws that require the highest level of scrutiny in its 2015 ruling in Reed v. Town of Gilbert, a case involving an ordinance in the Arizona municipality that dictated when and for how long churches and nonprofit groups could post signs announcing upcoming services or events.

The majority ruled that the sign ordinance amounted to the most serious kind of curb on speech, a "content-based" regulation, and struck it down as a violation of the First Amendment.

Before the ruling, many courts had defined content-based regulations more narrowly as those that stifle speech because of the idea it conveys or because the government disapproves of its message. But Justice Clarence Thomas wrote in the June 2015 ruling that speech restrictions based on the topic discussed or subject matter also demand the highest level of scrutiny.

Homeless in America

Estimated number of U.S. homeless people



Source: Department of Housing and Urban Development

THE WALL STREET JOURNAL.

Regulations that limit speech without regard to content or speaker—known as "content-neutral" restrictions—have an easier legal test to pass. Some courts placed panhandling laws in the content-neutral category because the restrictions weren't meant to silence a message with which the local governments disagreed.

Since Justice Thomas's ruling, the lower courts have relabeled panhandling restrictions as content-based speech, and put them to the harshest legal test, one that few laws pass.

In the months following the decision, federal courts blocked ordinances in Springfield, Ill., and Lowell, Mass., that banned panhandling in their historic downtown districts; dashed a Grand Junction, Colo., ordinance that prohibited begging after dark or near restaurant patios and ATMs; and struck down two Worcester, Mass., ordinances that barred panhandlers from roadways, traffic islands, mass transit stops and other places.

U.S. WATCH

IMMIGRATION

Number of Arrests at Southern Border Rises

Arrests of people caught trying to illegally cross the Mexican border into the U.S. rose again in July, marking the third straight month of increases of arrests at the southern border, according to federal figures released Tuesday.

U.S. Border Patrol agents arrested 18,198 people in July, compared with 16,087 in June.

President Donald Trump has made border security, including building a wall along the Mexican border, and a crackdown on illegal immigration administration priorities. He has repeatedly said that under his watch, arrests at the border have plummeted, and immigration agents have stepped up efforts to arrest and deport immigrants living in the country illegally.

During Mr. Trump's first few months in office arrests at the border did drop to record lows—11,125 people were detained at the border in April. Border agents made 18,755 arrests in February, and 12,197 in March. Border apprehensions have been steadily increasing since May.

David Lapan, a U.S. Department of Homeland Security spokesman, said Tuesday it is too soon to tell if the increases in arrests are a signal that more people will try to cross the border illegally in the future or if this is just a seasonal trend.

The number of immigrant children caught traveling alone and immigrants traveling as families have been on the rise, with nearly 3,400 immigrants in families and 2,500 children arrested in July.

Most of the children and families are originally from Honduras, El Salvador or Guatemala, according to DHS, which tracks the numbers.

—*Alicia A. Caldwell*

ECONOMY

Job Openings Climb To Record 6.2 Million

Employers across the U.S. had a record 6.2 million job openings posted at the end of June, a sign that employers are hungry for new workers.

The number of job openings climbed by 417,000 in June for private employers and by 44,000 for government postings, which include state and local government, according to the Labor Department's Job Openings and Labor Turnover Survey, known as Jolts.

The number of job openings plunged during the recession but has been rising steadily for years, first setting a record in April 2015, and continuing to climb since then.

The primary jobs report, which was released last week for the month of July, shows the overall gains in employment. The Jolts report, by contrast, tracks the labor market's complex churn—the millions of postings companies have available at the end of the month, and the millions of Americans who quit a job, are fired, or start a new job.

Tuesday's report reveals that while the number of available job openings surged, the hiring for those positions has remained flat, continuing a trend of recent years, where openings have risen rapidly and actual hiring has lagged behind.

—*Josh Zumbrun*

PENTAGON

Military Gets Approval To Disable Drones

The Pentagon has sent new guidance to the armed services that outlines the military's authority to disable or shoot down any drone that violates airspace restrictions over a U.S. base and is deemed a security risk.

Navy Capt. Jeff Davis said a classified policy was approved in July. On Friday, additional public information was sent to military bases around the country so officials can alert their communities about the restrictions and the actions the military can take.

He said the new policy provides details about the actions the military can take to stop any threat, including destroying or seizing any unmanned aircraft—including the smaller ones that the general public can easily buy—that is flown over a base.

"The increase of commercial and private drones in the U.S. has raised our concerns with regards to safety and security of our installations," Capt. Davis said.

—*Associated Press*

Rory McIlroy's Quest to Be Great Again

The 28-year-old appeared poised to dominate golf, but lately, it feels like something is missing

BY BRIAN COSTA

Rory McIlroy is seeking a career grand slam—and his first major championship in three years.

GREGORY SHAMUS/GETTY IMAGES

WHAT CONSTITUTES a slump for Rory McIlroy would make an enviable career for most golfers. Since winning his fourth major title three years ago, his misery has included seven world-wide victories, a FedEx Cup title and being part of a winning Ryder Cup team.

But for a player who not long ago appeared poised to dominate the game for years to come, it feels like something is missing.

"Three years has been too long," McIlroy said after the British Open last month.

It isn't an unheard of gap for an all-time great player. But McIlroy's major drought, if it can be called that, will come into sharper focus at this week's PGA Championship for a couple reasons.

For one thing, the venue would seem to suit him perfectly. Quail Hollow, located in Charlotte, N.C., is the site of two of McIlroy's 13 wins on the PGA Tour. He hasn't just won there. He owns the course records, both for lowest single-round score and lowest 72-hole total, both of which he set in 2015.

On the other hand, Jordan Spieth comes off his win at Royal Birkdale last month needing only a PGA victory this week to achieve something that McIlroy has been on the cusp of since 2015: the career grand slam.

The potential outcomes are both dramatically divergent and equally plausible.

McIlroy could become, at age 28, only the 20th men's golfer in history to win five or more major titles. He could also watch Spieth, at age 24, surpass him as the preeminent player of their generation.

McIlroy's impatience with the status quo was evident last week when he fired his longtime caddie, J.P. Fitzgerald. One of McIlroy's old friends, Harry Diamond, is carrying his bag for now.

CBS golf analyst Dottie Pepper said the move could prompt McIlroy to take more responsibility for his play.

"It puts yourself on notice: 'It's time for me to take ownership of what I've got here,' " she said. "I think it's a positive thing."

This scenario seemed far-fetched when McIlroy won the PGA Championship at Valhalla in 2014, when Spieth was just a rookie. The labels he earned that summer—best in the world, the next Tiger Woods—didn't come from him. But he thought about them all the same.

What has unfolded since then is less an indictment of McIlroy than an indication of the state of modern golf. The margins between the best players in the world have become so thin, and the list of viable contenders at majors so long, that it has become nearly impossible for one to separate from the rest for very long.

McIlroy pointed to a range of factors that have clouded the picture at the top of the sport, among them advances in equipment technology and analytics that help players understand their own games better than ever. The effect is that the McIlroy Era became the Spieth Era, which became the Jason Day Era, which became the Dustin Johnson Era. It is all just an extension of the Who-Won-Last-Week Era.

"There's so many good players now," said Brooks Koepka, who won the U.S. Open in June. "Even in the college level, even the guys that are coming up, I mean, some of them are going to win majors. You just know it."

But even if no golfer can dominate for very long these days, there is still a pecking order, and no measure determines it more than majors won.

Early success has given McIlroy the luxury of patience, and he retains it in abundance. After finishing tied for fourth at the British Open, he said he still has another 15 or 20 years to add to his total.

"You look at Jack Nicklaus, he went through a stretch where he didn't win a major in three years," McIlroy said. But once Nicklaus won his first major, it wasn't until he reached his early 40s that he went that long without winning a major. And while golf offers the promise of greater longevity than other sports, most players who win several majors do so in a more condensed period than one might think.

The major championship window for players who have won five or more of them is, on average, around 13 years. McIlroy is only seven years into his, which started with his win at the 2011 U.S. Open.

But even he has suggested that the physical toll of the modern swing is likely to result in reduced longevity for players in his generation. And McIlroy has felt that toll already. His schedule this year has been curtailed by a nagging rib injury.

McIlroy's prime may yet be a long way from over. And there are outside factors besides the injury he has had to deal with. He only recently signed an equipment deal with TaylorMade, following months of experimenting with different clubs after Nike's exit from the equipment business last summer.

But even players of his stature only have so many chances to win majors, and it is hard to imagine one setting up more favorably for McIlroy than this one.

Though Quail Hollow has undergone some renovations ahead of the PGA Championship, it still figures to reward McIlroy's greatest strength—his power off the tee—more than most major venues.

"It is a power golf course," six-time major winner Nick Faldo said. "We're all looking at, 'Is it going to be a real power player that wins? Is it going to be one of the top-10 longest drivers?' That's what we've seen in the past when Rory won."

CYCLING

HORRIFIC RIO CRASH IS A DISTANT MEMORY

BY JOSHUA ROBINSON

Annemiek van Vleuten was leading the Olympic road race before she crashed.

BRYN LENNON/GETTY IMAGES

Marseille, France

ANNEMIEK VAN VLEUTEN missed the part of the Rio Olympics when everyone thought she was dead.

Even her own mother feared the worst when the Dutch cyclist flipped over her handlebars and landed on her neck during the women's road race last year. Her teammates, too, knew she was in trouble after they sailed by her crumpled body in the road. Everyone's ugliest fears about racing down the treacherous descent off Vista Chinesa had been confirmed with one gruesome slip.

In the year since her accident, Annemiek van Vleuten's career has taken a therapeutic turn.

When van Vleuten opened her eyes in a Brazilian recovery room, her friends and family all told her how insanely lucky she'd been to survive. Except van Vleuten's memories of overcooking that corner were blank. All she knew was that her head hurt, her back hurt, and that she wasn't relieved in the slightest.

"They were so happy that I was still alive," van Vleuten, 34, said in Marseille. "But I only woke up in hospital like, 'Shit, I lost the gold medal.' "

She had blown up her rivals on the climb and was leading solo just 7 miles from the finish line in Copacabana. Olympic gold was right there. Her regrets over that race lasted far longer than her injuries.

But in the year since she was peeled off the road, her career took a sudden, therapeutic turn: Van Vleuten started winning.

A month after the crash, having recovered from a severe concussion and three broken vertebrae, she wasn't just back on the bike, she was on the top step of the podium at the Lotto Belgium Tour. As she continued her transformation into one of the world's top climbers—a process she and her coach undertook in the year before the Olympics—she attacked the hardest races the calendar had to offer in 2017.

She finished third at the women's Giro d'Italia only due to a tactical error. Then in July, she won the two-stage women's race hosted by the Tour de France with a blistering climb up the Col d'Izoard in the Alps and a perfect time-trial in Marseille.

"I don't know what would have happened had she won in Rio, but there's a hunger there," because of the crash, said Gene Bates, van Vleuten's coach on the Orica-Scott team. "It certainly kicked on her career."

Pro cyclists are no strangers to crashing. Scars and gashes on elbows, knees and collar bones are as much a part of the kit as padded shorts. It all comes with the territory in a sport that pushes inch-wide bike tires to the limits of grip and throws lightweight machines on narrow roads and hairpin curves at more than 25 miles an hour.

A year before Rio, van Vleuten was hit by a car during training, suffering a broken collarbone and broken ribs, and called her mother like it was no big deal. And, 24 hours before her Olympic race, she had been reminded of how dangerous the Vista Chinesa descent was when she watched Italian Vincenzo Nibali wipe out in the leading group of the men's event.

None of that made sitting in a Brazilian hospital any easier. Due to the concussion, van Vleuten couldn't use her phone or her laptop or even watch television. There were no distractions from the single thought eating away at her. "I'd wake up in the morning with a stone in my stomach thinking, 'Why did I misjudge that corner?'" she said. "I was so near to something so big in my life, in my career, and I just made a stupid mistake. Why? What if? But also, that's not helpful."

Van Vleuten escaped Brazil as soon as she felt well enough to fly. And a week later she was back on two wheels: a town bike with tall handlebars that she could putter around on to cafes without worrying about power-to-weight ratios or mountain gearing. She started with half an hour. Then an hour. In mid-August, she posted a Strava file that showed she'd completed a 1.5-hour ride covering 14 miles.

For a pro racer, that barely counts as moving. For a pro racer making a comeback, it was something to believe in.

But soon, she found she needed to escape the Netherlands as well. Van Vleuten simply couldn't keep talking about the crash. So she and her mother flew to Livigno, a town in the Italian Alps where van Vleuten loved to train. This time, it would be strictly a vacation—at least initially.

The plan before the Olympics had been to make the rare move of turning her into a climber, midcareer. Van Vleuten and her coach built her schedule around altitude camps. She quit her gym training to drop upper-body weight—some pure climbers are so neurotic about keeping down their muscle mass they won't even lift heavy groceries.

Without Olympic gold, van Vleuten worried she'd have nothing to show for all of her uphill toil. In Italy, however, she made a discovery: her form had survived the crash. She broke out her racing bike for the first time in weeks and the vacation morphed into a training camp. "I thought oh my God I still have my Rio shape," she said.

The climbing legs were still there. Now she and her coach needed to know if her head was, too. She linked up with the second-tier Nippo-Vini Fantini men's team for training rides. She relocated to the volcanic slopes of Sicily. Only one question remained. Was she brave enough to start descending again?

"It was something we knew would be problematic," Bates said. "The worst thing we could have done was thrown her down a dangerous descent in the wet again."

The courage came through sheer repetition. Descent after descent, each time with a slightly more aggressive line around the corners. Months behind schedule, she could finally resume her mission to become a dominant force in the mountains.

Nothing made that clearer than her performance in France last month. She shot up the Izoard almost as fast as Warren Barguil, the top male climber in the Tour de France, and destroyed the women's field. Eleven months after the Olympics, she hit the summit and celebrated a pure climber's victory. This time, there was no descent on the other side.

"A lot of people think I don't want to talk about Rio. But actually, I'm super proud of what I did in Rio," van Vleuten said. "It's sometimes hard when [TV shows] introduce me and they only show the crash. Then I'm a bit sad. Come on, also show how strong I was uphill."

LIFE & ARTS

FILM

Creating a Villain We Love to Hate

What goes into creating a Hollywood antihero who rivets—and terrifies—audiences? Some actors are naturals at playing scary parts

EVERETT COLLECTION (4); ANNAPURNA PICTURES ('DETROIT')

Actors who played memorable villains in movies include, clockwise from above left: Heath Ledger, Jack Nicholson, Javier Bardem and Kathy Bates.

BY ELLEN GAMERMAN

WILL POULTER IS emerging as a powerful new villain in the movie, "Detroit," with critics latching onto not only his performance but his face, an unnerving mix of impishness and evil.

What goes into building a screen villain who terrifies at first sight?

Thanks to digital effects, filmmakers have more tools than ever to heighten an actor's air of menace. At the same time, neuroscientists are pushing to understand how fear is processed and threat is conveyed in facial expressions. Still, in the business of looking sinister on screen, success often comes down to one plain truth: You either have it or you don't.

"He's the only one who really scared the guys at the read-through," casting director Victoria Thomas said of Mr. Poulter's "Detroit" audition. Reading the role of a white police officer who terrorizes black civilians at a motel during that city's 1967 riot, the young British performer unnerved the cast more than any other actor. "Just his presence and demeanor scared the guys. He wasn't trying outwardly to scare them, he wasn't yelling, he just was."

Mr. Poulter, whose career launched with help from his goofy role in the comedy "We're the Millers," is aware of his intense look. Discussing his performance in the 2015 film "The Revenant," he told the Times of London how "there is something inherently strange about me," adding that director Alejandro Iñárritu described it as the "interior baggage in my eyes."

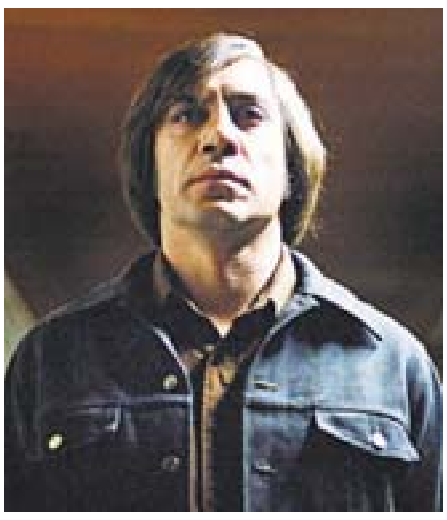
Filmmakers have long used makeup and lighting to dial up the intensity of a villain's face. "There's a lot of power in the 45-degree angle," said movie makeup artist Joel Harlow, calling eyebrows, cheekbones, jawbones, ears and hair instantly more menacing at that slant because they evoke the expression of an animal predator. "That speaks to us on a primal level," he said.

The intense look of Will Poulter, above right, suited his role in 'Detroit.'

The arched eyebrows of villains have been compared to those of dead and decaying bodies, an effect central to creating unease particularly in the horror genre. "Through the natural atrophy of the forehead and the skin along the face that accompanies decay and death, the middle part of the eyebrows gets tugged downwards, and the skin along the temples stretches," said Steven Schlozman, an assistant professor of psychiatry at Harvard Medical School who teaches an undergraduate course on horror stories.

Often, he said, it's the conflicting traits that spook audiences the most. "Scary faces play a lot with what Freud and others called the uncanny, this idea where something is familiar but just a little bit off," Dr. Schlozman said. "It's just off enough to make you do a double take."

Judging by Cade Jones and his older brother Blake, looks go a long way in determining whether an actor portrays a friend or foe. Cade, 15, who is shorter and stockier than his sibling, played a bully in the Netflix science-fiction series "Stranger Things." He has gotten calls to audition for bullies ever since he hit Billy Crystal in the crotch with a baseball bat in the 2012 movie "Parental Guidance." Blake, 19, who is lanky with the easy bearing of a jokester, played a young Chesley "Sully" Sullenberger in the 2016 movie "Sully"—a pilot hero portrayed as an adult by the ultimate good guy, Tom Hanks.



"Blake has actually auditioned for quite a few bully roles, and when he walks in the room, people are like, 'No.' He just can't go there—his aura is completely different," said Julie Jones, the actors' mother. She understands why Cade gets the villains. "He's given his mom some looks—I know it's in there," she said. "It's usually when I ask him to stop playing videogames."

In "Get Out," a psychological thriller set around a black man's visit to his white girlfriend's family, cinematographer Toby Oliver at first filmed the father, played by Bradley Whitford, with the golden light reserved for protagonists. When viewers finally learn the truth about that character, Mr. Oliver shoots the actor's face from below, making his eye sockets look like caves and his features appear more jagged. A reflection of flames from a fireplace flickers in Mr. Whitford's glasses. "It starts putting him in a very menacing visual space," Mr. Oliver said.

Bad guys often have less screen time to establish their back stories than heroes, making it more challenging to convey their complexity. Tobin Bell, who plays the villain in the "Saw" movies, which return in October with "Jigsaw," looks for the logic in his character's actions and searches for what makes him human. "He's someone who was a child once and had a mother who loved him, the same as all of us," Mr. Bell said. "It's just that his path led him down a different life."

Some actors can draw on special talents. After director Andy Muschietti cast Bill Skarsgård as the villain in "IT," the Stephen King horror movie out next month, he told the actor that he wanted to digitally add a wandering eye to his face in post-production. "He goes, 'Uh, I can do it,'" Mr. Muschietti said, recalling how Mr. Skarsgård then turned one eye outward on the spot. "What are the odds that the one you pick for a role can do that?"

MUSIC

IN SEARCH OF A NEW LEAD SINGER?

BY ERIC R. DANTON

JAN FEINDT

WHEN THE PIXIES were looking for a bass player 30 years ago, the alt-rock band put a classified ad in a Boston newspaper seeking a woman who liked both the band Hüsker Dü and folk trio Peter, Paul and Mary. These days, the Pixies might have turned to Treble instead.

Treble is a new app that connects songwriters, rappers, singers, musicians, producers and other potential collaborators. Participants post and peruse profiles on the app and get together for one-off jobs or longer-term work. Treble users can sift through musicians' profiles, hear samples of their work and post opportunities on a bulletin board.Treble was released on Apple's app store this month, following a test phase that began in December.

Brooklyn singer Christa Williamson connected there with a producer to make beats for an EP she's working on. Ms. Williamson, who is 21 years old, also is using Treble to find a bassist and guitarist to play with her in the studio. A rapper she met at a Treble mixer invited her to sing on one of his tracks. "It's legit. People actually care to connect," she said.

Not every musician is inclined to comb cyberspace for collaborators. Katie Von Schleicher, 30, a Brooklyn musician who just released her second album, prefers finding them the old-fashioned way. "What's beautiful, at least if you're based in New York, is that you simply have to go talk to someone at a show," Ms. Von Schleicher said.

While the Beyoncés and Coldplays of the world are unlikely to use the app, Treble sees potential among aspiring musicians who aren't necessarily destined for superstardom. "They might never win a Grammy or have a platinum record, but they're incredibly passionate about what they do," says Matt Bond, Treble's 25-year-old chief executive.

Mr. Bond had the idea for Treble when he was a student at New York University. At the time, he was an aspiring rapper and was having trouble finding producers with whom to work. "There's technology to connect people for so many other purposes, but there was no platform to connect artists and musicians," said Mr. Bond, who graduated in 2014.

After working in advertising, he quit in 2015 to develop Treble with two friends and help from 30 Weeks, a start-up incubator that Google ran for designers. He declined to say how much it has cost to develop Treble so far.

The company has been sustained by corporate-sponsorship deals and ticket sales for special events, along with cash from outside investors as well as Mr. Bond's savings and "bar mitzvah money."

Since last year's soft launch, Treble has assembled about 1,500 users, who all had to apply.

"We wanted to manually cultivate the right community and culture," Mr. Bond says. When the company makes its platform widely available through Apple, anyone with an iPhone will be able to create a profile, free. A web-based version will follow in the fall. Treble likely will add a premium tier along with some kind of advertisements.

Though Treble bills itself as a platform for any music maker, it is proving very popular with rappers and electronic musicians. "There's a constant need to find new people to work with" in those genres, Mr. Bond says.

Chicago rapper Taylor Bennett found a whole band on Treble to play on his song "New York Nights."

"It's kind of like a Tinder for musicians," said Mr. Bennett, 21, referring to the dating app with tens of millions of users.

While Mr. Bennett knows plenty of musicians—his older brother is Chance the Rapper—he says Treble is perfect for "those times when you're like, 'Oh, my God, I need strings on this, and I don't know anybody who plays violin.'"

OPINION

REVIEW & OUTLOOK

European Border Confusion

Europeans heading off on their August vacations face a new headache on top of cramped seats, baggage fees and liquid limits at airport security: hourslong immigration lines. This is evidence that new counterterrorism measures are working, although pardon Europeans if they wish the implementation was better.

New passport checks can boost public confidence, if they're applied well.

Long airport queues have resulted from stricter checks of the passports of European Union citizens leaving and returning to the Schengen zone of countries that have eliminated internal border controls. Until recently, governments were discouraged from conducting thorough checks of EU citizens, so Europeans for the most part could simply show their passports to border guards who would wave them through. Now governments are supposed to scan each passport of EU nationals exiting or entering the bloc, to check against a shared EU database of terror suspects.

Civil libertarians objected to the new rule when it was approved in March, after a debate that began after the November 2015 terror attack in Paris. But it was irresponsible not to apply the same sort of border check already used in the U.S. and other free countries. Hundreds of European citizens have traveled to the Middle East in recent years, European passports in hand, to fight with Islamic State. They pose a serious threat when they return.

The EU database against which passports must now be checked isn't a failsafe. It's only as good as the intelligence adding names to the watchlist. But it's useless if EU member governments don't fully exploit it at the borders.

A more legitimate grievance is that some governments are bad at performing the checks. The new rule was under discussion long before it took effect in April, but authorities at some popular destinations, including France, Italy and Spain appear to have been caught off guard by the requirements heading into the predictably busy summer season. Tourists and business travelers are stuck in long lines due to outdated technology and understaffed immigration posts.

This is a new political challenge for the Schengen zone. European citizens doubted that their governments could keep them safe without national border checks between EU countries. Now they have to wonder whether EU countries can implement common-sense security measures at the external border without bureaucratic failures triggering frustration and missed flights.

The ability for people and goods to travel seamlessly from Portugal to Poland is one of modern Europe's greatest achievements. Governments have belatedly adopted security rules that can boost public confidence in this system. They need to show they can implement those rules with a modicum of competence.

Money for Marrow, Finally

Arya Majumder would have celebrated his 19th birthday last month. Instead he died of cancer in 2010, his condition exacerbated by a scarcity of bone-marrow donors. Arya's father later recounted how the loss of his only child "took away my very heart and soul, and triggered the collapse of my 23-year-old marriage."

An Obama rule that literally kills people gets the ax.

Other families may be spared the same life-upending sorrow because last week the Department of Health and Human Services withdrew a proposed Obama-era regulation that would have prohibited compensation for bone-marrow donation. About 11,000 ailing Americans are currently searching the national marrow registry, hoping to find a compatible donor. This year at least 3,000 people will die waiting for a transplant. Others, like Arya, must settle for an inexact match, which can cause lifelong health complications or prove fatal.

The odds of finding a stranger with matching marrow markers can be especially daunting for patients of color. One example: 10-year-old Texas girl Gabi Ornelas, diagnosed with acute lymphoblastic leukemia in 2015, urgently needs a marrow transplant but hasn't found a match because there are too few Hispanic donors.

The bitter irony is that it's easier than ever to be a donor. Apheresis, a medical breakthrough from the mid-1980s, transformed most marrow extraction into an outpatient procedure. Donors receive a series of injections to boost blood-forming cells, which are then harvested through a six-hour process that's much like giving plasma.

Apheresis is not pleasant—the injections can cause flu-like symptoms, and it usually takes about a week to fully recover. But the process, now used in 70% of donations, sure beats the old needle-through-bone method. Still, merely 2% of the American population has opted into the registry, and only half of those are ready to donate at any given moment.

Compensation could dramatically boost the number willing to give bone marrow. Nonprofit or third-party involvement could mitigate ethical concerns, refereeing to make sure neither the buyer or seller is exploited, and remuneration could come in the form of a perk, like a scholarship or paid month's rent, or cash.

Federal policy has long trailed medical progress. The 1984 National Organ Transplant Act prohibited payment for organ donors, and bone marrow was included, though it regenerates like blood, eggs or plasma. Represented by the Institute for Justice in 2012, the mother of three girls suffering from a condition known as Fanconi anemia, which often impairs bone-marrow function, won a lawsuit against the federal government to allow compensation.

But the Obama Administration then wrote new rules to recriminalize payment for marrow, and HHS sat on the pending regulation for four years, leaving sick patients and their families in limbo. The regulatory uncertainty deflated the interest of entrepreneurs seeking to invest in much-needed marrow-supply services, as well as of top-tier researchers who wanted to study the effectiveness of compensation.

This regulatory reversal will literally save lives. But the Majumder and Ornelas families would be justified in asking the federal government what took so long.

EPA Resignation Facts

The U.S. media and federal unions are making a cause célèbre out of federal scientists who have resigned and then denounced Trump Administration policies on the way out. We're all for shrinking the government workforce, but the political melodrama could use a few leavening facts.

The rest of the story behind those loud civil-servant protests.

The latest splash is from Elizabeth Southerland, until recently the director of science and technology in the U.S. Environmental Protection Agency's Office of Water. Ms. Southerland ended a 30-year EPA career last week with an internal memo decrying Donald Trump's "draconian" budget cuts, and his "industry deregulation." She said her "civic duty" required that she warn that "our children and grandchildren" face "increased public health and safety risks and a degraded environment."

This follows the much-publicized April departure of Michael Cox, who quit the EPA in Washington state after 25 years, complaining in a letter to Administrator Scott Pruitt about "indefensible budget cuts" and efforts to "dismantle EPA and its staff as quickly as possible."

Both EPA employees are of retirement age, and they are right to bow out if they can't in good faith work for Mr. Pruitt. Their letters nonetheless reveal an entrenched and liberal federal bureaucracy. Though they are career civil servants who are supposed to serve political appointees of any party, they have clearly become progressive ideological partisans.

Their exits also explain why so much of the EPA workforce is misrepresenting or missing the point of Mr. Pruitt's policy changes. Ms. Southerland raps the Administrator's call to rebalance power between the feds and states, as she claims the EPA "has always followed a cooperative federalism approach."

Really? During the combined presidencies of George H.W. Bush, Bill Clinton and George W. Bush, the EPA imposed five federal air-quality implementation plans on states. Barack Obama's EPA imposed 56.

The Obama EPA also stripped states of their statutory development authority, whether with its pre-emptive veto of Alaska's Pebble Mine, or its Waters of the United States rule that gave the feds de facto sway over tens of millions of acres of private land. EPA employees embraced these new powers, but they violate the Constitution and hurt the environment.

Ms. Southerland seems to have forgotten that the largest clean-water disaster in recent years resulted from the EPA's 2015 decision to punch a hole in the Gold King Mine in Colorado, turning the Animas River yellow with waste water and heavy metals. The agency shares blame for the Flint, Michigan, lead crisis, having failed to alert the public.

The Fish and Wildlife Service has a dismal record recovering endangered species, while the Forest Service's logging restrictions have left millions of acres of dead, bug-infested trees as tinder for catastrophic wildfires.

Mr. Trump has proposed a 30% cut in EPA funding, but Congress won't cut anything close. Mr. Pruitt's decision to refocus on core jobs such as Superfund cleanups means a shift in EPA spending in any event. The goal should be an EPA that is more efficient and effective—rather than one measured by employee numbers.

Ms. Southerland's exit may also free up some dollars. Federal records show she earned $249,000 last year in combined salary and bonus—$1,000 less than a Supreme Court Justice and about $200,000 more than the average taxpayer. She'll receive an annual lifetime pension worth about 75% of the average of the last three years of her career. With that sinecure, she should forgive taxpayers for thinking a little fiscal discipline at EPA might be in order.

Speak for Venezuela, Pope Francis

MAIN STREET
By William McGurn

When Pope Francis wants to make the objects of his disfavor feel his sting, he's never lacked for words—especially when it involves the U.S.

But when it comes to the brutality of Venezuela's government against its own people, Pope Francis and the Vatican have mostly avoided calling out Nicolás Maduro by name.

Until Friday, that is. That's when a popular uprising in Venezuela finally pushed the Vatican to oppose the regime's bid to tighten its grip by imposing an illegitimate superassembly to rewrite the constitution.

Even this late in the day, the Vatican's expression of "profound concern" is better than nothing. Particularly welcome is Rome's call for Mr. Maduro to "suspend" the new assembly. Still, it's hard not to notice that in sharp contrast to Venezuela's bishops—who recently tweeted a prayer to "free our homeland from the claws of communism and socialism"—even the toughest Vatican statement on Venezuela has all the zing of a World Bank communiqué calling for more resources for a clean-water project in Moldova.

How different the tone is when the subject is Donald Trump or Uncle Sam. Whether suggesting that Mr. Trump is not Christian, warning on Mr. Trump's inaugural day that populism can lead to Hitler, or implying that America's economy is one that "kills," Pope Francis has an argot of displeasure all his own.

Its absence here is particularly striking. Because for an example of a populism that leads to totalitarianism or an economy that kills, it's hard to beat oil- and mineral-rich Venezuela, whose citizens have now been reduced to picking through garbage cans while their leaders ratchet up the repression. Not to mention Cuba's military-socialist colonialism.

As for the bishops, good ones are not given to criticizing their pope publicly, and Venezuela's are no exception. But they may be speaking more frankly in private. In a June 11 article headlined "Stop being soft on our despot, Venezuela's bishops tell Francis," the Economist reported on a meeting six bishops forced onto Francis' schedule when they flew to Rome in June—uninvited.

Two months earlier, the bishops put it this way: "We have to defend our rights and the rights of others. It's time to very seriously, and responsibly, ask if civil disobedience, peaceful demonstrations, appeals to the national and international public power, and civic protest, are valid and opportune measures."

Defenders of the Francis approach have been assuring everyone the pope's reluctance to speak forthrightly against the regime, and his preference for talking about "both sides" as if they are morally equal, is part of a larger plan. In particular they claim that those criticizing the pope for his silence were playing into Mr. Maduro's hands, given how the Venezuelan strongman likes to chide his country's bishops for impeding the "dialogue" he and Francis have called for.

The events of the past week have shattered any silly pretense about some master Vatican plan. But the roots of Pope Francis' misreadings run deeper than Venezuela. In some ways, it is but the latest reflection of a historic misunderstanding that has often led a poor and Catholic Latin America to blame its wealthy and Protestant neighbor to the north for all its woes.

The first Latin American pontiff is harder on Trump than on Caracas's despot.

Just last month, for example, Pope Francis fed this trope by accusing the U.S. of having a "distorted view of the world." At nearly the same time, a semi-official Jesuit-run Vatican journal carried an article decrying an alliance between American Catholics and evangelical Protestants as an "ecumenism of hate." On top of it all rests the old idea, still popular on the religious left, that socialism represents the Gospel ideal.

The Acton Institute's Samuel Gregg was probably closer to the mark when he recently put it this way: "Venezuela's crisis doesn't fit into Pope Francis's standard way of explaining contemporary political and economic problems. It's very hard for the pope to blame Venezuela's problems on the tyranny of Mammon, financial speculation, free trade agreements, arms-dealers, nefarious 'neoliberals,' or any of his usual list of suspects."

The ironies here are legion. In the latter half of the 20th century, Latin American liberation theologians posited a "people's church" pitted against a "formal church" whose hierarchy was aligned to the military dictatorships that prevailed in much of the continent. Before he was elected pope, Jorge Mario Bergoglio faced precisely this claim in the accusation that he didn't adequately criticize the military regime that ruled his native Argentina during his time as the head of its Jesuit community.

Today Catholic priests and bishops are courageously defying a Venezuelan regime that has hijacked what was once the richest nation in Latin America and driven it to poverty and despotism. At this dark hour, don't the struggling people of Venezuela deserve some public inspiration from the first Latin American pope?

Write to mcgurn@wsj.com.

LETTERS TO THE EDITOR

Trump's Treatment of Sessions Is No Class Act

It has been obvious that President Trump has sought to humiliate Attorney General Jeff Sessions, a good and honorable man with a long record of distinguished public service, in an effort to force him to resign for doing what U.S. Justice Department rules required him to do. One can hope that Republican senators will be successful, but much damage has already occurred, not to the attorney general but to the president ("Curbs Sought on Trump in Russia Case," U.S. News, July 28).

Contrast Mr. Trump's actions with those of President Ronald Reagan in somewhat similar circumstances. As deputy attorney general in the winter of 1981, I accompanied Attorney General William French Smith to the White House, where he informed Reagan that he in effect was recusing himself from investigating allegations that the Labor Secretary Raymond Donovan had been involved with organized crime. The attorney general said that he had to seek the appointment of an independent counsel. This came as quite a shock to President Reagan, but he said, "Bill, if this is what you feel you have to do, I understand."

Much later, the investigation was closed, in Mr. Donovan's favor, without finding any legal violations.

Reagan's response was a class act. Mr. Trump's actions reveal no class whatsoever and show that he has no understanding of the role and obligations of the attorney general under America's system of law and the Constitution.

EDWARD C. SCHMULTS
Little Compton, R.I.

Mr. Schmults served as deputy attorney general of the U.S. from 1981 to 1984.

A Trade Imbalance Is Not Harmful or Unfair

Wilbur Ross is correct that trade should be a two-way street between nations ("Free Trade Is a Two-Way Street," op-ed, Aug. 2). However his rhetoric and actions reveal the heart of a classic protectionist with a deeply troubling misunderstanding about how to analyze the meaning of trade flows in today's world.

The mere existence of a trade imbalance between two countries is not evidence of anything either "unfair" or economically harmful to either country. Politicians have gravitated like never before to the rhetoric of using a trade deficit as a meaningful statistic to try and create a causal link to everything that ails our economy.

While we should always strive for healthy and efficient industrial growth in the U.S. and enforce clear violations of proper trade practices, this kind of simplistic rhetoric about the meaning of deficits is a lazy and false narrative that dangerously ignores the effect of such policies when pursued in a vacuum.

The U.S. remains the wealthiest country in the world, and if along the way we remain a heavy buyer from other countries in certain sectors, so be it. It is positive economic activity that shows we have healthy buying strength and creates a host of benefits all across our country.

Such benefits include more efficient goods and services for consumers as well as companies using imported inputs for further manufacturing, activity that supports a host of jobs related to distribution spread out all over the country.

MATTHEW FASS
President
Maritime Products International
Williamsburg, Va.

Letters intended for publication should be addressed to: The Editor, 1211 Avenue of the Americas, New York, NY 10036, or emailed to wsj.ltrs@wsj.com. Please include your city and state. All letters are subject to editing, and unpublished letters can be neither acknowledged nor returned.

OPINION

Mueller Can Avoid an Iran-Contra Repeat

By C. Boyden Gray

Will Special Counsel Robert Mueller's investigation morph into an open-ended inquisition? Independent and special-counsel investigations of the executive branch since Watergate often have. Mr. Mueller's recently reported impaneling of a grand jury in Washington doesn't guarantee that it will happen again, or even that anyone will be indicted. But it seems that the investigation is moving beyond questions of campaign collusion with Russia.

He should proceed quickly to get the facts out. So should congressional investigators.

There has been a Russia investigation under way for more than a year, with no indication yet of a collusion crime, notwithstanding the leakiest period in presidential history. This isn't to deny that the Russians have meddled in U.S. elections. Nor is it to say that persons associated with the Trump campaign mightn't possibly have committed offenses unrelated to collusion that merit prosecution. Such investigations may be beyond Mr. Mueller's core jurisdiction, but the wording of his assignment lets him roam far beyond collusion issues.

As a practical matter, there is no firm, clear limit to the resources or time that can be devoted to special-counsel investigations. Nor is there an obvious limit on their scope.

As Attorney General (later Justice) Robert Jackson observed in 1940, the prosecutor's "most dangerous power" is "that he will pick people that he thinks he should get, rather than cases that need to be prosecuted. With the law books filled with a great assortment of crimes, a prosecutor stands a fair chance of finding at least a technical violation of some act on the part of almost anyone." Willie Stark—seeking dirt on a political opponent—explained this truth succinctly in Robert Penn Warren's "All the King's Men": "Man is conceived in sin and born in corruption. . . . There is always something."

The Iran-Contra independent counsel investigation (1986-93), authorized under a now-expired post-Watergate statute, illustrates the point. Despite nearly seven years of distracting inquiries sustained by unlimited budgets—and unfair political effects and leaks—no one was convicted or even indicted for any action pertaining to Iran or the Contras. The law barring certain funding for the Contras in Nicaragua, the Boland Amendment, was an appropriations provision, containing no civil or criminal penalties.

That didn't matter. The independent counsel obtained a series of peripheral convictions, mostly for obstructing Congress's Iran-Contra investigation in various ways. The investigation didn't end until after President George H.W. Bush pardoned former Defense Secretary Caspar Weinberger—a vigorous *opponent* of the Iran-Contra transactions—for alleged offenses relating to diary and meeting notes that he had not produced to investigators.


ASSOCIATED PRESS

Robert Mueller testifies on Capitol Hill in 2013 when he was the director of the FBI.

The independent-counsel statute plagued presidents of both parties and expired unceremoniously in 1999, a few months after Bill Clinton's impeachment trial. But Justice Department regulations still provide for the authorization of special counsels like Mr. Mueller.

Will history repeat itself? Deputy Attorney General Rod Rosenstein, who appointed Mr. Mueller, told "Fox News Sunday" this past weekend that "Bob Mueller understands and I understand the specific scope of the investigation and so, it's not a fishing expedition."

But Mr. Rosenstein's order appointing Mr. Mueller is somewhat mixed. It authorizes Mr. Mueller to investigate not only "any links and/or coordination" between Trump campaign associates and the Russian government, but also "any matters that arose or may arise directly from the investigation."

President Trump has understandable grounds for concern that the probe will drag on. But the best solution isn't to dismiss Mr. Mueller. It is for all responsible parties to get the facts out speedily. That includes the congressional committees investigating the matter, which are under no obligation to lag the Mueller inquiry. Any valid prosecutions should also proceed quickly.

So far the publicly available evidence doesn't paint a picture of a conspiracy to collude with Russia. That includes the infamous June 2016 meeting between campaign principals and various Russian nationals at Trump Tower. The meeting—and an ill-considered email chain preceding it, involving Donald Trump Jr. and others—was unwise. But there doesn't seem to have been any follow-up.

It bears repeating that not every interaction between campaign personnel and foreign nationals or governments is unlawful or even inappropriate. U.S. law is more complicated.

Various forms of foreign involvement in American elections are prohibited. Most prominently, U.S. law forbids campaign donations in U.S. elections by foreign governments and nonresident aliens. And the Foreign Agents Registration Act, among other statutes, imposes criminally enforceable disclosure requirements on agents of foreign governments who attempt to influence public opinion, policy and law.

Yet the Foreign Agents Registration Act isn't the Foreign Agents Prohibition Act. U.S. law allows foreign agents significant freedom to advocate and even to lobby. Saudi Arabia and Qatar are prime examples. More prosaically, foreign nationals and governments often participate in agency rule makings, which can have campaign impact.

To prevent a never-ending replay of Iran-Contra, it will be essential to flush out the Russia facts, in a disciplined way, as soon as possible. No statements should be made or actions taken that could be construed as undermining the investigations. Equally important, the investigators must proceed promptly and evenhandedly. Within their proper mandates, investigators ought to review questions about potentially troubling behavior by Democrats during the 2016 campaign, too.

Mr. Gray served as counsel to the vice president (1981-89) and White House counsel (1989-93).

Iran Is Using Syria to Advance Toward the Mediterranean

By Naftali Bennett

Hezbollah announced last month that it had captured the Syrian-Lebanese border area of Juroud Arsal from Islamic State forces. Far from being a minor development, this marks another Iranian success in its quest for power and dominance across the Middle East.

Since its 1979 revolution, Iran has sought to become a dominant world power capable of imposing Islamic rule on as many people as possible. The Iranian regime finances and supports armed militias in other countries and is the world's top exporter of terror. Hundreds if not thousands of Americans have died at the hands of Iran's terrorist proxies.

An essential part of Tehran's strategy is to control a land corridor from Iran to the Mediterranean Sea. Under the cover of Syria's bloody civil war, Hezbollah is helping to build such a highway. Trained and supported by Tehran, Hezbollah is classified as a terror group by the U.S., France and the Arab League, among others.

Its effort endangers the entire Western world. Controlling this corridor would directly connect Iran with its proxies in Syria and Lebanon, allowing it to transfer advanced weapons cheaply and quickly. The highway would let Iran build its military presence on the Mediterranean, bringing much of Europe into the range of its air force, navy and midrange missiles. Iran could even build arms factories outside its borders.

Iranian apologists frame Hezbollah's capture of the border area as a victory over Islamic State, as if the U.S.-led coalition ought to be cheering. Islamic State needs to be stopped, but Iran is a far greater problem in the long run. Tehran shouldn't be mistaken for part of the solution.

As Syria disintegrated through civil war, Iran acted swiftly. It broke international law and forcefully expelled the Sunni population and replaced it with Shiites. This changed the local demography to support Tehran's planned land corridor through Syria and Iraq.

Islamic State must be stopped, but Tehran is a far more menacing threat.

Iran also sent its generals to train Bashar Assad's troops. Hezbollah has effectively morphed from a terror group into a division of the Iranian army, working for Tehran not only in Lebanon and Syria, but also in Yemen and Iraq.

Western leaders mistaking Islamic State as the most serious threat has allowed Iran to move forward and gain better position. The Iran nuclear deal in 2015 demonstrates Tehran's patience, as it temporarily slows the country's preparations to acquire nuclear weapons without stopping them over the long term.

I and others are concerned by the cease fire in southern Syria brokered by the U.S., Russia and Jordan last month. With American and allied forces present in the north, Iran has focused its efforts on the south. The hiatus from violence in that region only gives Tehran another piece of territory in its bid to build a highway to the coast.

It will take time and patience to stop Iran. The international community needs to defeat Tehran wherever its forces advance: in cyberspace, on the battlefields of Yemen and Iraq, and in advanced-weapons laboratories. This effort will be both public and covert, economic and technological. If it results in direct military confrontation, Iran's foes must be ready to win there too.

Iran must be made to pay a price every day its soldiers remain on Syrian soil helping the Assad regime kill its own people. Tehran's leaders must know that every violation of the nuclear deal will trigger harsh sanctions. They cannot direct terror attacks in America, Asia and Europe and expect the world to ignore their actions.

There are many possible courses of action against Iran. Yet the free world—led by the U.S.—has yet to take the first and most important step: declaring that it cannot abide an Iranian empire from the Persian Gulf to the Mediterranean Sea.

Mr. Bennett is a member of Israel's Security Cabinet and a reserve major in the Israel Defense Forces' General Staff Reconnaissance Unit.

America's Immigration Anxieties, Then and Now

By Walter Russell Mead

It should come as no surprise that the Trump administration has endorsed the Raise Act, a bill by Sens. Tom Cotton and David Perdue to reduce the number of legal immigrants to the U.S. while giving greater priority to highly skilled workers. Immigration reform drove President Trump to victory in 2016, and he is unlikely to drop it now.

Yet immigration has been—and remains—a key to America's success. From colonial times, the country's ability to integrate newcomers has facilitated its economic and technological achievement. From Alexander Hamilton to Albert Einstein to Steve Jobs, immigrants and their children have enhanced American dynamism, challenged American insularity and played critical roles in developing American power.

But the public doesn't always support a welcoming immigration policy. In 1924 the Johnson-Reed Act reduced legal immigration from the Old World by about 80%. Not even Hitler's persecution of the Jews could persuade Americans to raise the quota.

Four factors turned the U.S. restrictionist in the 1920s. First, the numbers felt overwhelming. In 1910, almost 15% of American adults—three in every 20—were foreign-born.

Second, the immigrants arriving in the early 20th century were overwhelmingly from Eastern and Southern Europe, rather than the traditional source countries in Northern Europe and the British Isles. This wave of migrants was seen as culturally alien and thus a challenge to American values and coherence.

The native population's fears amplified racism and xenophobia. The Ku Klux Klan, largely crushed by federal counterterrorism policies in the 1870s, was revived into a restrictionist force that was anti-Semitic and anti-Catholic as well as antiblack.

Third, economic uncertainty was already high. The Industrial Revolution was disrupting society. Family farms, the foundation of middle-class prosperity and security for generations, were failing nationwide. Inequality was rising, incomes for many in the middle class were stagnant or falling, and the new economy was more volatile and offered less security. Native-born rural Americans feared that immigrants would compete for jobs and depress wages, and that their political power would marginalize traditional American values and concerns.

Fourth, a small proportion of immigrants brought violent ideologies with them. Anarchist terrorists had attacked heads of state and political leaders around the world. Luigi Galleani, an Italian immigrant to the U.S., organized mainly other immigrants and inspired attacks—valorized as "propaganda of the deed"—against prominent people and institutions. His disciples were believed responsible for a 1920 Wall Street bombing that killed 38. Russia's Bolshevik Revolution also sparked fears that immigrants might carry the "bacillus" of communism.

Do these factors sound familiar? Immigration levels are at a historic high, the cultural gap between immigrants and the native population is wide, the economic outlook for many Americans is troubled, and a (very) small number of immigrants sympathize with horrific ideologies abroad.

A fifth and serious additional factor, not paralleled in the early 20th century, is the presence of millions of illegal immigrants. As Mr. Trump understood, illegal immigration corrodes public sympathy for high levels of legal immigration.

Meanwhile, some of the classic arguments in favor of immigration may need to be re-examined. If automation will destroy millions of routine jobs in the next decade, how much unskilled labor does the U.S. require?

Circumstances in the U.S. today resemble those in 1924, when Congress curtailed legal entry.

Nevertheless, America still needs immigrants. Their talent and dynamism are more vital than ever. If U.S. companies want to maintain their technological edge and profitability in a competitive world, they need skilled immigrant workers. Immigrants create jobs and industries, making the future brighter for all Americans, while paying into the country's hard-pressed social-insurance system.

Yet history suggests that when public opinion sours on immigration, policy eventually follows. Now that process may be under way. Public dissatisfaction with the relatively liberal immigration policies in place helped drive the 2016 election. The Raise Act is provocative, perhaps intentionally so.

But giving greater priority to highly skilled immigrants, while reducing total numbers, might secure the many benefits of a liberal immigration regime while reducing the political fallout. Properly designed, a new system might offer Silicon Valley and other employers better access to the specialized professionals they need, while also addressing the politically potent concerns of Mr. Trump's populist base.

America's ability to welcome and integrate immigrants remains one of its strengths, but history suggests that a dogmatic insistence on the current policy may well stoke an anti-immigrant backlash. It is more prudent to accommodate these concerns than to defy them.

Mr. Mead is a fellow at the Hudson Institute and a professor of foreign affairs at Bard College.

THE WALL STREET JOURNAL.
PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

Rupert Murdoch, *Executive Chairman, News Corp*
Robert Thomson, *Chief Executive Officer, News Corp*
Gerard Baker, *Editor in Chief*
William Lewis, *Chief Executive Officer and Publisher*

Matthew J. Murray, *Deputy Editor in Chief*

DEPUTY MANAGING EDITORS:
Michael W. Miller, *Senior Deputy;* **Thorold Barker,** *Europe;* **Paul Beckett,** *Washington;* **Andrew Dowell,** *Asia;* **Christine Glancey,** *Operations;* **Jennifer J. Hicks,** *Digital;* **Neal Lipschutz,** *Standards;* **Alex Martin,** *News;* **Shazna Nessa,** *Visuals;* **Ann Podd,** *Initiatives;* **Matthew Rose,** *Enterprise;* **Stephen Wisnefski,** *Professional News*

Paul A. Gigot, *Editor of the Editorial Page;* **Daniel Henninger,** *Deputy Editor, Editorial Page*

WALL STREET JOURNAL MANAGEMENT:
Suzi Watford, *Marketing and Circulation;* **Joseph B. Vincent,** *Operations;* **Larry L. Hoffman,** *Production*

DOW JONES MANAGEMENT:
Mark Musgrave, *Chief People Officer;* **Edward Roussel,** *Innovation & Communications;* **Anna Sedgley,** *Chief Operating Officer & CFO;* **Katie Vanneck-Smith,** *President*

OPERATING EXECUTIVES:
Ramin Beheshti, *Product & Technology;* **Jason P. Conti,** *General Counsel;* **Frank Filippo,** *Print Products & Services;* **Steve Grycuk,** *Customer Service;* **Kristin Heitmann,** *Transformation;* **Nancy McNeill,** *Advertising & Corporate Sales;* **Jonathan Wright,** *International*
DJ Media Group: **Almar Latour,** *Publisher;* **Kenneth Breen,** *Commercial*
Professional Information Business: **Christopher Lloyd,** *Head;* **Ingrid Verschuren,** *Deputy Head*

EDITORIAL AND CORPORATE HEADQUARTERS:
1211 Avenue of the Americas, New York, N.Y., 10036
Telephone 1-800-DOWJONES

DOW JONES | News Corp

Notable & Quotable: Cuddling Against Trump

From "Why Professional Cuddling Is Booming Under Trump," Rolling-Stone.com, Aug. 4:

As executive orders, cabinet appointments, abuse of power, protests and other signs of political unrest sweep the nation, there's a sense of unease brewing in many. They are turning to alternative forms of care to alleviate these fears. . . . A significant number of those seeking professional cuddling services have experienced abuse, and some see in Trump qualities that remind them of past trauma. . . .

For others, generalized anxiety and depression are heightened because of some of Trump's executive orders. John, who declined to give his last name, originally sought out cuddling services after determining talk therapy and prescribed medications didn't fit his needs. A veteran who served in Iraq, John felt that a combination of his experiences and chemical makeup contributed to his mental health and that the inclusion of positive touch in his life was the most effective form of treatment. Since Trump took office, he noticed his stress levels creeping higher again. The day prior to the inauguration, John received a career-changing job offer. Days later, it was rescinded—the job was a government position and Trump's federal hiring freeze prevented the department from moving forward with John's employment. Cuddling has been a way to help him cope.

Abhit Singh has worked past his initial cuddle shyness and engages in the spoon train. . . .

His mood fluctuates, he says, but for the most part, the start of 2017 is a lot harder for him, emotionally, than the end of 2016 because of the new administration.

"There's a lingering sadness but it's not like I'm still in the shock phase. I've gotten over that," Singh mentions. "If that triggered [me] attending an event, I didn't consciously think about it, but it could've been a perfect storm, [Trump] driving me subconsciously to attend this."

MUSIC

Yo-Yo Ma's Plea to Save a Musical Barge

The cellist's plea to rescue this Louis Kahn-designed boat has drawn bids from Estonia, France, the U.K. and U.S.

BY BRENDA CRONIN

A MUSICAL BARGE with an architectural pedigree and the silhouette of a spaceship may have dodged a trip to the scrapyard.

The Point Counterpoint II, a 195-foot steel vessel designed by the award-winning architect Louis Kahn, has served since 1976 as a floating stage for the American Wind Symphony Orchestra.

Robert Boudreau, the symphony's maestro—and skipper of the Point Counterpoint II—recently turned 90 and is ready to relinquish his baton and the helm. His wife and first mate, Kathleen Boudreau, also is stepping down. With no successor in sight, things looked bleak for the Point Counterpoint II.

But last month, cellist Yo-Yo Ma wrote a plea for help in the New York Review of Books. Concerned that the Point Counterpoint II was in peril, Mr. Ma hailed the vessel as "a vibrant ambassador for our national unity."

Within days, inquiries from across America, France, the U.K. and elsewhere poured into the Pennsylvania farm that is both the Boudreaus' home on terra firma and the headquarters of the American Wind Symphony Orchestra.

Mr. Boudreau has heard from supporters in Mr. Kahn's birthplace, Estonia, and from the president of a French chateau and museum eager to dock the Point Counterpoint II along the Loire River for concerts on its open-air stage.

The new stewards of the Point Counterpoint II will face significant logistical hurdles, such as relocating the 1,600-ton vessel. The boat is in Ottawa, Ill., following the orchestra's swan-song tour this summer on the Great Lakes and the Illinois River.

"We don't have to worry about going to the scrapyard at this point," says Mr. Boudreau, who said that because relocating the barge is such a job, she is likely to end up in the U.S. Bids for the

FROM TOP: SEAN BENHAM/FLICKR; MICHAEL ROBERTS

The Point Counterpoint II, above and at right, might have ended up in a scrapyard if Yo-Yo Ma hadn't stepped in.

Point Counterpoint II began at around $3 million and have risen to $4 million, he said.

Mr. Boudreau is sorting through inquiries from supporters in Philadelphia, where Mr. Kahn worked, as well as Charleston, S.C., and Washington, D.C. Last week, he traveled to Buffalo, N.Y., and Kingston, N.Y., to hear pitches to host Mr. Kahn's distinctive creation. Buffalo's reviving waterfront, architectural heritage and celebrated Philharmonic make it the perfect home for the Point Counterpoint II, said Newell Nussbaumer, founder and editor of the online magazine Buffalo Rising, and a force behind the campaign for the barge.

Kingston has a thriving waterfront and music scene, said the city's mayor, Steve Noble, with recent performers including Bob Dylan. "We do care a lot about this type of culture," Mayor Noble said. "And we want to see this type of architecture not be given to a scrapyard."

Mr. Boudreau would like the next owner to continue the kind of concerts he led with the American Wind Symphony Orchestra. A Juilliard-trained trumpet player, he established the "symphony orchestra minus the strings" in 1957. Benefactors sustained his idea of roving musical ambassadors performing world-wide. Every year, the Boudreaus auditioned young musicians from around the world and assembled about 45 of them, most in their early 20s, for tours. Aboard the Point Counterpoint II, the orchestra performed along waterways in the U.S., Europe and the Caribbean.

Navigating can be "a little scary sometimes," says Mr. Boudreau, who has weathered more than 500,000 miles aboard the vessel. During a stop a few years ago in West Virginia, he recalls walking "through three feet of water just to get to the gangplank." Flooding in Pennsylvania once washed the boat on to a highway, where she had to be retrieved by cranes. On the Erie Canal, he says, the 38-foot-wide barge has a mere foot or so "on each side when we go through a lock."

During the tours, Mr. and Mrs. Boudreau lived aboard the boat. The musicians, who received a stipend, stayed with host families along the route. They played 90-minute concerts from the barge's deck, while the audience watched from the waterfront. Mr. Boudreau mixed in chestnuts such as Handel's "Water Music" and John Philip Sousa with new commissions. An unabashed showman, he liked to kick off performances conducting Aaron Copland's "Fanfare for the Common Man" while the roof above the deck retracted, revealing the orchestra.

"My dream has always been to help young people follow their dreams," Mr. Boudreau says. After the orchestra outgrew its first vessel, the Point Counterpoint I, Mr. Boudreau asked Mr. Kahn to work on a successor. Support from philanthropists, corporate donors and government helped fund the construction.

The architect's design included a performance space on deck as well as a small indoor theater and an art gallery. The barge's inaugural tour coincided with the U.S. Bicentennial, two years after Mr. Kahn's death in 1974.

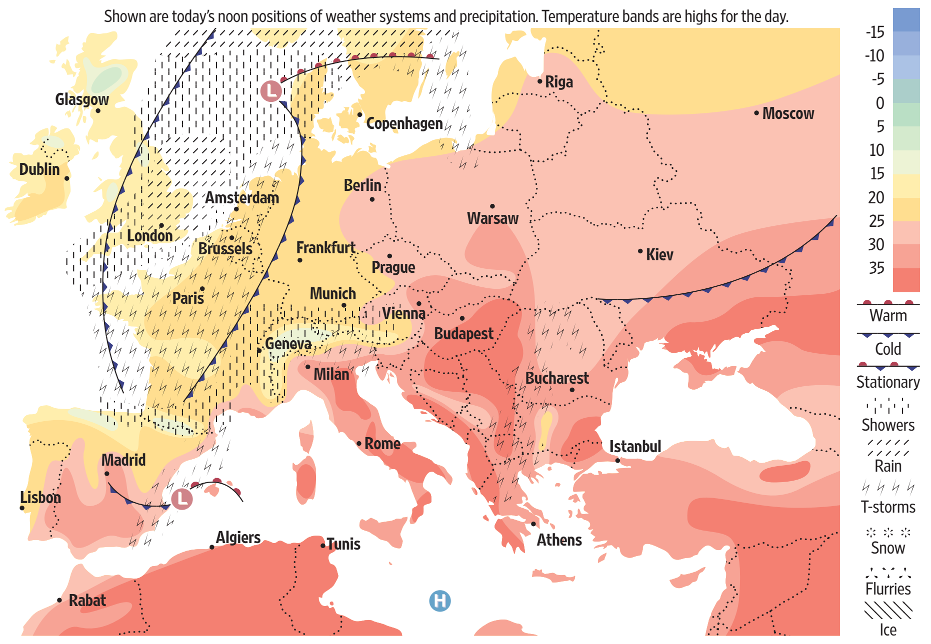
Mr. Ma, a longtime Louis Kahn buff, got to know Mr. Boudreau a few years ago and was struck by his "enormous generosity of spirit…that inspires other people."

"I want to be like him when I'm 90," Mr. Ma said.

Weather

AccuWeather.com

Shown are today's noon positions of weather systems and precipitation. Temperature bands are highs for the day.

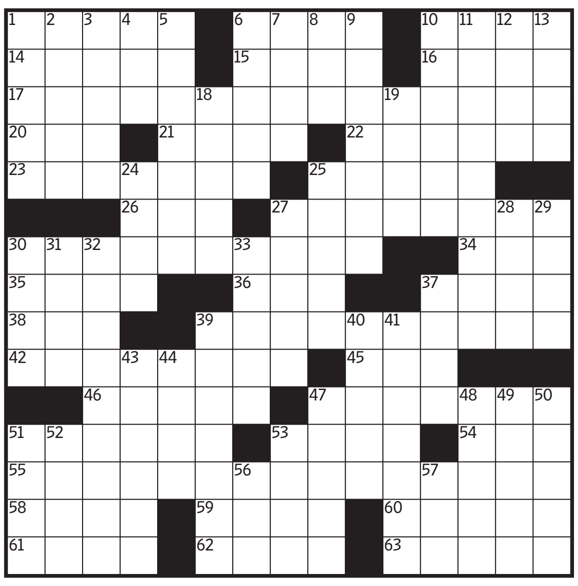


Global Forecasts

s...sunny; pc... partly cloudy; c...cloudy; sh...showers; t...t'storms; r...rain; sf...snow flurries; sn...snow; i...ice

City	Today Hi	Today Lo	Today W	Tomorrow Hi	Tomorrow Lo	Tomorrow W
Amsterdam	20	12	t	19	12	r
Anchorage	18	14	r	18	11	c
Athens	34	27	pc	35	26	pc
Atlanta	27	21	t	28	22	t
Baghdad	50	32	s	50	30	s
Baltimore	28	17	s	28	19	pc
Bangkok	35	27	t	35	27	pc
Beijing	30	22	c	33	23	pc
Berlin	26	16	pc	23	16	r
Bogota	20	8	c	20	8	r
Boise	35	19	pc	34	19	t
Boston	28	18	s	28	19	pc
Brussels	21	12	t	19	12	r
Buenos Aires	18	12	pc	18	13	r
Cairo	36	26	s	37	26	s
Calgary	25	11	s	26	11	pc
Caracas	33	27	pc	32	27	pc
Charlotte	27	19	t	27	20	t
Chicago	29	18	pc	28	18	pc
Dallas	33	24	pc	36	26	pc
Denver	26	13	t	26	13	t
Detroit	29	17	pc	30	18	pc
Dubai	44	34	s	43	34	s
Dublin	18	8	pc	18	13	pc
Edinburgh	19	8	pc	18	12	pc
Frankfurt	25	14	pc	19	12	r
Geneva	23	13	sh	20	12	sh
Hanoi	35	27	pc	35	27	pc
Havana	33	23	pc	33	23	pc
Hong Kong	34	29	t	34	29	t
Honolulu	32	25	sh	31	24	pc
Houston	33	25	t	33	25	t
Istanbul	31	25	s	32	25	s
Jakarta	32	24	pc	32	24	pc
Johannesburg	19	7	s	21	7	s
Kansas City	27	19	pc	28	18	pc
Las Vegas	42	28	s	41	29	s
Lima	21	15	pc	21	15	c
London	16	12	r	20	12	pc
Los Angeles	29	19	pc	30	19	pc
Madrid	30	13	s	29	14	s
Manila	33	27	t	33	27	s
Melbourne	16	10	pc	17	8	pc
Mexico City	24	14	pc	19	13	t
Miami	33	26	t	32	27	t
Milan	30	18	pc	28	16	t
Minneapolis	27	18	t	24	17	sh
Monterrey	35	22	pc	32	22	pc
Montreal	25	16	s	27	17	pc
Moscow	23	12	pc	25	15	pc
Mumbai	31	26	sh	31	27	sh
Nashville	29	21	pc	29	21	pc
New Delhi	34	28	t	34	27	c
New Orleans	31	25	t	32	24	t
New York City	28	19	s	28	21	pc
Omaha	25	18	t	28	17	pc
Orlando	33	25	t	32	24	t
Ottawa	24	15	pc	28	15	c
Paris	21	12	t	20	12	sh
Philadelphia	28	17	s	29	19	pc
Phoenix	44	31	s	42	31	pc
Pittsburgh	27	16	s	26	18	pc
Port-au-Prince	36	23	pc	35	24	pc
Portland, Ore.	35	18	pc	35	18	pc
Rio de Janeiro	31	20	s	25	19	pc
Riyadh	45	29	s	45	29	s
Rome	32	22	pc	32	21	pc
Salt Lake City	32	20	pc	33	22	pc
San Diego	26	21	pc	26	21	pc
San Francisco	22	15	pc	21	15	pc
San Juan	31	26	sh	32	25	pc
Santiago	13	5	c	13	3	r
Santo Domingo	33	24	pc	33	23	pc
Sao Paulo	29	15	s	21	13	pc
Seattle	32	17	pc	33	17	pc
Seoul	33	25	pc	31	25	t
Shanghai	33	27	r	34	28	t
Singapore	30	26	t	30	26	t
Stockholm	23	14	r	23	13	pc
Sydney	21	9	s	24	15	pc
Taipei	38	28	pc	38	28	pc
Tehran	37	27	s	36	25	s
Tel Aviv	32	26	s	32	27	s
Tokyo	34	26	s	33	26	pc
Toronto	27	17	c	28	20	pc
Vancouver	25	16	s	25	16	s
Washington, D.C.	29	19	s	28	21	pc
Zurich	23	12	sh	17	11	sh

The WSJ Daily Crossword | Edited by Mike Shenk



GRRR! | By Gabriel Stone

Across

1 Swingy tunes
6 Dosage container, at times
10 "SOS" or "Help!"
14 Overflowing
15 Eva Marie Saint's "On the Waterfront" role
16 River featured in an Oscar-winning film
17 National Endowment for the Woodworking Arts offerings?
20 Official lang. of Belize
21 "Why not!"
22 Makeup item?
23 Marble banned in tournament play
25 Not natural, in a way
26 Graffitist's mark
27 They soothe weary soles
30 One spitefully refusing to share his apple?
34 Post counterpart
35 She dies beneath the Temple of Vulcan
36 Windshield wiper's trace
37 Veg-O-Matic marketer
38 Cpl., e.g.
39 Watchdog's warning to a burglar?
42 Result in
45 ___ polloi
46 Prunes
47 Fumes
51 Give approval
53 Makes a choice
54 Suffix for phenyl or propyl
55 Elegant movement of runners around the bases?
58 Offended
59 Day divider
60 "Eight Days ___"
61 Fires
62 Slips up
63 There are 28 in a Monopoly set

Down

1 Loafers' lack
2 Wish list start
3 T choice
4 Sixth of a fl. oz.
5 Really whomp
6 Sporty Chevy
7 When Antony says "Woe to the hand that shed this costly blood!"
8 Make public
9 It's minimal in coach
10 Expert with figures?
11 Came clean about
12 Rival of the O's in the Beltway Series
13 Essence
18 Trigger sound
19 Kick back
24 Sicilian peak
25 Glider spot
27 Smith's place
28 Do a barista's job
29 Broker's advice
30 Turf protectors
31 Jambalaya ingredient
32 "So what?"
33 Tom with a gravelly voice
37 Mother of Kendall and Kylie Jenner
39 "Okay, give me an example!"
40 Eighth letter out of 24
41 Flips
43 Builds
44 Splash Mountain, e.g.
47 Takes turns
48 Soprano Fleming
49 Broken off
50 Secretarial positions?
51 Ottoman commander
52 Essence
53 Freshener target
56 On behalf of
57 Be in arrears

▶ Solve this puzzle online and discuss it at **WSJ.com/Puzzles.**

Previous Puzzle's Solution

TECHNOLOGY: WEB RETAILER FANATICS RAISES $1 BILLION FROM SOFTBANK'S VISION FUND B4

THE WALL STREET JOURNAL. Wednesday, August 9, 2017 | B1

Euro vs. Dollar 1.1131 ▼ 0.56% **FTSE 100** 7542.73 ▲ 0.14% **Gold** 1256.40 ▼ 0.14% **WTI crude** 49.17 ▼ 0.45% **German Bund** yield 0.475% **10-Year Treasury** yield 2.282%

Optimism Rises for Two Brands

Lauren, Michael Kors surpass predictions for quarterly profits; shares climb sharply

BY SUZANNE KAPNER

Two big U.S. apparel and accessories brands, **Michael Kors Holdings** Ltd. and **Ralph Lauren** Corp., showed some progress Tuesday on efforts to wean themselves—and shoppers—off heavy promotions.

Both companies reported sharp sales declines in their latest quarters, as they reduced discounts at their own retail stores and pulled back the amount of goods sold through department stores. However, profits were better than expected and executives at Michael Kors pointed to signs of improved consumer spending in the U.S.

Shares in Ralph Lauren were up 11% at $87.02 in afternoon trading. Michael Kors shares were 21% higher, at $45.19. The gains recouped losses from earlier in the year, when both stocks had fallen sharply.

Michael Kors Chief Executive John Idol said consumers were willing to buy full-price merchandise if the style was right. He pointed to strong demand for the company's Bancroft handbag, which is made in Italy and sells for roughly $1,000. "If it's the right product you don't have to have these aggressive markdowns at retail," Mr. Idol said.


SPENCER PLATT/GETTY IMAGES

A Ralph Lauren store in New York City. Chief Executive Patrice Louvet wants to strengthen the brand's e-commerce efforts.

But while the demand for full-price goods helped raise the company's average prices, it was more than offset by a decline in sales volume because of the reduced discounts, he continued.

Michael Kors revenue declined 3.6% compared with a year earlier to $952.4 million for the three months ended July 1. Sales at existing retail stores fell 5.9%, while sales through department stores dropped 23%.

At Ralph Lauren, quarterly revenue fell 13% to $1.35 billion, including a 17% drop in North America, which the company attributed to declines in its retail and wholesale channels.

Ralph Lauren's new CEO, Patrice Louvet, who took the helm last month, said that while he was largely sticking with a strategy laid out by his predecessor that focused on streamlining operations, he wanted to place more emphasis on boosting revenue.

One way he hopes to do that is by strengthening e-commerce, where sales in

Please see PROFIT page B2

Big Year Can't Fix Woes of Pensions

BY HEATHER GILLERS

A run-up in U.S. stocks following the presidential election produced double-digit returns for many public pensions. But even a banner year doesn't come close to solving their problems.

U.S. public pensions earned a median return of 12.4% in the fiscal year ended June 30, according to figures released Tuesday by Wilshire Trust Universe Comparison Service, up from 1.07% the prior year.

That is their best result since 2014.

Despite the recent gains, large public pension plans still face a funding shortfall of $4 trillion because their liabilities are so large, according to Moody's Investors Service. They have just 70% of what they need to pay future benefits to police, firefighters, teachers and other public workers, according to 2016 figures from Wilshire Consulting.

The funding deficit isn't expected to improve much in 2017 despite the robust returns, according to analysts.

"It's a hole that took a long time to dig, so it will take a long time to fill," said Fitch Ratings analyst Douglas Offerman.

The pensions' predicament is the result of decades of low government contributions, overly optimistic investment assumptions, benefit overpromises and two recessions that left many retirement systems with deep funding holes.

Demographics are also a factor: Liabilities are rising as waves of baby boomers retire, leaving fewer active workers to contribute to pension plans.

Many pensions' funding problems worsened in the years following the 2008 financial crisis due to a period of rock-bottom interest rates. Many scaled back future investment assumptions, which pushed liabilities higher. Public pension funds use a combination of investment income and contributions from employees, states and cities to fund benefits.

Plans tracked by the National Association of State Retirement Administrators have an average return projection of 7.45%, down from 7.55% last year and 7.7% five years ago.

Even if public plans in the U.S. meet their current investment targets over the next five years, funding levels won't improve significantly unless cities and states ramp up their yearly pension contributions, according to a recent report by the Center for Retirement Research at Boston College.

That is less likely to happen because of budget problems in many U.S. states and cities.

Please see PENSION page B2

HEARD ON THE STREET
By Stephen Wilmot

This Cable Tycoon Is On Hunt For Deals

For all the speculation of a tie-up with **Vodafone**, cable tycoon John Malone's next European deal could just as easily be in TV.

Liberty Global, the New York-listed vehicle that holds Mr. Malone's European cable assets, has long been linked to Vodafone, Europe's largest wireless operator.

Two years ago, the companies revealed they were discussing an asset swap, but nothing came of it. Last year, they finally agreed to pool their Dutch assets, in the face of stiff competition, to create a "converged" operator with both cable and wireless networks.

Many saw that deal as an appetizer. For Liberty, the big prize is the U.K. and Ireland, which accounted for 43% of its European revenue in the first half.

The cost savings on offer from a U.K. merger would be substantial. Competition is another spur: **BT Group**, the former U.K. state monopoly, last year bought EE, the country's largest wireless company.

Both Liberty Global and Vodafone have explicit strategies of building converged operators, and their U.K. businesses have struggled.

Liberty's shares slipped Tuesday following publication of another underwhelming set of quarterly results Monday evening.

However compelling the logic, though, the reasons why the deal hasn't happened yet could continue to stop it from happening.

Please see HEARD page B2


WIL RIERA FOR THE WALL STREET JOURNAL

Production workers for the Santa Teresa rum company in Venezuela. Santa Teresa has a new global distribution deal with Bacardi.

In Venezuela Tumult, a Rum Flows

BY ANATOLY KURMANAEV AND NICOLE HONG

In a dimly lighted Manhattan speakeasy, bartender Erika Ordoñez brought a $15 glass of Venezuela's Santa Teresa 1796, the world's oldest vintage blended rum, to her nose.

"You can definitely get a little bit of the nuttiness of the aging," Ms. Ordoñez said. Though little known in the U.S., Santa Teresa has become a standard rum for the $19 daiquiri at Slowly Shirley, an underground, art-deco bar in the West Village where she works.

It is also about to go mainstream because of a new global distribution deal with **Bacardi** Ltd., the world's biggest rum maker. The agreement will make Santa Teresa's 35-year-old 1796 brand available world-wide starting in September.

Ron Santa Teresa CA is part of a small group of Venezuelan companies leaning on exports to overcome a political maelstrom that has gutted the country's economy.

Owner Alberto Vollmer, 48 years old, says expanding his prized tipple abroad is easy compared with operating in a country steeped in graft and stifling state controls. To get his products to port, Mr. Vollmer's trucks have to run a gantlet of looters, rioters, protest barricades and military checkpoints. Signatures have to be secured from a dozen government agencies. Then there is the wait for the increasingly rare ship still docking in Venezuela.

He said he has done it by working with local communities, building ties with officials and concentrating on exports. "We're in the business of extreme sports," said Mr. Vollmer, a fifth-generation rum maker whose family has distilled sugar cane in Venezuela's lush Central Valley since 1796.

Venezuela's economy has shrunk by one-third during the past four years. Antigovernment protests have claimed more than 120 lives since April.

About 20% of all companies went broke last year, according to Venezuela's largest business group, Fedecamaras. The industrialists who haven't fled the country are operating at one-third of capacity. In June, hungry people looted 80 businesses just 15 minutes' drive from the Santa Teresa estate.

"That is a little surprising to me that they continue to make this product," said Edward Hamilton, a Florida-based rum importer, referring to Santa Teresa. Mr. Hamilton is also the author of four books about Caribbean rum.

Yet Mr. Vollmer is expanding the company. Santa Teresa plans to boost export volume 30% by 2020 to about 200,000 cases, he said during an interview in his house on the 8,000-acre estate.

Focusing on exports allows Mr. Vollmer to keep 80% of the hard currency earned from every bottle sold abroad. Those U.S. dollars permit him to import inputs such as oak casks, pay some of the country's highest salaries and invest in local social projects to deter theft.

In contrast, companies that only earn the nearly worthless local currency are collapsing from constant devaluations and 700% inflation.

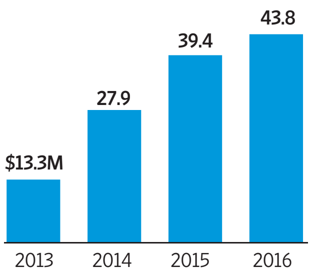
Mr. Vollmer's detractors say his access to dollars is a sign of preferential treatment from an increasingly dictatorial government.

Earlier this year, local social media went wild with indignation when a photo emerged of Mr. Vollmer smiling at a public event next to a Venezuelan official reviled by

Please see RUM page B2

Aging Well

Venezuela's rum exports have more than tripled since 2013.

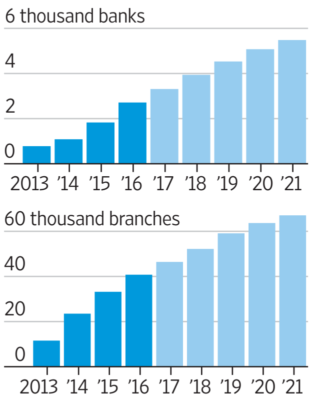


Source: Avex
THE WALL STREET JOURNAL.

Bank Cancels Card Program, Fearing Fraud

Instant Access

U.S. financial firms and branches offering instant debit cards



Note: Includes banks and credit unions. Data for 2017-21 are projections
Source: Aite Group
THE WALL STREET JOURNAL.

BY KATE FAZZINI AND EMILY GLAZER

J.P. Morgan Chase & Co. has quietly canceled a popular program that allowed customers to replace lost debit cards at many of its 5,300 branches, responding to factors including an uptick in fraud, according to people familiar with the matter.

The change means that customers who lose their debit card or have it stolen will have to wait for a new one to be mailed to them.

J.P. Morgan had machines to make the cards in about half of its branches, said one of the people familiar with the matter. That would be about 2,650 locations. The bank started eliminating the service in March, and finished late last month, the people said.

Other banks also have faced problems when expanding new financial technology. For example, some banks have placed more restrictions on mobile check-cashing technology to cut down on fraud, such as longer wait times for a deposit to post and dollar limits on daily deposits.

J.P. Morgan was one of the first major lenders to introduce instant-issue debit cards in branches, touting the service in a 2012 news release as "a real time-saver for our customers."

Since then, a cross-section of national, regional and local banks and credit unions have introduced the service, which often is used to quickly replace the cards of customers who might have been the victim of a retail data breach.

About two years ago, J.P. Morgan's Chase branches began to experience a jump in people coming in with fake IDs that matched customer information such as name and birth date, some of the people familiar with the matter said.

The swindlers then requested new replacement debit cards on the spot, the people said. They could use the new card made in the branch to make purchases or withdraw an unsuspecting customer's money from a teller or the bank's ATM. New pins are set for new cards.

After bank officials started noticing the problem picking

Please see DEBIT page B2

Walt Disney Unveils New Streaming Services

BY EZEQUIEL MINAYA

Walt Disney Co. said Tuesday it will launch early next year an ESPN video-streaming service, joining the cord-cutting trend pressuring the cable industry.

The company also said it would launch a Disney-brand streaming service in 2019.

In making these moves, Disney said it would pay $1.58 billion for an additional 42% stake in BAMTech LLC, a direct-to-consumer streaming services company. It already had a 33% stake in BAMTech.

Disney made the announcement amid its fiscal third-quarter report Tuesday that showed sports network ESPN continued to pressure results, with revenue for the latest quarter coming in below analysts' expectations.

Operating income in its cable networks segment, which houses ESPN, retreated 23%, weaker than the 21% decline predicted by analysts cited by FactSet.

Overall, Disney reported a third-quarter profit of $2.37 billion, or $1.51 a share, down from $2.60 billion, or $1.59 a share, a year earlier. Excluding certain items, the company said per-share adjusted earnings came to $1.58, compared with $1.62 a year ago.

Revenue sagged 0.3% to $14.24 billion.

INDEX TO BUSINESSES

These indexes cite notable references to most parent companies and businesspeople in today's edition. Articles on regional page inserts aren't cited in these indexes.

INDEX TO PEOPLE

DEBIT

Continued from the prior page
up, Chase started requiring customers to produce the same form of ID they had used to open their account, such as a driver's license or passport.

"We found the issue and fixed the process almost two years ago, virtually eliminating the issue," said bank spokeswoman Anne Pace.

The more-recent decision to discontinue the service reflects numerous factors, she added, including a fresh push to cut costs and customers increasingly migrating to other payment options, such as mobile banking. Ms. Pace said the fraud issues covered less than 1% of all consumer-related fraud at the bank.

Not every bank agrees that these types of machines pose a security risk. **TD Bank** and **PNC Financial Services Group** Inc. still offer instant-issue debit cards, publicizing them as a way to get cards replaced faster. Companies that produce the instant-issue technology also have said it is a way to reduce theft through the mail.

The service is "extraordinarily popular with customers," a PNC spokesman said.

In May, TD Bank released a new ad touting its instant-issue cards. In the ad, a young woman leaves her wallet in a taxi, walks right into a branch, and has her card replaced instantly.

As of March, TD Bank had rolled out machines to produce full-function debit cards for all its U.S. retail locations. "We have not seen an increase in fraud related to these machines," said TD Bank representative Lauren Schmidt.

Other large banks, such as **Bank of America** Corp., **Citigroup** Inc. and **Wells Fargo** & Co., offer temporary replacement debit cards in some branches, in part to reduce the possibility of fraud. J.P. Morgan is now offering a temporary ATM card at the branch, but not one that can be used as a debit card at merchants.

Some bank customers questioned J.P. Morgan on Twitter with sad or puzzled emojis after Chase removed the service.

"Chase really lost me with that one," complained one customer, Diron Gipson, last month. "I need my debit card the same day! Not 5 days later."

J.P. Morgan offers rush delivery of a new debit card that takes two or three days, but that also can carry a $5 fee.

Financial institutions using the technology are forecast to grow by about 65%, by 2021, according to a June report from research firm Aite Group.

Still, others have voiced concerns in addition to J.P. Morgan. **Entrust Datacard** Corp., which manufactures the machines that the bank used in branches for the instant debit replacement cards, co-wrote a 2015 white paper that advised companies using the machines to "tighten know-your-customer protocol," while "training employees to recognize in-person fraud schemes."

MICAH B. RUBIN FOR THE WALL STREET JOURNAL

Chase tightened its debit-card replacement practices.

BUSINESS & FINANCE


WIL RIERA FOR THE WALL STREET JOURNAL

Santa Teresa owner Alberto Vollmer contends with civil unrest in Venezuela to get his company's products to port.

RUM

Continued from the prior page
the opposition.

Mr. Vollmer countered that having working relationships with local officials is a required part of manufacturing, anywhere.

"It is easier to criticize than to produce," Mr. Vollmer said.

The Bacardi deal allows Mr. Vollmer to keep control of the family business while tapping a global supply chain.

For Bacardi, Santa Teresa 1796's vintage expands the Bermuda-based company's foothold in a growing segment of the industry, said John Burke, who runs Bacardi's craft brands.

Bacardi said it is confident Santa Teresa can continue producing quality rum despite Venezuela's macroeconomic difficulties.

The wider rum industry has contracted 9% by volume in the past six years, according to research firm IWSR.

The exception has been expensive aged rums like 1796, which retails for about $45 a bottle in specialty shops. Ultra-premium brands are the only rum products growing in sales this year, according to data company Nielsen.

"Consumers are drinking less—and better," said Mr. Burke. A 0.75-liter bottle of Bacardi Superior, the company's flagship product, goes for about $15 online.

There appears to be ample room for growth, because ultra-premium brands account for just 3% of all U.S. rum sales, according to Nielsen. This compares with 26% for whiskey.

"People used to think of rum as bad '80s cocktails with over-the-top fruity flavors served at frat parties," said Kenneth McCoy, owner of The Rum House bar by New York's Times Square. "Today, people who know rum like to drink it neat," meaning no ice, at room temperature.

Expensive aged rums like Santa Teresa 1796 are bucking a rum-industry contraction.

Specialty rum bars are popping up as far afield as Tokyo, where Santa Teresa has become one of the best-selling brands, said Rogerio Igarashi, owner of the upscale Bar Trench in the Ebisu district.

Even in Venezuela, rum sales have been a rare bright spot in a dire economy.

The country exported $43 million in rum last year, the most since 2003, according to the Venezuelan Exporters Association. The world's largest spirits company, **Diageo** PLC, said it plans to expand its Venezuelan-made Ron Pampero to new markets. Another Venezuelan company, **Ron Diplomático**, now sells about half its output abroad, said its head of sales, Moises Morean.

"It's held in high esteem by rum drinkers," Mr. Hamilton, the author, said of Venezuelan rum.

Back in New York, Venezuela's troubles rarely come up as connoisseurs sip 1796, said Mr. McCoy of The Rum House.

"A lot of rum products come from countries with a lot of problems," he said, "but you don't think of that when you're serving cocktails."

PENSION

Continued from the prior page
Governments either can't afford to make aggressive payments or stretch them over decades so big outlays are delayed.

No state is struggling more with these issues than Illinois, a place that has struggled for years to agree on budget priorities and pay for mounting pension liabilities. One result is the fund that oversees retirement money for state employees, judges and lawmakers now has just 35% of what it needs to pay for all future retirement obligations.

That retirement system earned nearly 12% in the fiscal year ended June 30, its best result since 2014, but its chairman said he expects the funding deficit to widen.

"Our liabilities are three times our assets," said Marc Levine, chairman of the Illinois State Board of Investment. "Maintaining our funding level would require investment returns over 20% annually. That's not going to happen."

"Even in a fantastic year," he added, "we can't keep up."

Many other public pensions around the country reported robust returns in the year ended June 30 but warned of difficult choices ahead. The California Public Employees' Retirement System, the biggest in the U.S., earned 11.2% in fiscal 2017—largely because of stocks and private equity—but noted it has just 68% of assets it needs to pay for future benefits. That is up from 65% in 2016.

"We welcome this fiscal year's strong returns, but we also remain about 68% funded and vulnerable to a downturn in stock markets," Marcie Frost, chief executive officer of the fund also known as Calpers, said in a statement. The fund has about $332 billion in assets for 1.8 million workers and retirees.

The California State Teachers' Retirement System, which sits roughly one mile from Calpers's headquarters in Sacramento, Calif., reported a fiscal 2017 return of 13.4%. The fund's chief investment officer, Christopher Ailman, touted the number on Twitter as being higher than Calpers: "BOOYAH!!"

In a release, though, he offered some caution: "Just as one bad year will not break us, one good year will not make us."

One of the best gains among public pensions happened in Connecticut, where its retirement funds earned a collective return of 14.3% in the fiscal year ended June 30.

"It was a jackpot for the taxpayers," said state Treasurer Denise Nappier.

But the fund that oversees retirements for state employees has just 35.5% of what it needs to pay for future obligations and a fund for teachers has 56%.

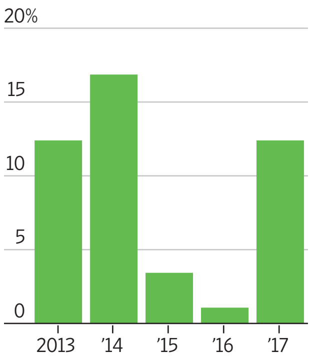
The state, Ms. Nappier said, made a mistake by not contributing more to the funds in past years.

Now she wants the teachers' fund to be more realistic about future gains, calling its current goal of 8% "an unrealistic expectation." The state employee fund last year dropped its assumption to 6.9% from 8%.

"The robust returns in the past aren't in the cards for the future," Ms. Nappier said.

Upswing

Median one-year returns for large U.S. public pension plans*



*All data are for fiscal years ending June 30.
Source: Wilshire Trust Universe Comparison Service
THE WALL STREET JOURNAL.

HEARD

Continued from the prior page
Vodafone and Liberty Global are culturally worlds apart.

Managed out of London, the former is modestly leveraged and distributes all of its cash flows to income investors via dividends.

Denver-based Liberty Global prefers buybacks and has net debt equivalent to 5.1 times operating cash flows. Mr. Malone, who is chairman and owns 26% of Liberty's voting rights through a special share class, probably won't want to lose any control.

Vodafone could sell its U.K. arm to Liberty in exchange for the cable group's German assets. But agreeing on price in a volatile operating environment seems to be a continuing problem

Both companies talk up the alternatives. In January, Liberty signed a five-year deal to use EE's U.K. wireless network, while Vodafone is rolling out its own broadband network—albeit mainly in countries where Liberty doesn't operate.

Meanwhile, Mr. Malone's latest deals show more interest in the media business. Last year, his Liberty Media vehicle bought Formula One, and last month The Wall Street Journal reported he was interested in Univision, the Spanish-language broadcaster. Cable group Charter, in which Mr. Malone owns a stake, has rebuffed merger approaches from U.S. wireless groups Verizon and Sprint.

Liberty Global itself has a 9.9% stake in **ITV**, an advertising-funded U.K. TV channel, and management has said it might want more at the right price.

A Vodafone-Liberty convergence deal would still make sense. But Mr. Malone's attention seems to lie elsewhere.


MICHAEL KOVAC/GETTY IMAGES FOR VANITY FAIR

Liberty Global holds John Malone's European cable assets.

PROFIT

Continued from the prior page
North America fell 22% in the most recent quarter. Mr. Louvet said he hasn't ruled out deepening Ralph Lauren's relationship with **Amazon.com** Inc., where the luxury brand currently sells a limited number of items.

He added that other partnerships with online retailers are in the works. Ralph Lauren recently struck a deal to sell through Zulily, which is owned by the home-shopping retailer **QVC** Inc.

While net income at Michael Kors fell to $125.5 million in the quarter, from $147.1 million a year earlier, the results exceeded analysts' expectations. Likewise, for Ralph Lauren, where net income totaled $59.5 million, compared with a loss of $22.3 million a year earlier.

"Results and outlook were better than expected," wrote Jefferies analyst Randal Konik in a note to clients about the Michael Kors results. He said that management's strategy of innovating and elevating the brand is driving sales and margins.

Mr. Idol, the Michael Kors CEO, said plans call for small increases in wholesale sales next year, providing the holiday season is strong. He also said that with the dollar weakening against the euro there is hope that foreign tourists will return to the U.S.

"We are definitely seeing business improve in North America," Mr. Idol said. Although foot traffic to stores is still weak, he said, "there's definitely a slightly better feeling that we're seeing with the consumers coming into the store being a bit more optimistic."

Ralph Lauren said it expects wholesale revenue to be down about 5% going forward.

The company also said declines in spending by foreign tourists had moderated.

Time Inc. Embarks on Cost-Cutting Effort

BY JEFFREY A. TRACHTENBERG AND IMANI MOISE

Time Inc. is undertaking an ambitious cost-cutting strategy as advertising and circulation continue to tumble, dragging the magazine publisher to a loss in the second quarter.

The media company said it expects to cut more than $400 million in costs—much of which is expected to be made in the next 18 months.

During a call with investors, Chief Executive Rich Battista said Time would reinvest some of its expected cost savings in events, television, licensing and merchandising, as well as paid products and services.

In a later interview, he declined to comment on potential layoffs and said that two-thirds of the cost savings would result from becoming a more efficient operating company, including improvements to procurement and IT and the globalization of its workforce.

"There are no sacred cows," he said.

Time, like its rivals in the publishing industry, is emphasizing its commitment to a digital transformation, including the launch of new social-media brands and the production this year of nearly 40 hours of TV programming.

It also said it sees revenue opportunities in licensing deals and new direct-to-consumer product offerings intended to make it less dependent on advertising. For example, on Monday, Time said it was launching a pet-related paid membership program that will offer discounts on veterinary expenses.

Since calling off talks with potential buyers in April, Time has moved to reshape its magazine portfolio as it focuses on a more digital and video-driven future. The company, which publishes People, Sports Illustrated and Time, has already cut jobs, slashed its dividend and put several smaller titles up for sale.

In its latest quarter, advertising sales fell 12%, primarily due to a decrease in print ads. Time said that ad sales were hurt by speculation about its failed effort to sell itself and the continued disruption caused by the reorganization of its sales force.

Digital advertising declined 2%. The media company attributed much of the drop to an agency review by one of its key customers.

Time said it is seeing improvement in current advertising trends and reaffirmed its guidance on full-year earnings before depreciation and amortization to be in the range of $400 million to $414 million, excluding future divestitures. The company also said it expects its digital advertising revenue to show double-digit gains in the third quarter.

On Tuesday, Time confirmed it had started the sale process on three titles—Sunset, Coastal Living, and Golf—which are on the block because they no longer fit Time's emphasis on its core brands.

The media company is also looking for a majority investor in Essence, its women's African-American lifestyle magazine. And it has hired investment bankers to explore the possible sale of its U.K. publishing arm, which includes such magazines as Horse & Hound, and the music publication NME.

It has already trimmed one small asset, recently selling the live events company INVNT back to its founders for an undisclosed price.

Time had already started reducing costs after disclosing the end of its sale process earlier this year. In mid-June, Time eliminated about 300 jobs in the U.S. and abroad, or 4% of its total workforce.

Restructuring and severance costs increased to $31 million in the second quarter, compared with $16 million in the first quarter.

In all for the quarter ended June 30, the company reported a loss of $44 million, or 44 cents a share, compared with earnings of $18 million, or 18 cents a share, a year earlier. On an adjusted basis, earnings fell to 13 cents a share.

Revenue dropped 10% to $694 million. Analysts polled by Thomson Reuters had forecast earnings of 11 cents a share on $703.5 million in sales. The company's shares, down about 25% this year, fell 0.7% in afternoon trading.

MICHAEL NAGLE/BLOOMBERG NEWS

The magazine publisher's ad sales fell 12% in the quarter, and circulation revenue continues to drop.

New CVS Services Push Further Into Doctor's Realm

BY SHARON TERLEP

CVS Health Corp., hit by slower store sales and the defection of some big insurance providers, is moving ever more onto doctors' turf in a bid to win back business.

The company said Tuesday that it intends to expand a program in which it marshals pharmacists, hundreds of onsite medical clinics and its vast data network to help people manage chronic diseases including asthma and high blood pressure.

It is an extension of a test program launched earlier this year to help improve the health of people with diabetes through close monitoring of glucose levels, medication adherence and lifestyle habits.

In taking on chronic disease, one of health care's most vexing and costly problems, CVS sees an opportunity to wrest back business from competitors in the pharmacy-benefits sector.

CVS last year lost contracts from Prime Therapeutics, which manages pharmacy benefits for some Blue Cross and Blue Shield plans, and Tricare, a U.S. Defense Department health-care program, to **Walgreens Boots Alliance** Inc. At the time, the company said the lost deals could cost it 40 million prescriptions this year.

Prescription volumes were flat for the most recent quarter, the company said Tuesday, largely because of the loss of contracts to Walgreens. Overall, profit and revenue rose as an increase in pharmacy services offset declines in retail sales and pharmacy same-store sales. Pharmacy services, such as managing drug claims for health plans, accounted for $32.3 billion of the company's $45.7 billion in second-quarter revenue.

The program for managing chronic disease aims to cut costs for patients, insurance providers.

The CVS program to manage chronic disease aims to bring down costs both for patients and their insurance providers, the company said. In order for people to participate, they must belong to a health plan that has a contract with CVS's pharmacy-benefit business.

Drugstore chains have long deployed resources to help patients combat chronic diseases. Walgreens has a program with Express Scripts Holding Co., the largest U.S. administrator of prescription-drug benefits, to improve medication adherence for people with diabetes. But the CVS program is more extensive and unusual in that it aims to lure back insurers to its pharmacy-benefits management services.

"We tell our [insurance] clients that these members have to be in one of our channels to get the value of these programs," said Jonathan Roberts, CVS's chief operating officer. "There will be a share shift that comes as clients adopt these programs, and we demonstrate our ability to lower overall health-care cost."

As store sales have slowed for both CVS and Walgreens, which combined filled more than three billion U.S. prescriptions in 2016, the two companies have worked to beef up their prescription-drug businesses. The already pitched competition between the pharmacy giants could intensify as new rivals look to enter the fray. Earlier this year, Amazon.com Inc. was reported to have hired a team to develop a strategy for breaking into the pharmacy market.

BRITTA PEDERSEN/DPA/ZUMA PRESS

Co-founder Travis Kalanick was pushed out in June after nearly a half-year of scandal and negative attention surrounded Uber.

Uber Ex-CEO Won't Return

Chairman says ride-hailing firm is 'committed to hiring a new world-class' chief

By Greg Bensinger

Uber Technologies Inc. won't be bringing co-founder Travis Kalanick back as chief executive, Uber's chairman told employees in an attempt to quell reports the co-founder was attempting a comeback.

"Travis is not returning as CEO," Garrett Camp, himself a co-founder, wrote Monday in a staff email reviewed by The Wall Street Journal. "We are committed to hiring a new world-class CEO to lead Uber."

In his note, Mr. Camp said the subject of Mr. Kalanick returning as CEO came up during a product leadership meeting last week and he wanted to tamp down the speculation. Uber, according to people familiar with the matter, has narrowed its list of outside CEO candidates to three, including former General Electric Co. CEO Jeff Immelt.

Mr. Kalanick was pushed out in June by a group of investors after nearly a half-year of scandal and negative attention surrounded Uber, last valued by investors at $68 billion. The San Francisco company underwent a monthslong probe into its culture following allegations of sexism and sexual harassment and is fighting a lawsuit from rival **Alphabet** Inc. over allegedly stolen trade secrets. The company also has to fill other executive spots, such as chiefs of finance, marketing and operations.

An Uber spokesman declined to comment. Messrs. Kalanick and Camp didn't respond to requests for comment.

The note came as a surprise to other board members, who hadn't seen its contents or been briefed on it prior to it being sent to all staff, according to people familiar with the matter. Though chairman, Mr. Camp doesn't sit on the five-member executive search committee, these people noted.

"Uber must evolve and mature as we improve our culture and practices," Mr. Camp said in the email. News site Recode reported the email earlier.

Uber has narrowed its list of outside chief executive candidates to three.

The next CEO of the company will have to quickly fill the deputy positions, while also seeking a new independent chairman to replace Mr. Camp who is relinquishing the post but is expected to remain as a director.

Uber retained executive-search firm Heidrick & Struggles International Inc. to help it find its new CEO and COO. Meg Whitman, the Hewlett Packard Enterprise CEO, was a contender for the top job at Uber, according to people familiar with the matter, but last month on Twitter declared herself out of the running.

Separately, major Uber investor Benchmark Capital on Monday sent a series of tweets apparently meant to alleviate tensions between the venture firm and the ride-hailing company. The firm, which was the driver behind Mr. Kalanick's June ouster, has been discussing selling a portion of its stake to SoftBank Group Corp. at a valuation below that of Uber's last funding round, according to people familiar with the matter.

Benchmark, on Twitter, said it is "incredibly optimistic about Uber's future" and that it is "long Uber," while noting it thinks the company's value could exceed $100 billion—compared with about $70 billion now. Benchmark partner Matt Cohler is an Uber board member and sits on the executive search committee.

Google Uproar Stirs Debate on Voicing Opinions

By Yoree Koh And Kelsey Gee

Technology companies such as Facebook Inc., **Twitter** Inc. and **Google** parent **Alphabet** Inc. encourage employees to speak up, providing internal message boards, town halls and other forums for them to voice their opinions.

But what happens when a worker expresses a wildly unpopular—or even offensive—viewpoint?

That is one of the questions Google must now grapple with after an employee wrote an internal memo positing that women's biological attributes such as being prone to "higher anxiety," not sexism, contribute to the company's gender gap. The missive set off a firestorm within the search giant and the broader tech community.

While many tech companies provide workers with the digital forums to discuss topics including press coverage, the ways consumers use their products and critiques of management, the uproar at Google highlights the risks that come with open discussion of contentious issues.

Companies can prohibit some speech and behaviors that discriminate against or harass members of staff, and may terminate those who violate the employer's values and mission, attorneys said.

"There's no unfettered right for employees to say whatever they want without facing repercussions from their company," said Daniel A. Schwartz, employment law partner at Shipman & Goodwin LLP. "The question for companies like Google is, are you going to discipline employees for speaking their minds, when you've created a platform that encourages it?"

The Google employee argued that company initiatives to increase diversity discriminate against some workers, and that a liberal bias among executives and many employees makes it difficult to discuss the issue at the company, according to a version of the memo reviewed by The Wall Street Journal and verified by Google employees.

The memo has gone viral since it initially was published internally late last week, then leaked to the press over the weekend. The incident is the latest to underscore the notion that the tech industry is unwelcoming to women and minorities.

Google Chief Executive Sundar Pichai tried to strike a balance in a message sent to employees Monday. "We strongly support the right of Googlers to express themselves, and much of what was in that memo is fair to debate regardless of whether a vast majority of Googlers disagree with it. However, portions of the memo violate our Code of Conduct and cross the line by advancing harmful gender stereotypes in our workplace," Mr. Pichai wrote. Google hasn't publicly named the memo's author.

Software engineer James Damore, who wrote in an email that he was the author of the memo and had been fired for it, said he has complained to federal labor officials about executives' efforts to silence him.

Workplace-harassment laws give employers latitude to police digital message boards in the same way they monitor the photos and messages workers hang in their physical workplaces, said Mr. Schwartz. Companies restrict the posting of violent and pornographic material for those reasons.

Experts said moderating digital discussions requires clear guidelines for how employees should participate and proper internal coordination to manage responses to messages that violate norms.

A software engineer said he was fired for writing a memo on workplace diversity.

Victoria Plaut, a law professor and the director of the culture, diversity and intergroup relations lab at the **University of California, Berkeley**, suggested that companies can enhance their internal message boards with more-structured environments where difficult conversations can take place. That might include soliciting employees' opinions through focus groups and surveys, she said.

"Google could use this as a learning opportunity—both to reflect on how the climate is experienced by all employees and to pinpoint sources of resistance to its initiatives," she said.

Mr. Damore's termination could create more complications for Google. Valerie Frederickson, CEO and managing partner at Frederickson Pribula Li, an executive-search firm specializing in human resources, said firing an employee on such grounds could alienate others at the company who quietly agree with the memo's author. "Yes, maybe there are 10,000 who want him fired but maybe there are 30 or 40 people who feel he should be allowed to speak his mind," she said.

—Jack Nicas contributed to this article.

GOOGLE/ASSOCIATED PRESS

There's a notion that tech firms are unwelcoming to women, minorities.

Nissan to Sell Its Battery Business

By Sean McLain

TOKYO—**Nissan Motor** Co. agreed to sell its battery business, including its U.S. operations, to a Chinese investment firm, setting the stage for a potential ruling by a U.S. regulator on the transfer of sensitive technologies.

The buyer, **GSR Capital**, agreed Tuesday to buy the majority of Nissan's electric-car battery operations for an undisclosed sum. The deal, which the parties said they expected to close by the end of the year, includes Nissan's battery-manufacturing operations in Smyrna, Tenn.; Sunderland, England; and Japan.

Nissan also agreed to hand over part of its battery research operations in Japan and battery subsidiary Automotive Energy Supply Corp., which it has operated as a joint venture with **NEC** Corp. of Japan but would be fully owned by GSR Capital under the deal.

Batteries are among the most sought-after areas of technology because leading car makers have said they plan to sharply boost the proportion of their sales coming from electric-powered cars. South Korea and Japan have some of the battery industry's leading companies, with China in fast pursuit.

JASON SZENES/EUROPEAN PRESSPHOTO AGENCY

A rise in electric-powered cars is boosting demand for batteries.

GSR Capital Chairman Sonny Wu said in a statement that the deal "represents an important step for us in the new energy vehicle industry chain."

Nissan has been seeking to get out of the battery-manufacturing business for some time. Chairman Carlos Ghosn has said the joint venture with NEC was set up a decade ago when Nissan had few options for getting electric-car batteries except making them itself. Today, there are a number of suppliers competing on price and technology, so it makes sense for Nissan to purchase from outside the company, he has said.

Those options include LG Chem Ltd., which supplies batteries to Nissan's alliance partner Renault SA. Mr. Ghosn told The Wall Street Journal in 2015 that he would consider using LG batteries in future electric vehicles.

In 2015, GSR Capital raised a $5 billion buyout fund. Its chairman, Mr. Wu, is also the co-founder of venture-capital firm **GSR Ventures**, which made its name investing in some of China's most famous tech startups, including ride-hailing company Didi Chuxing Technology Co.

One of GSR Venture's deals, for an automotive-lighting unit of Royal Philips NV, broke down over concerns from the Committee on Foreign Investment in the U.S., known as CFIUS—an inter-agency group led by the Treasury Department that has the power to review foreign investments.

The battery deal with GSR Capital could face scrutiny from CFIUS, since it includes the transfer of a U.S. manufacturing facility.

In a text message, Mr. Wu said, "We will jointly file for CFIUS with Nissan." He said GSR Ventures has acquired stakes in two U.S.-based battery companies in the past.

Mr. Wu and a Nissan spokesman declined to comment on expectations for the regulatory process.

The deal comes amid U.S. lawmakers' calls for greater scrutiny of deals involving Chinese investors.

GSR Capital expects close scrutiny of the deal from CFIUS and is lining up a charm offensive in the U.S. to ensure approval, said a person with knowledge of the company's thinking.

GSR Capital said that if the deal goes through, it plans to construct a battery facility in China.

Web Retailer Raises $1 Billion From SoftBank Vision Fund

By Tripp Mickle And Liz Hoffman

SoftBank Group Corp. and its Vision Fund are closing a $1 billion investment in online sports retail company **Fanatics** Inc., part of a sizable bet the startup's licensing agreements with the **National Football League** and others give it the power to compete with e-commerce giant Amazon.com Inc., according to people familiar with the matter.

The investment in the e-commerce company is scheduled to close this month as part of a round of funding that will lift its total valuation to $4.5 billion from $3 billion, the people said. Other investors in this round include the NFL and **Major League Baseball**, which invested about $95 million and $50 million, respectively, earlier this year.

SoftBank in April made an initial investment of an undisclosed sum, according to a person familiar with the matter, but the bulk of the $1 billion investment comes from SoftBank's $100 billion Vision Fund.

The fund, whose investors include Saudi Arabia and Abu Dhabi sovereign-wealth funds as well as companies such as Apple Inc. and Qualcomm Inc., is still being completed after gathering $93 billion in an initial closing in May.

In addition to Fanatics, the Vision Fund has committed to invest nearly $3 billion in shared-office-space giant WeWork Cos. and $1 billion in satellite-internet startup OneWeb Ltd., among others.

The Fanatics deal reflects the belief by SoftBank and its Vision Fund that the company has built an e-commerce business that can withstand the pressures of Amazon, the people said.

Still, selling sports jerseys and caps online appears to stray from the Vision Fund's stated mission: investing in startups in the forefront of artificial intelligence and machine learning. Investments fitting that mold include the acquisition of Google's robotics division Boston Dynamics and a stake in chip maker Nvidia Corp.

Fanatics has signed long-term licensing agreements through at least 2030 with major U.S. sports leagues, giving it exclusive rights to sell and make licensed merchandise. It also has agreements to manage e-commerce sales and operations for international soccer clubs like Manchester United and Real Madrid.

The company's revenue last year topped $1.4 billion, up from about $1 billion in 2015. It expects to generate $2.2 billion in revenue this year. About three-quarters of revenue is direct-to-consumer sales from Fanatics.com or the 200-plus team and league sites the company operates.

Fanatics' revenue pales in comparison to Amazon, which had $94.66 billion in net product sales last year, and eBay Inc., which did nearly $80 billion in gross merchandise volume on its marketplace.

Analysts largely believe those large e-commerce players will continue to grow by acquiring smaller competitors or forcing rivals out of business. Only some niche players are expected to survive.

—Mayumi Negishi contributed to this article.

Gig Economy Delivers New Perks

Uber, other companies dangle more benefits to attract and retain on-demand workers

BY KELSEY GEE

Uber Technologies Inc., Instacart and other gig-economy companies are straining to attract and keep the short-term laborers who give rides, shop for groceries and deliver meals at the tap of an app.

Amid low unemployment and fierce competition, startups have begun offering richer perks, benefits and signing bonuses to lure on-demand workers to sign up for, and stay with, their platforms. Companies have beefed up recruiting, even touting the opportunity to join the staff full time—a sign that maintaining a steady labor pool is growing expensive and difficult.

"Founders know that showing these workers they can earn a stable living with some predictability in pay and hours is one major way to compete," said Roy Bahat, head of venture fund Bloomberg Beta, a unit of **Bloomberg** LP that invests in startups such as job-listing platform **Textio** Inc.

The so-called gig economy, which is composed of part-time and freelance jobs, came on the heels of the 2007-09 recession, when high unemployment and stagnant wages made short-term workers relatively easy to find.

Today, the pool of these workers remains significant—a 2016 McKinsey Global Institute report found that roughly 4% of the U.S. workforce has earned money using apps and platforms in the gig economy, while some economists peg the total closer to 1%, or 1.5 million Americans. But the gig economy is under pressure from a stronger labor market and some workers souring on piecemeal jobs, investors say.

Uber, seeking to repair rocky relations over pay and benefits with its roughly 600,000 active drivers, updated its app in July to enable tipping by customers. It has also rolled out a pilot insurance plan launched in partnership with Aon PLC to help cover on-the-job accidents.


JASON HENRY FOR THE WALL STREET JOURNAL
Sidney Walker delivered DoorDash food orders in San Francisco in June. DoorDash leases GenZe motorized bikes for workers' use.

In June, Uber also committed to developing a program to help drivers take on full-time roles. Over 100 drivers have been hired into customer-support jobs in the U.S., according to a spokesman.

Ride-sharing competitor **Lyft** Inc. in 2015 launched a tiered perks program, giving enhanced tax, health and car-maintenance services depending on the number of rides completed by its 700,000 drivers, a spokeswoman said.

Companies are also using signing bonuses to lure workers. Postmates Inc., an on-demand delivery service, offers bonuses ranging from $50 to $500. Bonuses for new Uber drivers recently hit $1,000 in San Francisco; for Lyft, it was $800. Drivers get referral bonuses, too.

Harry Campbell, who runs The Rideshare Guy, a blog that compiles information for on-demand workers, says turnover is driven by gig workers' unhappiness with their take-home pay. The most effective sweeteners, he says, are those that reduce workers' expenses and give them quicker access to their pay.

A 2015 analysis of Uber's workforce found that 45% of new drivers left the platform in their first year, a rate that remained steady in a separate 2016 study by economists in partnership with the firm.

In any given month, an estimated one in six participants in the gig economy is new, and more than half of such workers exit within a year, according to a November report from the JPMorgan Chase Institute.

Adding perks can "smooth out" any dips in service sparked by worker turnover for on-demand companies, said Jennifer Fonstad, co-founder of venture firm **Aspect Ventures**, which has investments in UrbanSitter and other gig-economy startups. "These new, ancillary services can enhance the gig worker's ability to do a job better and more easily," she added.

Instacart will offer workers discounted mobile-phone plans in coming months.

Businesses can face lawsuits if they treat independent workers too much like employees who, unlike contractors, must legally be provided certain benefits and protections, said Scott Witlin, an employment attorney with law firm Barnes & Thornburg LLP. Sweeteners such as discounted cellphone plans and referrals to affordable benefits keep companies on safe legal ground, he said.

Food-delivery startup DoorDash Inc., based in San Francisco, has enlisted outside companies to connect its 100,000 independent contractors to health-insurance plans and offers next-day payments.

DoorDash is trying to expand the pool of potential delivery workers—dubbed "dashers"—by leasing motorized bicycles for workers' use during delivery runs in four cities.

DoorDash could eventually rent the fleet to interested workers for a small daily fee, according to Chief Executive Tony Xu. For now, GenZe, the bikes' maker, is providing the $1,600 vehicles to the company free of charge.

"It's a matching game between maintaining a steady supply of dashers with the number of orders coming in from customers," said Mr. Xu. The company is betting that perks will help retain experienced delivery workers who will provide better service, thus helping expand DoorDash's customer base, he said.

Instacart will begin offering workers discounted mobile-phone plans in the coming months; it has also begun opening its company town halls to its tens of thousands of on-demand shoppers, said Senior People Operations Partner Ru Cymrot-Wu.

Shoppers hear executives' updates on company performance and can ask questions of Instacart leaders. The company recently settled a class-action lawsuit brought by contractors for $4.6 million in March, after they claimed the company improperly pooled their tips and failed to reimburse them for business expenses. Instacart denied the charges, but has since added a more visible way for customers to tip their shoppers.

"There's been a lot of growth in the area of acknowledging that people are what makes our business run," said Ms. Cymrot-Wu, referring to Instacart's on-demand shoppers. "We need to ensure they have support and resources."

Healthy Workers Are More Productive

BY LAUREN WEBER

Healthy employees are more productive employees, according to new research bolstering the case for corporate wellness programs.

That might seem obvious, but the connection has been tough to establish with data to link workers' job performance and their personal health.

A study of a small sample of workers at commercial laundry plants in the U.S. Midwest found employees who participated in an employer-sponsored health program increased their productivity by about 4% on average during the subsequent year. The greatest productivity change was in sick workers whose health noticeably improved from one annual screening to the next, who saw an 11% change in their output.

But even workers who were healthy at the outset of the study were able to get more done during the workday after participating in the program.

Lifestyle changes—better nutrition, more exercise, less stress—were responsible for most of the gains. "Showing up feeling better means people work harder on a day-to-day basis," said Ian Larkin, a management professor at the University of California, Los Angeles, who wrote the paper with Timothy Gubler of University of California, Riverside and Lamar Pierce of Washington University in St. Louis.

Employers have embraced wellness programs to reduce absenteeism and lower health-insurance costs. For example, nudging workers to quit smoking and offering access to treatment can reduce claims for ailments such as heart disease and lung cancer.

But the link between wellness and productivity has been more difficult to measure, in part because of challenges collecting data from disparate sources. By studying workers at a laundry company that maintained detailed data on daily output, the authors were able to match health information over several years with individual workers' performance on the job. The health records came from an outside company that administered the wellness program.

The results show a statistically significant improvement in productivity, which the authors attribute mainly to improved health but also to greater effort by workers who felt more goodwill toward an employer they viewed as caring about their well-being. The paper will be published in a forthcoming issue of the journal Management Science.

The wellness program cost the company around $32,640; the authors estimated the total productivity benefit at $57,558—for a return on investment of 76%. In other words, for every $100 the firm spent on the wellness program, it earned $176 in output from its employees.

BUSINESS WATCH

SEAWORLD ENTERTAINMENT

Theme Park Grapples With Low Attendance

SeaWorld Entertainment Inc., troubled by a backlash over its use of its signature orcas, swung to a loss in its latest quarter as the company once again grappled with negative public perception cutting into attendance.

Company officials said overall attendance plunged by roughly 353,000 guests during the first half of the year, compared with the same period in 2016. The decline occurred mostly because of shrinking domestic and international attendance at the parks in Orlando, Fla., and San Diego.

The theme-park operator said its Orlando location was affected by reduced national advertising and competitive pressures, while the park in San Diego was hurt by "public perception issues" that have "resurfaced" since the company reduced spending on marketing.

For the second quarter ended June 30, the company swung to a loss of $175.9 million, or $2.05 a share, from a year-earlier profit of $17.8 million, or 21 cents a share. The loss for the period includes a $269.3 million noncash goodwill impairment charge linked to the company's Orlando park.

Revenue was nearly flat, edging up 0.4% to $225 million.

—*Ezequiel Minaya*


CHARLIE KAIJO/TAMPA BAY TIMES/ZUMA PRESS
An orca at a SeaWorld show in Orlando, Fla., earlier this year. The company swung to a second-quarter loss as attendance fell.

PANDORA

Jeweler Buys Some Distribution Rights

Danish jeweler **Pandora** A/S said it would pay €110 million ($130 million) to buy the distribution rights for its jewelry in Spain, Gibraltar and Andorra. It also said it would continue to open more stores after recording strong growth across its business in the second quarter.

The acquisition allows Pandora to enter Spain directly, getting direct access to one of the larger jewelry markets in Europe, and follows the takeover of distribution rights in Belgium and South Africa earlier in the year. Revenue from the acquired business totaled €94 million in 2016.

Pandora, which sells charm bracelets, rings and earrings, said markets such as China, Italy, the U.K. and Australia all performed well in the quarter. Despite a challenging U.S. retail environment, the company said it still expects full-year revenue of 23 billion to 24 billion Danish kroner ($3.65 billion to $3.81 billion) and an earnings before interest, tax, depreciation and amortization margin of 38%.

Net profit fell 10% to 1.1 billion kroner for the three months to June 30, from 1.22 billion kroner a year earlier.

The jeweler said revenue rose 12% to 4.83 billion kroner.

—*Dominic Chopping*

Blackstone to Buy Spanish Real Estate

The $35.2 billion deal gives firm a 51% stake in Banco Popular Español's portfolio

By Jeannette Neumann

MADRID — **Blackstone Group** LP said it agreed to acquire a majority stake in rescued Spanish lender **Banco Popular Español** SA's real-estate portfolio, a vote of confidence by the U.S. asset manager in Spain's robustly recovering economy.

Blackstone said Tuesday it would take a 51% stake in a newly created company that will include approximately €30 billion ($35.2 billion) worth of real-estate assets transferred from Banco Popular and would also include the bank's real-estate management company, called Aliseda.

Banco Popular was rescued by European Union and Spanish authorities in June after a bank run this summer and sold to **Banco Santander** SA for a token €1.

Banco Popular had been a weak link in the Spanish banking system since the country's property boom went bust starting in 2008. The lender had been unable to make enough headway shedding its mountain of foreclosures, undeveloped land and bad loans.

Santander's stake sale to Blackstone is an additional and important step as the bank seeks to clean up Banco Popular and focus on its core business of selling loans and other products to individuals and businesses, rather than managing billions in troubled real-estate assets.

Banco Popular's €30 billion in real-estate assets had been written down to approximately €10 billion, Blackstone and Santander said in statements. Blackstone will manage the new company and Banco Popular will own the remaining 49% stake. The deal is the largest real-estate portfolio sold in Spain and among the largest in Europe, a Santander spokesman said.

"This significant investment reflects our continued confidence in the robust recovery of the Spanish economy," Jonathan Gray, Blackstone's global head of real estate, said in a statement.

Since emerging from recession in 2013, Spain's economy has expanded more strongly than European peers. The country's economic growth rate is expected to once again top 3% this year. Real-estate prices in major Spanish cities such as Madrid and Barcelona have been rising, although in some of the less-populated areas of the country prices are still falling.

Blackstone and Santander didn't disclose the price paid for the assets.

Blackstone's offer, the companies added, topped those made by two other unnamed investment firms. The agreement was confirmed after European Union competition authorities formally approved Santander's acquisition of Banco Popular earlier Tuesday.

Santander said the sale to Blackstone doesn't trigger a material capital gain or loss for the bank. The deal will boost Santander's capital ratio by 0.12 percentage point under international regulations known as "fully loaded" Basel III criteria, the bank said. Santander's capital ratio was 10.72% as of early June and the bank aims to have a "fully loaded" ratio of above 11% in 2018.

The transaction is expected to close in the first quarter.

Wells Fargo Faces New Auto-Loan Headache

By Emily Glazer

JUSTIN SULLIVAN/GETTY IMAGES

Wells Fargo's latest regulatory scrutiny concerns guaranteed asset protection sold through car dealerships. Above, a San Francisco branch.

Wells Fargo & Co. is facing more regulatory scrutiny related to auto-insurance practices.

The latest questions concern guaranteed asset protection the bank sold through car dealerships, a person familiar with the matter said.

The San Francisco Federal Reserve made an inquiry about control breakdowns related to those matters, the person said.

The insurance products offer consumers additional protection beyond standard auto insurance policies and are often financed as part of the customer's loan.

For instance, if a customer has an accident and the vehicle is totaled, so-called GAP insurance could help pay off the loan balance not covered by the customer's primary insurance.

The San Francisco Fed, one of several regulators overseeing different parts of San Francisco-based Wells Fargo, focuses on safety and soundness of banks, such as compliance and controls. The latest inquiry didn't trigger a new investigation and was part of the overall supervisory process, the person added.

Wells Fargo spokeswoman Catherine Pulley said in a statement: "During an internal review, we discovered issues related to a lack of oversight and controls surrounding the administration of guaranteed asset protection...products."

Borrowers are entitled to a refund of some of the GAP insurance if loans are paid off early.

Ms. Pulley added that the bank is working to make the customer refund process "more consistent for customers" and pointed to the bank's disclosures about these issues in its most recent quarterly filing in efforts to be more transparent.

A spokesman for the San Francisco Fed didn't immediately respond to requests for comment. Ms. Pulley declined to comment on how many customers might be impacted or when these issues began.

A spokesman for the Federal Reserve, Darren Gersh, said it doesn't comment on confidential, firm-specific supervisory matters. He added that the Fed works closely with the Office of the Comptroller of the Currency and the Consumer Financial Protection Bureau, "the regulators with primary and direct oversight in this area."

The New York Times earlier reported the San Francisco Fed's inquiry into Wells Fargo on the matter.

This is the most recent headache for Wells Fargo. The bank said in late July that it is refunding around $80 million to as many as 570,000 auto loan customers over other insurance practices known as collateral protection insurance. The Wall Street Journal reported Friday that the Office of the Comptroller of the Currency is considering taking further action in light of those insurance revelations, although it isn't clear what form that could take.

That is on top of the bank's sales-practices scandal that erupted about a year ago and resulted in a settlement, congressional hearings and the departure of then-CEO John Stumpf. Several investigations related to that settlement continue; the bank has said it is cooperating.

In the bank's quarterly filing with the Securities and Exchange Commission, disclosed Friday, Wells Fargo said issues related to auto loans "may subject the company to formal or informal inquiries, investigations or examinations" from federal, state or local government agencies, as well as potential litigation. The bank said the scrutiny included questions about origination, servicing, collection of loans and related insurance products.

The bank gave further detail, writing that it "has identified certain issues related to the unused portion of guaranteed auto protection waiver or insurance agreements....which may result in refunds to customers in certain states."

Laws in nine states require that customers get refunds for unused coverage periods and that the holder of the contract ensures the refund is made properly. Wells Fargo is evaluating its internal controls to confirm if the refunds weren't adequate, the person said.

The bank's auto division, Wells Fargo Dealer Services, is adjusting its so-called GAP insurance products to ensure customers get the appropriate refunds or claim benefits if loans end early or if they file claims, the person said.

Wells Fargo is taking over management of issuing refunds to customers with GAP products whose loans end early. Typically, that has been handled by the dealerships.

In June, the bank began issuing GAP refunds in several states where customers paid off their loan early, the person said. The bank plans to expand that effort across the country.

Fears of Oil Glut Weigh On Prices

By Christopher Alessi And Stephanie Yang

Oil prices gave back gains Tuesday, as projections for U.S. oil production climbed and other major oil-producing nations met to discuss compliance to a deal to curb output.

Light, sweet crude for September delivery settled down 22 cents, or 0.4%, to $49.17 a barrel on the New York Mercantile Exchange. Brent, the global benchmark, lost 23 cents, or 0.4%, to $52.14.

The U.S. Energy Information Administration on Tuesday said it expects U.S. crude-oil production to average 9.9 million barrels a day in 2018, the highest annual average production on record. The prior record was set in 1970 at 9.6 million barrels a day, the EIA said.

Concerns about a flood of U.S. shale supply have already derailed an attempt by the Organization of the Petroleum Exporting Countries to cut global production and lift prices this year. Saudi Arabia and other producers within and outside the cartel met in Abu Dhabi this week to discuss slipping compliance with the deal.

Still, investors remained skeptical of the cartel's ability to adhere to the agreed-upon reductions, especially as those exempt from the deal, including Libya and Nigeria, have increased production.

"If nothing new is brought to the table in the OPEC meeting and investors are left empty-handed once again," oil may start to sell off again, said Lukman Otunuga, FXTM research analyst.

OPEC, along with 10 producers outside the cartel—including Russia—agreed late last year to cap their production at around 1.8 million barrels a day lower than peak October 2016 levels. The oil-market reaction has proved muted, in part due to rising U.S. production, though poor compliance by some participants in the OPEC output-cap agreement has contributed.

The Saudis "continue to do their best to support the market by cutting exports," said Ole Hansen, head of commodity strategy at Saxo Bank.

Prices had ticked higher Tuesday morning on reports that Saudi Arabia, the world's largest producer of crude oil, is expected to cut sales of oil supplies to Asia by as much as 10% in September. However, bearish sentiment once again took over, leading prices to close lower for the third time in the past four sessions.

"The reality is OPEC has no way of enforcing the production caps," said Gao Jian, an analyst at SCI International. "That has been the problem of the cartel for many years now."

Gasoline futures fell 0.6% to $1.6208 a gallon and diesel futures fell 0.6% to $1.6292 a gallon.

—Jenny W. Hsu and Benoit Faucon contributed to this article.

Abu Dhabi Fund Extends 1MDB Payment Deadline

By Saurabh Chaturvedi

OLIVIA HARRIS/REUTERS

A 1MDB billboard in Kuala Lumpur in 2015. The fund has agreed to pay Abu Dhabi's IPIC $1.2 billion.

An Abu Dhabi sovereign-wealth fund on Tuesday said it has extended the deadline for a Malaysian state-investment fund to make a payment of about $600 million, giving its former business partner until the end of August to honor its obligations.

The money is the first installment of a $1.2 billion sum that 1Malaysia Development Bhd., known as 1MDB, agreed to pay Abu Dhabi's International Petroleum Investment Co. to compensate it for an emergency loan and other financial support extended after the Malaysian fund was unable to service its debt obligations.

As a condition for extending the July 31 deadline, IPIC said it will require the Malaysian Finance Ministry and 1MDB to pay at least $310 million by Aug. 12. 1MDB will also have to pay default interest on the delayed payment, IPIC said in a statement filed to the London Stock Exchange.

Malaysia's Finance Ministry and 1MDB didn't immediately respond to requests for comment on Tuesday.

1MDB last week said it had been due to make the payment to IPIC by July 31, using proceeds from the sale of units it owns in offshore investment funds, but failed to do so because of regulatory hurdles in getting the money. The Malaysian fund said it had "written to IPIC to inform them of our commitment to meet the obligations."

IPIC at the time confirmed it hadn't received the payment and said 1MDB and Malaysia's Finance Ministry had five business days to remedy the situation before they "become subject to additional obligations."

1MDB was launched in 2009 to spur economic development in Malaysia but accumulated $13 billion in debt. It began struggling in 2015 to make payments on the debt and later was found to be missing billions of dollars. Investigations in search of the money sprang up in the U.S., Singapore and other countries. U.S. investigators allege that at least $4.5 billion was stolen from 1MDB.

1MDB has denied wrongdoing and promised to cooperate with investigators.

IPIC and 1MDB signed a settlement agreement in April. The $600 million payment owed to IPIC was the first to come due since the U.S. Justice Department in June and Singapore's public prosecutor in July alleged in court filings that units owned by 1MDB in an offshore investment fund were actually almost worthless. 1MDB had maintained they were worth about $940 million. The fund hasn't commented on the allegations.

1MDB has said it would pay IPIC back from the proceeds of the sale of those fund units through a "monetization." It didn't give details at the time of the settlement agreement.

The mystery surrounding the units, owned by a 1MDB subsidiary called Brazen Sky, has plagued 1MDB for years. The company went through three auditors trying to find one to value it without seeing the underlying assets, according to 1MDB board minutes.

The delay in payment threatens to reopen a dispute between IPIC and 1MDB over who should foot the bill for money allegedly stolen from the Malaysian fund.

—Bradley Hope contributed to this article.

Retail REITs Say They Have Lots of Life

By Esther Fung

Last week, the top mall operators delivered a blunt message to short sellers and naysayers who had expected more gloom for landlords in the bricks-and-mortar retail business: Don't count us out just yet.

The real-estate investment trusts delivered second-quarter results that showed some resilience, with average sales productivity holding steady and occupancy rates taking a smaller-than-expected hit from retailer bankruptcies and announced store closures.

Simon Property Group Inc. and **Macerich** Co. reported strong re-leasing activity and a pickup in same-store net operating-income growth, and their shares have climbed since their results were announced last week.

"The important message is, these properties are vibrant, there's a lot of demand and we're able to execute leases that are growing our rents," said Richard Sokolov, president and chief operating officer of Simon Property Group, during its Aug. 1 earnings call. He said the landlord is opening stores from many retailers such as Untuckit, Peloton, Eloquii, Juice Generation, Muji and more.


MICHAEL NAGLE/BLOOMBERG NEWS

Mall landlords said they are working hard to fill vacated space with tenants that draw foot traffic, such as theaters and health clubs.

The Indianapolis-based real-estate investment trust said there are challenges in the retail industry but that it remains confident. It raised its full-year guidance on per-share funds from operations, a cash flow metric, by four cents after taking into account a debt charge.

Mall landlords said they are working hard to fill vacated space with tenants such as restaurants and entertainment providers that draw foot traffic.

Taubman Centers Inc., which has the smallest portfolio of the four A-mall REITs, was the only one to reduce its full-year guidance on growth in net operating income, to a range of 1% to 3% from 3.5%. That was in part due to its narrower re-leasing spreads—the difference between leases that end and new leases—as shorter lease terms, modifications and rent concessions increasingly are part of rent negotiations.

Yet those tactics can be beneficial because they keep tenants closer to current consumer tastes.

Landlords such as CBL & Associates Properties Inc., for instance, said some tenants use potential store closings as a pretense to reduce their occupancy cost, but end up closing fewer stores than anticipated.

"It never ends up being what they announce," said Stephen Lebovitz, chief executive of CBL & Associates Properties, during an earnings call Friday, adding that Gordmans Stores, for instance, initially planned to close four of five stores in CBL's portfolio but ended up closing just one.

"Claims that 55% of malls will be shuttered in the near future and nearly 9,000 stores will close this year are the product of poor research and sensationalism," added Mr. Lebovitz.

Credit Suisse in a May report estimated that retailers will close more than 8,600 locations this year, exceeding the roughly 6,200 closings recorded during the recession in 2008. Credit Suisse declined to comment.

During recent earnings calls, mall landlords criticized reports that declared the end of bricks-and-mortar retail. They noted that their strategies focused on drawing more foot traffic—such as in bringing in multiplex theaters, virtual-reality retailers and health clubs, as well as including more mixed uses such as entertainment, residential and office space—are working.

"I have no empathy for the incorrect conclusions that the mall is dead and that it is in late innings or demising," said Art Coppola, chief executive officer of Macerich.

Low Volatility Takes Toll on Virtu's Profit Machine

By Alexander Osipovich

Virtu Financial Inc.'s stock tumbled after the electronic-trading giant reported a steep slide in revenue, driven by stubbornly low volatility across financial markets.

Shares of Virtu dropped more than 8% after markets opened Tuesday, but later pared losses and were down 3.7% at $15.50 by midafternoon in New York.

Revenue at Virtu was $144.9 million in the second quarter, down 17% from the same period last year, the New York-based firm reported. Net income fell about 89% to $4.4 million, partly because of expenses related to Virtu's acquisition of KCG Holdings Inc.

The results showed how listless markets are hurting high-speed traders, which thrive when markets swing up and down. The CBOE Volatility Index, a widely followed measure of expected U.S. stock-market volatility, hit decade lows in the second quarter of this year.

"Unhappily, we are in a prolonged famine period," Virtu Chief Executive Douglas Cifu told analysts on a conference call.

Virtu, which handles about 20% of the shares traded in U.S. equities markets each day, has a reputation as a well-oiled profit machine. Before going public in 2015, it revealed that it had lost money on just one of 1,485 trading days from 2009 to 2014.

Mr. Cifu assured analysts that Virtu's core trading business was still consistently profitable. The company's main strategy is market-making, in which a firm buys and sells the same assets throughout the day, earning profits by collecting a small "spread" between the buy and sell prices.

When volatility is lower, such spreads tend to narrow, reducing the profits available to market makers.

The protracted slump in volatility has fueled consolidation among electronic-trading firms, including Virtu's $1.4 billion acquisition of KCG, which was completed in July.

Virtu's results didn't include KCG's performance from the second quarter, when it was still a separate company.

Virtu has cut costs at KCG since then. The head count of the legacy KCG business was down to 610 as of Tuesday, compared with around 950 at the end of last year, Virtu reported.

Since the deal was signed in April, KCG's offices in Singapore and Mumbai have been closed and its London-based proprietary-trading business has been shut.

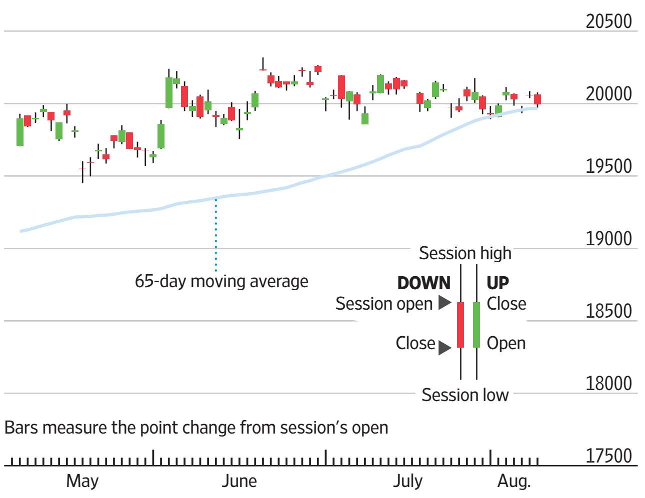
MARKETS DIGEST

Nikkei 225 Index

19996.01 ▼59.88, or 0.30%

High, low, open and close for each trading day of the past three months.

Year-to-date		▲4.61%
52-wk high/low	20230.41	16251.54
All-time high	38915.87	12/29/89



STOXX 600 Index

382.65 ▲0.64, or 0.17%

High, low, open and close for each trading day of the past three months.

Year-to-date		▲5.87%
52-wk high/low	396.45	328.80
All-time high	414.06	4/15/15

S&P 500 Index

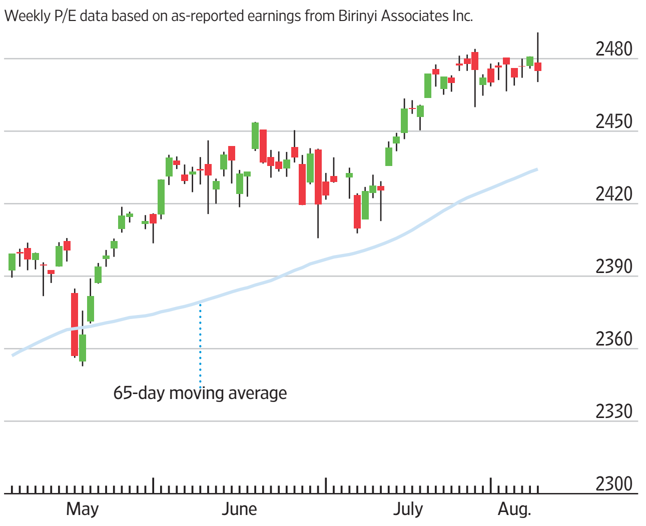
Data as of 4 p.m. New York time

2474.92 ▼5.99, or 0.24%

High, low, open and close for each trading day of the past three months.

	Last	Year ago
Trailing P/E ratio	23.90	24.68
P/E estimate *	18.95	18.56
Dividend yield	1.97	2.10
All-time high:	2480.91, 08/07/17	

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.



International Stock Indexes

Data as of 4 p.m. New York time

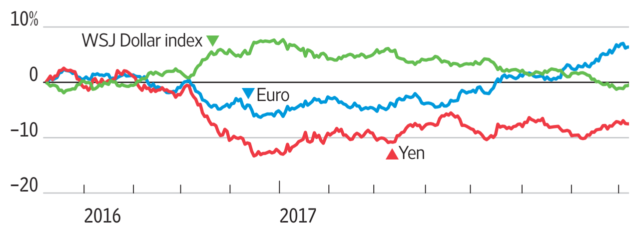
Region/Country	Index	Close	Latest NetChg	Latest %chg	52-Week Range Low	52-Week Range High	YTD %chg
World	**The Global Dow**	2874.98	–4.01	**–0.14**	2386.93	2882.16	13.7
	MSCI EAFE	1952.15	–1.58	**–0.08**	1614.17	1955.39	13.7
	MSCI EM USD	1077.24	1.88	**0.17**	838.96	1080.09	35.6
Americas	**DJ Americas**	595.39	–1.34	**–0.22**	503.44	599.20	10.2
Brazil	**Sao Paulo Bovespa**	67956.74	17.08	**0.03**	56459.11	69487.58	12.8
Canada	**S&P/TSX Comp**	15263.62	5.65	**0.04**	14319.11	15943.09	–0.2
Mexico	**IPC All-Share**	51324.45	–64.82	**–0.13**	43998.98	51772.37	12.4
Chile	**Santiago IPSA**	3899.40	–6.36	**–0.16**	3120.87	3908.55	21.0
U.S.	**DJIA**	22085.34	–33.08	**–0.15**	17883.56	22179.11	11.8
	Nasdaq Composite	6370.46	–13.31	**–0.21**	5034.41	6460.84	18.3
	S&P 500	2474.92	–5.99	**–0.24**	2083.79	2490.87	10.5
	CBOE Volatility	11.18	1.25	**12.59**	8.84	23.01	–20.4
EMEA	**Stoxx Europe 600**	382.65	0.64	**0.17**	328.80	396.45	5.9
	Stoxx Europe 50	3123.99	7.75	**0.25**	2720.66	3279.71	3.8
Austria	**ATX**	3280.48	1.76	**0.05**	2243.69	3285.00	25.3
Belgium	**Bel-20**	3965.63	5.60	**0.14**	3384.68	4055.96	10.0
France	**CAC 40**	5218.89	11.00	**0.21**	4310.88	5442.10	7.3
Germany	**DAX**	12292.05	34.88	**0.28**	10174.92	12951.54	7.1
Greece	**ATG**	830.44	2.58	**0.31**	548.72	859.78	29.0
Hungary	**BUX**	36771.27	–170.33	**–0.46**	27312.31	36959.46	14.9
Israel	**Tel Aviv**	1392.75	–5.52	**–0.39**	1372.23	1490.23	–5.3
Italy	**FTSE MIB**	22048.30	17.13	**0.08**	15923.11	22065.42	14.6
Netherlands	**AEX**	532.68	1.27	**0.24**	436.28	537.84	10.2
Poland	**WIG**	63351.24	666.36	**1.06**	46321.24	63351.24	22.4
Russia	**RTS Index**	1048.69	16.01	**1.55**	937.32	1196.99	–9.0
Spain	**IBEX 35**	10734.70	58.20	**0.55**	8393.50	11184.40	14.8
Sweden	**SX All Share**	571.22	1.82	**0.32**	489.12	598.42	6.9
Switzerland	**Swiss Market**	9162.33	7.20	**0.08**	7585.56	9198.45	11.5
South Africa	**Johannesburg All Share**	55980.05	–183.55	**–0.33**	48935.90	56396.24	10.5
Turkey	**BIST 100**	109639.12	–142.01	**–0.13**	71792.96	110321.81	40.3
U.K.	**FTSE 100**	7542.73	10.79	**0.14**	6654.48	7598.99	5.6
Asia-Pacific							
Australia	**S&P/ASX 200**	5743.80	–29.80	**–0.52**	5156.60	5956.50	1.4
China	**Shanghai Composite**	3281.87	2.42	**0.07**	2980.43	3292.64	5.7
Hong Kong	**Hang Seng**	27854.91	164.55	**0.59**	21574.76	27854.91	26.6
India	**S&P BSE Sensex**	32014.19	–259.48	**–0.80**	25765.14	32575.17	20.2
Japan	**Nikkei Stock Avg**	19996.01	–59.88	**–0.30**	16251.54	20230.41	4.6
Singapore	**Straits Times**	3318.08	–2.59	**–0.08**	2787.27	3354.71	15.2
South Korea	**Kospi**	2394.73	–4.02	**–0.17**	1958.38	2451.53	18.2
Taiwan	**Weighted**	10568.97	–10.41	**–0.10**	8902.30	10579.38	14.2

Source: SIX Financial Information; WSJ Market Data Group

Currencies

London close on Aug. 8

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



Country/currency	Tue in US$	Tue per US$	US$ vs, YTD chg (%)
Americas			
Argentina peso-a	0.0564	17.7194	**11.7**
Brazil real	0.3197	3.1278	**–3.9**
Canada dollar	0.7898	1.2662	**–5.8**
Chile peso	0.001542	648.60	**–3.2**
Colombia peso	0.0003345	2989.68	**–0.4**
Ecuador US dollar-f	1	1	**unch**
Mexico peso-a	0.0559	17.8902	**–13.7**
Peru sol	0.3085	3.2415	**–3.3**
Uruguay peso-e	0.0350	28.590	**–2.6**
Venezuela bolivar	0.099420	10.06	**0.6**
Asia-Pacific			
Australia dollar	0.7909	1.2644	**–8.9**
China yuan	0.1491	6.7050	**–3.5**
Hong Kong dollar	0.1278	7.8237	**0.9**
India rupee	0.0157	63.6921	**–6.3**
Indonesia rupiah	0.0000751	13313	**–1.6**
Japan yen	0.009043	110.58	**–5.5**
Kazakhstan tenge	0.003009	332.39	**–0.4**
Macau pataca	0.1241	8.0585	**1.8**
Malaysia ringgit-c	0.2336	4.2800	**–4.6**
New Zealand dollar	0.7333	1.3637	**–5.6**
Pakistan rupee	0.0095	105.343	**0.9**
Philippines peso	0.0198	50.578	**2.0**
Singapore dollar	0.7335	1.3633	**–5.8**
South Korea won	0.0008875	1126.80	**–6.7**
Sri Lanka rupee	0.0065232	153.30	**3.3**
Taiwan dollar	0.03311	30.198	**–7.0**
Thailand baht	0.03005	33.280	**–7.1**
Europe			
Bulgaria lev	0.5994	1.6683	**–10.2**
Croatia kuna	0.1585	6.309	**–12.0**
Euro zone euro	1.1731	0.8525	**–10.3**
Czech Rep. koruna-b	0.0448	22.302	**–13.2**
Denmark krone	0.1577	6.3422	**–10.3**
Hungary forint	0.003855	259.37	**–11.9**
Iceland krona	0.009487	105.41	**–6.7**
Norway krone	0.1256	7.9594	**–7.9**
Poland zloty	0.2753	3.6327	**–13.2**
Russia ruble-d	0.01674	59.737	**–2.5**
Sweden krona	0.1221	8.1893	**–10.1**
Switzerland franc	1.0252	0.9754	**–4.3**
Turkey lira	0.2832	3.5310	**0.2**
Ukraine hryvnia	0.0389	25.7275	**–5.0**
U.K. pound	1.2975	0.7707	**–4.9**
Middle East/Africa			
Bahrain dinar	2.6515	0.3772	**–0.01**
Egypt pound-a	0.0563	17.7673	**–2.0**
Israel shekel	0.2769	3.6111	**–6.2**
Kuwait dinar	3.3109	0.3020	**–1.2**
Oman sul rial	2.5974	0.3850	**0.01**
Qatar rial	0.2742	3.646	**0.2**
Saudi Arabia riyal	0.2666	3.7503	**–0.01**
South Africa rand	0.0757	13.2077	**–3.5**

	Close	Net Chg	% Chg	YTD % Chg
WSJ Dollar Index	86.48	0.16	0.19	**–6.95**

Sources: Tullett Prebon, WSJ Market Data Group

Global government bonds

Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 3 p.m. ET

Coupon	Country/ Maturity, in years	Yield	Spread Over Treasurys, in basis points Latest	Previous	Month Ago	Year ago	Yield Previous	Month ago	Year ago
2.750	**Australia** 2	**1.794**	43.1	43.0	33.4	77.6	1.785	1.737	1.506
2.750	10	**2.636**	35.5	37.6	29.8	36.9	2.631	2.682	1.962
3.000	**Belgium** 2	**-0.528**	-189.1	-189.9	-187.8	-132.2	-0.544	-0.475	-0.592
0.800	10	**0.768**	-151.3	-150.3	-145.9	-143.3	0.752	0.925	0.160
0.000	**France** 2	**-0.464**	-182.7	-184.0	-177.1	-128.5	-0.485	-0.368	-0.555
1.000	10	**0.759**	-152.2	-151.6	-144.1	-143.7	0.739	0.943	0.156
0.000	**Germany** 2	**-0.665**	-202.7	-203.3	-200.4	-134.4	-0.678	-0.601	-0.614
0.500	10	**0.475**	-180.6	-179.5	-180.9	-166.0	0.460	0.575	-0.067
0.050	**Italy** 2	**-0.030**	-139.3	-139.2	-129.9	-79.7	-0.037	0.104	-0.067
2.200	10	**2.000**	-28.1	-27.0	-5.6	-46.2	1.985	2.328	1.131
0.100	**Japan** 2	**-0.107**	-147.0	-146.2	-150.7	-90.0	-0.107	-0.104	-0.170
0.100	10	**0.069**	-221.2	-218.4	-229.6	-164.2	0.071	0.088	-0.049
4.000	**Netherlands** 2	**-0.620**	-198.3	-200.2	-198.3	-133.6	-0.648	-0.580	-0.606
0.750	10	**0.590**	-169.1	-168.0	-161.7	-156.5	0.575	0.767	0.028
4.750	**Portugal** 2	**-0.010**	-137.3	-135.4	-133.8	-36.4	0.001	0.065	0.366
4.125	10	**2.830**	54.9	57.3	75.0	123.0	2.828	3.134	2.823
2.750	**Spain** 2	**-0.339**	-170.2	-169.7	-158.8	-89.1	-0.342	-0.185	-0.161
1.500	10	**1.431**	-85.0	-80.8	-66.9	-58.5	1.448	1.715	1.008
4.250	**Sweden** 2	**-0.689**	-205.2	-206.2	-209.1	-139.1	-0.707	-0.688	-0.661
1.000	10	**0.643**	-163.8	-161.2	-170.4	-146.2	0.643	0.680	0.131
1.750	**U.K.** 2	**0.236**	-112.7	-113.3	-107.3	-63.7	0.222	0.330	0.093
4.250	10	**1.157**	-112.4	-111.5	-107.5	-98.0	1.141	1.309	0.613
1.375	**U.S.** 2	**1.363**	...	...	...	...	1.355	1.403	0.730
2.375	10	**2.281**	...	...	...	...	2.255	2.384	1.593

Commodities

Prices of futures contracts with the most open interest 3:30 p.m. New York time

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **ICE-US:** ICE Futures U.S.; **MDEX:** Bursa Malaysia Derivatives Berhad; **TCE:** Tokyo Commodity Exchange; **COMEX:** Commodity Exchange; **LME:** London Metal Exchange; **NYMEX:** New York Mercantile Exchange; **ICE-EU:** ICE Futures Europe. *Data as of 8/7/2017

Commodity	Exchange	Last price	One-Day Change Net	One-Day Change Percentage	Year high	Year low
Corn (cents/bu.)	CBOT	383.25	-3.50	-0.90%	417.25	374.00
Soybeans (cents/bu.)	CBOT	972.50	2.75	0.28%	1,047.00	907.00
Wheat (cents/bu.)	CBOT	484.25	-6.50	-1.32	592.25	454.75
Live cattle (cents/lb.)	CME	110.400	-0.725	-0.65	122.850	99.125
Cocoa ($/ton)	ICE-US	2,023	-19	-0.93	2,301	1,794
Coffee (cents/lb.)	ICE-US	142.50	0.45	0.32	163.75	115.50
Sugar (cents/lb.)	ICE-US	13.77	-0.10	-0.72	20.50	12.74
Cotton (cents/lb.)	ICE-US	71.19	0.64	0.91	75.72	66.15
Robusta coffee ($/ton)	ICE-EU	2161.00	-2.00	-0.09	2,286.00	1,885.00
Copper ($/lb.)	COMEX	2.9415	0.0345	1.19	2.9455	2.4850
Gold ($/troy oz.)	COMEX	1260.50	-4.20	-0.33	1,307.00	1,160.80
Silver ($/troy oz.)	COMEX	16.360	0.109	0.67	18.780	14.340
Aluminum ($/mt)*	LME	1,940.00	29.00	1.52	1,972.00	1,688.50
Tin ($/mt)*	LME	20,555.00	-170.00	-0.82	21,225.00	18,760.00
Copper ($/mt)*	LME	6,365.50	8.50	0.13	6,400.00	5,491.00
Lead ($/mt)*	LME	2,374.00	8.00	0.34	2,445.00	2,022.00
Zinc ($/mt)*	LME	2,829.00	15.00	0.53	2,958.50	2,450.50
Nickel ($/mt)*	LME	10,360.00	-40.00	-0.38	11,095.00	8,780.00
Rubber (Y.01/ton)	TCE	209.80	-2.20	-1.04	n.a.	n.a.
Palm oil (MYR/mt)	MDEX	2626.00	52.00	2.02	2705.00	2376.00
Crude oil ($/bbl.)	NYMEX	49.08	-0.31	-0.63	58.36	42.29
NY Harbor ULSD ($/gal.)	NYMEX	1.6234	-0.0164	-1.00	1.8065	1.3703
RBOB gasoline ($/gal.)	NYMEX	1.6148	-0.0151	-0.93	1.8366	1.3805
Natural gas ($/mmBtu)	NYMEX	2.817	0.016	0.57	3.5490	2.7530
Brent crude ($/bbl.)	ICE-EU	51.99	-0.38	-0.73	60.13	44.88
Gas oil ($/ton)	ICE-EU	479.50	1.00	0.21	532.25	405.50

Sources: SIX Financial Information; WSJ Market Data Group

Cross rates

London close on Aug 8

	USD	GBP	CHF	JPY	HKD	EUR	CDN	AUD
Australia	1.2644	1.6406	1.2962	0.0114	0.1616	1.4832	0.9986	...
Canada	1.2662	1.6426	1.2980	0.0114	0.1618	1.4852	...	1.0014
Euro	0.8525	1.1062	0.8740	0.0077	0.1090	...	0.6733	0.6743
Hong Kong	7.8237	10.1512	8.0218	0.0708	...	9.1775	6.1791	6.1885
Japan	110.5810	143.4800	113.3900	...	14.1340	129.7200	87.3500	87.4500
Switzerland	0.9754	1.2655	...	0.0088	0.1247	1.1442	0.7704	0.7715
U.K.	0.7707	...	0.7902	0.0070	0.0985	0.9042	0.6087	0.6096
U.S.	...	1.2975	1.0252	0.0090	0.1278	1.1731	0.7898	0.7909

Source: Tullett Prebon

Key Rates

	Latest	52 wks ago
Libor		
One month	**1.23056%**	0.51315%
Three month	**1.30944**	0.81600
Six month	**1.45222**	1.19620
One year	**1.73011**	1.52250
Euro Libor		
One month	**-0.40143%**	-0.37143%
Three month	**-0.37271**	-0.31857
Six month	**-0.30114**	-0.19729
One year	**-0.19486**	-0.07143
Euribor		
One month	**-0.37400%**	-0.36900%
Three month	**-0.32800**	-0.29800
Six month	**-0.26900**	-0.18700
One year	**-0.15200**	-0.04700
Yen Libor		
One month	**-0.03386%**	-0.04843%
Three month	**-0.01521**	-0.02043
Six month	**0.01214**	0.00771
One year	**0.11271**	0.09029
	Offer	Bid
Eurodollars		
One month	**1.2900%**	1.1900%
Three month	**1.3600**	1.2600
Six month	**1.5100**	1.4100
One year	**1.7800**	1.6800
	Latest	52 wks ago
Prime rates		
U.S.	**4.25%**	3.50%
Canada	**2.95**	2.70
Japan	**1.475**	1.475
Hong Kong	**5.00**	5.00
Policy rates		
ECB	**0.00%**	0.00%
Britain	**0.25**	0.25
Switzerland	**0.50**	0.50
Australia	**1.50**	1.50
U.S. discount	**1.75**	1.00
Fed-funds target	**1.00-1.25**	0.25-0.50
Call money	**3.00**	2.25
Overnight repurchase rates		
U.S.	**1.05%**	0.52%
Euro zone	**n.a.**	n.a.

Sources: WSJ Market Data Group, SIX Financial Information, Tullett

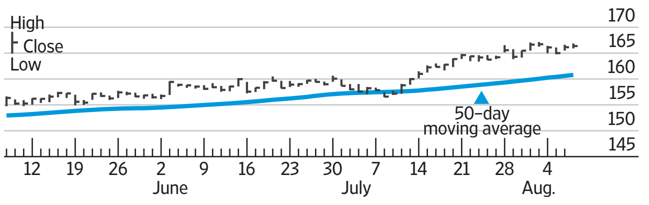
Top Stock Listings

4 p.m. New York time

Cur	Stock	Sym	Last	% Chg	YTD% Chg
	Asia Titans				
HK$	AIAGroup	**1299**	61.50	1.40	40.57
¥	AstellasPharma	**4503**	1396.00	-0.57	-14.01
AU$	AustNZBk	**ANZ**	29.69	-0.37	-2.40
AU$	BHP	**BHP**	26.10	-0.23	4.15
HK$	BankofChina	**3988**	4.00	...	16.28
HK$	CKHutchison	**0001**	104.50	-0.10	18.89
HK$	CNOOC	**0883**	8.81	1.38	-9.18
AU$	CSL	**CSL**	126.96	-0.70	26.44
¥	Canon	**7751**	3857.00	0.10	17.06
¥	CentralJapanRwy	**9022**	17945	0.39	-6.68
HK$	ChinaConstructnBk	**0939**	6.65	...	11.39
HK$	ChinaLifeInsurance	**2628**	25.05	0.40	24.01
HK$	ChinaMobile	**0941**	84.45	1.02	2.74
HK$	ChinaPetro&Chem	**0386**	5.90	...	7.27
AU$	CmwlthBkAust	**CBA**	80.65	-1.07	-2.14
¥	EastJapanRailway	**9020**	10390	0.14	2.87
¥	Fanuc	**6954**	22350	-0.22	12.79
¥	Hitachi	**6501**	730.50	-0.92	15.59
TW$	Hon Hai Precisn	**2317**	121.00	-0.41	43.71
¥	HondaMotor	**7267**	3109.00	-0.58	-8.96
KRW	HyundaiMtr	**005380**	144000	-2.70	-1.37
HK$	Ind&Comml	**1398**	5.65	...	21.51
¥	JapanTobacco	**2914**	3845.00	0.68	0.03
¥	KDDI	**9433**	3010.00	-0.17	1.71
¥	Mitsubishi	**8058**	2563.00	-0.47	2.93
¥	MitsubishiElectric	**6503**	1724.00	-0.95	5.80
¥	MitsubishiUFJFin	**8306**	710.60	-0.39	-1.33
¥	Mitsui	**8031**	1649.00	-1.14	2.61
¥	Mizuho Fin	**8411**	194.70	-0.21	-7.20
¥	NTTDoCoMo	**9437**	2598.00	-0.21	-2.44
AU$	NatAustBnk	**NAB**	30.18	...	-1.60
¥	NipponTeleg	**9432**	5408.00	-0.77	10.10
¥	NissanMotor	**7201**	1090.50	-0.05	-7.23
¥	Panasonic	**6752**	1504.50	-1.21	26.48
HK$	PingAnInsofChina	**2318**	59.45	0.68	53.22
$	RelianceIndsGDR	**RIGD**	50.00	-0.60	58.48
KRW	SamsungElectronics	**005930**	2386000	0.29	32.41
¥	Seven&I Hldgs	**3382**	4516.00	0.62	1.41
¥	SoftBankGroup	**9984**	8938.00	-0.94	15.11
¥	Sony	**6758**	4472.00	1.41	36.55
¥	Sumitomo Mitsui	**8316**	4259.00	-0.14	-4.51
HK$	SunHngKaiPrp	**0016**	122.10	-0.73	24.59
TW$	TaiwanSemiMfg	**2330**	217.50	0.69	19.83
¥	TakedaPharm	**4502**	5957.00	-0.30	23.21
HK$	TencentHoldings	**0700**	328.60	2.50	73.22
¥	TokioMarineHldg	**8766**	4652.00	-1.27	-3.00
¥	ToyotaMtr	**7203**	6336.00	-0.05	-7.88
AU$	Wesfarmers	**WES**	41.00	...	-2.71
AU$	WestpacBanking	**WBC**	31.90	-0.13	-2.15
AU$	Woolworths	**WOW**	26.94	0.15	11.78
	Stoxx 50				
CHF	ABB	**ABBN**	22.79	0.75	6.10
€	ASMLHolding	**ASML**	131.30	0.19	23.11
€	AXA	**CS**	25.67	0.63	7.03
€	AirLiquide	**AI**	105.55	0.14	-0.09
€	Allianz	**ALV**	187.10	0.97	19.17
€	AB InBev	**ABI**	101.55	-0.10	0.99
£	AstraZeneca	**AZN**	4564.00	0.74	2.85
€	BASF	**BAS**	81.70	-0.01	-7.48
€	BNP Paribas	**BNP**	68.89	0.50	13.77
£	BT Group	**BT.A**	316.95	0.30	-13.61
€	BancoBilVizAr	**BBVA**	7.92	0.71	24.79
€	BancoSantander	**SAN**	5.85	0.36	18.03
£	Barclays	**BARC**	210.35	0.17	-5.86
€	Bayer	**BAYN**	106.80	...	7.74
£	BP	**BP.**	471.15	0.58	-7.55
£	BritishAmTob	**BATS**	4990.00	-1.29	7.97
€	Daimler	**DAI**	60.50	0.15	-14.45
€	DeutscheTelekom	**DTE**	15.97	0.19	-1.35
£	Diageo	**DGE**	2534.00	0.46	20.09
€	ENI	**ENI**	13.54	-0.22	-12.48
£	GlaxoSmithKline	**GSK**	1534.00	0.49	-1.79
£	Glencore	**GLEN**	347.20	0.19	25.18
£	HSBC Hldgs	**HSBA**	769.50	0.40	17.14
€	INGGroep	**INGA**	15.75	0.19	17.80
£	ImperialBrands	**IMB**	3257.50	-0.31	-8.05
€	IntesaSanpaolo	**ISP**	2.92	-0.20	20.45
€	LVMHMoetHennessy	**MC**	222.75	0.11	22.79
£	LloydsBankingGroup	**LLOY**	67.26	1.14	7.60
€	LOreal	**OR**	176.50	0.26	1.79
£	NationalGrid	**NG.**	957.50	0.12	-7.76
CHF	Nestle	**NESN**	83.25	0.12	13.96
CHF	Novartis	**NOVN**	82.45	0.49	11.27
DKK	NovoNordiskB	**NOVO-B**	261.90	-0.42	2.83
£	Prudential	**PRU**	1885.50	0.69	15.85
£	ReckittBenckiser	**RB.**	7420.00	-0.88	7.75
£	RioTinto	**RIO**	3625.00	-0.33	14.77
CHF	RocheHldgctf	**ROG**	247.20	-0.08	6.28
£	RoyDtchShell A	**RDSA**	2213.50	0.73	-1.29
€	SAP	**SAP**	90.82	0.18	9.67
€	Sanofi	**SAN**	82.18	0.61	6.87
€	SchneiderElectric	**SU**	70.20	1.53	6.19
€	Siemens	**SIE**	112.00	0.67	-4.11
€	Telefonica	**TEF**	9.82	1.23	11.32
€	Total	**FP**	43.91	0.17	-8.05
CHF	UBSGroup	**UBSG**	16.92	-0.24	6.08
€	Unilever	**UNA**	49.88	0.49	27.51
£	Unilever	**ULVR**	4411.00	0.41	33.97
€	Vinci	**DG**	77.31	-0.05	19.49
£	VodafoneGroup	**VOD**	225.45	-0.51	12.81
CHF	ZurichInsurance	**ZURN**	297.30	-0.27	6.03
	DJIA				
$	AmericanExpress	**AXP**	85.96	0.13	16.04
$	Apple	**AAPL**	160.14	0.84	38.27
$	Boeing	**BA**	239.54	-0.29	53.87
$	Caterpillar	**CAT**	114.42	-0.25	23.38
$	Chevron	**CVX**	110.36	0.53	-6.24
$	CiscoSystems	**CSCO**	31.67	-0.53	4.80
$	Coca-Cola	**KO**	45.59	-0.11	9.96
$	Disney	**DIS**	107.00	0.61	2.67
$	DuPont	**DD**	81.15	-0.78	10.56
$	ExxonMobil	**XOM**	79.97	-0.24	-11.40
$	GeneralElec	**GE**	25.56	-0.27	-19.11
$	GoldmanSachs	**GS**	231.99	-0.40	-3.12
$	HomeDepot	**HD**	153.35	...	14.37
$	Intel	**INTC**	36.41	-0.05	0.39
$	IBM	**IBM**	142.10	0.09	-14.39
$	JPMorganChase	**JPM**	93.65	-0.39	8.53
$	J&J	**JNJ**	132.30	-0.42	14.83
$	McDonalds	**MCD**	154.88	-0.06	27.24
$	Merck	**MRK**	62.33	-0.81	5.88
$	Microsoft	**MSFT**	72.79	0.54	17.14
$	Nike	**NKE**	59.46	-0.55	16.98
$	Pfizer	**PFE**	33.28	-0.09	2.46
$	Procter&Gamble	**PG**	91.55	0.12	8.88
$	3M	**MMM**	206.48	-0.46	15.63
$	Travelers	**TRV**	128.55	-0.19	5.01
$	UnitedTech	**UTX**	118.18	-0.29	7.81
$	UnitedHealth	**UNH**	194.95	0.09	21.81
$	Visa	**V**	101.26	-0.23	29.79
$	Verizon	**VZ**	48.62	-0.49	-8.92
$	Wal-Mart	**WMT**	81.61	0.41	18.08

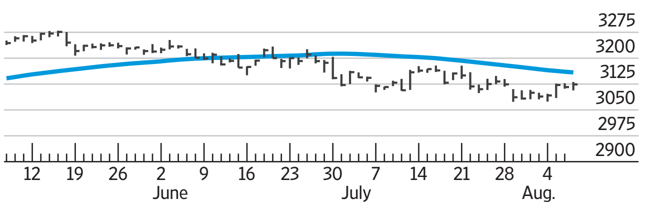
Asia Titans 50

Last: **166.37** ▲ 0.22, or 0.13% YTD ▲ 18.0%



Stoxx 50

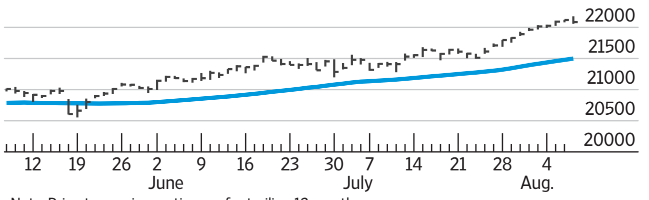
Last: **3123.99** ▲ 7.75, or 0.25% YTD ▲ 3.8%



Dow Jones Industrial Average

P/E: 20

Last: **22085.34** ▲ 33.08, or 0.15% YTD ▲ 11.8%



Note: Price-to-earnings ratios are for trailing 12 months
Sources: WSJ Market Data Group; Birinyi Associates

THE PROPERTY REPORT

Bad Reviews Threaten RLJ's Hotel Deal

Analysts criticize offer price, strategic fit and timing of acquiring FelCor as vote nears

BY PETER GRANT

MICHAEL BUCHER/THE WALL STREET JOURNAL

RLJ Lodging is seeking shareholder approval to purchase FelCor, a hospitality REIT whose properties include the Knickerbocker Hotel in Manhattan, seen here.

Wall Street has been hammering shares of **RLJ Lodging Trust** ever since the hotel company founded by storied African-American entrepreneur Robert L. Johnson announced plans in April to acquire **FelCor**, another lodging real-estate investment trust, at what many considered too high a price.

The all-stock deal, if approved by shareholders, would create one of the largest hotel-focused real-estate investment trusts, with about 160 properties valued at more than $7 billion.

Analysts have criticized the deal for being too costly to RLJ shareholders—given the low price its stock has been trading at—and for being a bad fit strategically, especially given slowing growth in the hotel industry.

Investor concern intensified after RLJ revealed that in June it was approached by an unidentified buyer offering to buy RLJ for about a 20% premium to its share price. That buyer turned out to be private-equity giant **Blackstone Group** LP, according to people familiar with the matter.

A Blackstone spokeswoman declined to comment.

Several analysts have argued the all-cash Blackstone offer would benefit investors far more than RLJ's proposed acquisition of FelCor.

"Shareholders can no longer trust that RLJ has their best interests in mind," wrote Green Street Advisors in a report after Blackstone's interest was reported.

Now the decision is coming down to the wire. RLJ shareholders are scheduled to vote Aug. 15 on the transaction. While management teams typically win in situations like this, observers said the outcome could be closer than expected given the poor stock performance and analyst skepticism.

RLJ executives declined to comment. In a conference call with analysts in April after the deal was announced, RLJ Chief Executive Ross Bierkan said the merged company would benefit from its increased size, more-efficient operations and increased negotiating leverage.

The deal would also provide growth opportunities not otherwise available given the slowdown hitting hotel prices and rates. "We are in a challenging period in the cycle to grow," Mr. Bierkan said.

If the deal is approved, the success of the merged company will depend largely on RLJ's ability to combine two hotel companies that target different parts of the hotel market. RLJ is a leader in what is known in the industry as select-service hotels, with brands like Hilton Garden Inns and Courtyard by Marriott, that have limited food and meeting services.

Select hotels basically just offer rooms with relatively low prices, a strategy that has made them attractive to cost-conscious business travelers and tourists in the years leading out of the downturn.

"Consumers want to check in somewhere, have free Wi-Fi and maybe a free banana or muffin they can grab on their way out to their first meeting," said Whitney Stevenson, an analyst at JMP Securities.

FelCor has focused on hotels with more services and food offerings, like the Knickerbocker Hotel in Midtown Manhattan, which it purchased for $115 million in 2012, upgraded and then reopened in 2015. The highly leveraged company has been under pressure to put itself up for sale since early 2016, when activist investor Jonathan Litt took a position in the company and began agitating for a sale of assets or the entire company.

Raymond James analyst William Crow said there was a "good bit of work" needed to integrate the two companies into "one cohesive portfolio." He added that it might be tough for the merged company to sell assets at this point in the cycle to reduce leverage.

"There's considerable risk in doing this," Mr. Crow said.

RLJ founder Mr. Johnson, 71 years old, was born in Hickory, Miss., one of 10 children in a family that had owned land in the area for four generations. A pioneer of the cable-television business, he launched Black Entertainment Television, or BET, in 1980. Twenty-one years later he sold the channel to Viacom Inc. for about $2.3 billion in stock.

RLJ, which went public in 2011, has its roots in the hotel investments Mr. Johnson started making following his sale of BET. He currently serves as the chairman of the REIT.

With Mr. Johnson's consent, RLJ and FelCor started discussing a possible merger in November, just two months after FelCor's chief executive stepped down and FelCor began a review of its long-term strategy. RLJ's first offer implied a value of FelCor stock "in the low $8 range," according to a Securities and Exchange Commission filing.

The deal announced in April put an implied value of $8.54 a share on FelCor stock. It had been trading in the $7.40 range before the deal was announced.

Blackstone, which is referred to in the proxy material as "Party Y," made its unsolicited offer for RLJ in June, according to the SEC filing. Such a maneuver was unusual for the private-equity giant, which has a reputation for waiting to be invited into a deal before making such an offer.

There remains widespread speculation that Blackstone or another firm would make an offer for RLJ if the FelCor deal fails.

Another big unknown is whether the slowdown in hotel-industry occupancy and rates will continue. The merged company's strategy to reduce debt and integrate the two companies would depend on its ability to improve cash flow, analysts say.

But RLJ didn't boost Wall Street's confidence in its ability to do this last week when it released what many analysts considered to be disappointing second-quarter results. The company also cut its guidance on expected performance for the rest of the year.

Executives in the hotel industry are "split about 50-50" on whether they expect to see a "reacceleration" of rates and occupancies at this stage in the cycle, Ms. Stevenson said. But for the RLJ-FelCor deal to work, she said, "you have to use that as your underpinning base assumption."

The Best Place for a New Warehouse: An Old Mall

BY ESTHER FUNG

MONMOUTH REAL ESTATE INVESTMENT

FedEx built a distribution facility on a Mesquite, Texas, plot that used to be home to Big Town Mall.

The pressure for speedy online package delivery is prompting companies to look for distribution facilities closer to residential areas or highways.

Some of the best locations, it turns out, are dead malls.

Warehouse landlords say they like former malls because the shopping centers occupy swaths of space relatively close to where consumers live or near main highways.

But it isn't easy to convert a mall into logistics space quickly. Developers say it takes a community ready to accept that the mall has failed as well as understanding that there are viable job opportunities in logistics real estate.

The dramatic shift in the retail industry and growth of e-commerce have led some analysts to estimate that 400 or so of the roughly 1,100 malls in the U.S. will close in the coming years.

Meanwhile, the appetite for industrial space continues unabated. Roughly 247 million square feet of industrial space is expected to be delivered this year, according to real-estate services firm JLL.

In North Randall, Ohio, **Amazon.com** Inc. is considering the site of the former Randall Park Mall as a fulfillment center, according to Port of Cleveland, a local government agency focused on spurring job creation and economic growth in Cuyahoga County. Amazon didn't immediately respond to requests for comment.

In Mesquite, Texas, FedEx Corp. next month will open a 340,000-square-foot distribution facility on what once was the site of the former Big Town Mall.

Located along U.S. Highway 80 in Texas, the mall declined after newer malls were built nearby.

It was demolished in 2006 and the land was later rezoned for industrial use.

"Land uses do change," said Michael Landy, president and chief executive officer of Monmouth Real Estate Investment Corp., which owns and leases the distribution facility to FedEx.

"After a review of developed and undeveloped properties in the Dallas and Fort Worth area, the site was chosen because of its ease of access to major highways, proximity to customers' distribution centers and a strong local community workforce for recruiting employees," said David Westrick, a FedEx spokesman.

Property developers increasingly are looking to accommodate delivery giants and retailers, either refurbishing former department stores or doing ground-up, build-to-suit construction. Local business communities are also hopeful that distribution centers will drive commerce and employment growth.

Amazon, for instance, said earlier this year it plans to hire 100,000 full-time and 30,000 part-time workers in the U.S. by mid-2018.

"What's most meaningful to us is that it can bring new life to an unproductive piece of land," said Jade Davis, vice president of external affairs at Port of Cleveland.

For a short time when it opened in 1976, Randall Park Mall was the largest shopping center in the world and had been "a thriving heartbeat" for the local economy, according to Mr. Davis. But the mall closed in 2009 as stores struggled with fewer shoppers.

Amazon's possible entry there could eventually create 1,200 jobs, said Mr. Davis, noting that the large size of the site and its proximity to a deep-water port, airports and interstate highways are conducive for a distribution facility.

Taking note of changing consumer behavior, many retailers are looking to adjust the number and size of stores they operate and are closing stores to allocate some resources to online capabilities.

"In the old days of shopping, you drive into New York City to look for an item and it was a whole-day endeavor. Now you can search on your smartphone and have it delivered," Mr. Landy said.

In Union City, Ga., property developer Rooker purchased a 90-acre site in 2014 that formerly housed Shannon Mall. It built a 987,840-square-foot distribution facility called Union Station Business Center and a television studio facility on the site after demolishing the 765,000-square-foot mall. Shannon Mall opened in 1980 and had stores such as Sears, Mervyn's and Toys "R" Us, but closed in 2011 after the final tenant left.

John Rooker, chief executive at the development firm, said the site's proximity to the Hartsfield-Jackson Atlanta International Airport and the interstate highway made it attractive for industrial development.

The facility was built on a speculative basis, but potential tenants started knocking on Rooker's door just months after the developer started ground-up construction.

"I'm pretty sure we haven't even poured the floor yet when they came along," said Mr. Rooker, referring to the DHL Supply Chain that now occupies the distribution facility. Rooker sold the building to a real-estate fund last year.

Good malls with attractive tenant mixes in locations with strong demographics are likely to remain, but some struggling open-air centers and malls are sitting on sites that could become coveted logistics land.

Right now, many property sellers are still holding out for a higher price for some sites, but buyers aren't biting.

"I think it would take a couple of years for those expectations and realities to match up, but I bet you before too long you will see some two-anchor, Class B malls converted into logistic buildings. That is not too far-fetched at all. And we're definitely looking at some of them," Hamid Moghadam, chairman and chief executive at **Prologis** Inc., said recently, referring to smaller, second-tier malls.

MARKETS

Investors Enjoy a Sleepy Summer

Stocks have risen in unusually calm trading, but sometimes August brings jolts

By Steven Russolillo

HONG KONG—It may seem like the dog days of summer for investors. But August is known for offering financial markets a range of surprises.

Trading has slowed as stocks have risen steadily around the world, a reflection of quiet markets and sleepy sessions that have stretched from Asia to Europe to the U.S. Volatility has remained historically low, traders have fled for vacations and pullbacks have been nonexistent.

Two years ago this week, though, China ruined the summers of many foreign-exchange and equity traders with a surprise devaluation of its currency. The move not only stoked fears about the world's second-largest economy, but it also rippled across Asian markets and sent tremors around the world. Chinese stocks plunged, and its foreign-exchange reserves fell, putting an abrupt end to a sleepy summer.

SPENCER PLATT/GETTY IMAGES

Traders on the NYSE floor last week. The average daily moves of the Dow industrials this year have been the smallest in 53 years.

Few at the moment expect a repeat of such magnitude. In China, reserves rose in July for a sixth straight month and the yuan has gained about 3% against the U.S. dollar this year. A rebound in exports fueled stronger-than-expected economic growth of 6.9% in the year's first half.

Asian stocks, broadly, have rallied as a result. Hong Kong's Hang Seng Index, which has risen in 19 of the past 22 trading days, is up 27% this year and is among the world's top-performing indexes.

The MSCI AC Asia Pacific ex-Japan Index, a broad barometer that counts big Asian companies listed globally, is up 25% and trading at nearly a 10-year high.

Even hedge funds, long criticized for high fees and underperformance, are doing well in the region. Chinese hedge funds gained 16% in the first half of the year, significantly outperforming a benchmark tracked by data provider Hedge Fund Research. In the second quarter, Asia hedge funds collectively attracted their first quarterly asset inflow in two years, HFR said.

"It was a very good first six months for a lot of hedge funds and portfolio managers," said Arthur Kwong, head of Asia-Pacific equities at BNP Paribas Asset Management in Hong Kong. "If you made a lot of money in the first half, there's little reason you need to take extra risk in the summer months."

The situation in other parts of the world is similar. In the U.S., the Dow Jones Industrial Average rose above 22000 last week for the first time in what has been a methodical move higher. Through last week, the Dow's average daily move in either direction this year has been 0.31%, the smallest swing in 53 years, according to The Wall Street Journal's Market Data Group. Ten years ago, this average daily move was more than double its current level.

August is typically a time for slow trading volume, too. Average daily activity in early August, measured by NYSE composite volume, has been lower than this year's daily average, according to FactSet.

History shows that just because markets are quiet now doesn't mean they will stay that way for the rest of the summer.

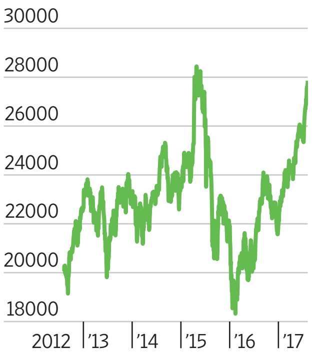
In August 2011, Standard & Poor's surprise downgrade of its U.S. debt rating prompted some of the most volatile days on record for U.S. stocks. In August 2007, the subprime mortgage meltdown in the U.S. was morphing into the global financial crisis. And in the summer of 1997, a financial crisis that started in Thailand eventually spread throughout Asia, as currencies of many of the region's hardest-hit economies such as Thailand, Indonesia, Malaysia and South Korea lost more than 50% of their value against the dollar.

For now at least, investors say they wouldn't be surprised if the calm in the markets continues.

No Surprise

The occasional jolts seen in summers past have been few and far between this season.

Hong Kong's Hang Seng Index over the past five years



Source: FactSet
THE WALL STREET JOURNAL.

U.S. Blue Chips End Record Streak

By Riva Gold And Akane Otani

The Dow Jones Industrial Average edged lower Tuesday, bringing a recent streak of records to an end.

Major stock indexes traded in a narrow range throughout the day, with selling accelerating toward the end of trading, before stocks pared losses.

TUESDAY'S MARKETS

The day's moves extended a streak of listless trading for the stock market, which has largely drifted in recent sessions as the second-quarter earnings season has wound down. Trading volumes have fallen close to their lows of the year, while the S&P 500 has failed to post a 1% daily move in either direction since the middle of May.

The Dow Jones Industrial Average fell 33.08 points, or 0.1%, to 22085.34, posting its first daily loss since July 24 and ending lower after nine consecutive sessions of record closes. The S&P 500 and the Nasdaq Composite both declined 0.2%.

Bank shares rose with government-bond yields on Tuesday, with the KBW Nasdaq Bank Index of U.S. commercial lenders adding 0.3% in late trading. Banks tend to benefit from higher yields since they boost their net-interest margins, a key measure of lending profitability.

The yield on the 10-year U.S. Treasury note rose to 2.282% from 2.258% on Monday. Yields rise as bond prices fall.

Elsewhere, the Stoxx Europe 600 edged up 0.2% to 382.65 after data showed Germany's trade surplus widened slightly in June, though imports and exports declined.

HEARD ON THE STREET

Email: heard@wsj.com FINANCIAL ANALYSIS & COMMENTARY WSJ.com/Heard

Weaker Swiss Franc Signals Shift

Not all markets are slumbering through the summer. In the past two weeks, the euro has leapt more than 4% against the Swiss franc—a decisive break out of the range that has held for two years. One of the most persistent legacies of the eurozone debt crisis appears to be unwinding.

The move has taken the franc to 1.15 per euro, its weakest since January 2015. That was when the Swiss National Bank shocked global markets by abandoning a policy of preventing the franc from strengthening beyond 1.20 Swiss francs against the euro.

The strength of the franc was a major headache for the SNB, but its efforts to stave off appreciation led its balance sheet to explode in size. The central bank has amassed close to $750 billion in foreign-currency investments.

So the move will certainly be welcome to the SNB, as it may buoy Swiss inflation and growth. But it also reflects the shift in sentiment both around the eurozone and the global outlook—which makes it more significant than just being a foreign-exchange trade. Growth in the eurozone has stepped up a gear, reaching an annualized pace of 2.3% in the second quarter, and political risks have faded. Meanwhile, global growth has been more synchronized. The need to cling to a haven such as the Swiss franc has faded.

It also reflects shifting monetary policy. The European Central Bank appears to be moving gradually toward less-stimulative policy; the SNB by contrast can afford to stand pat, with inflation close to zero and the franc still strong by historic standards.

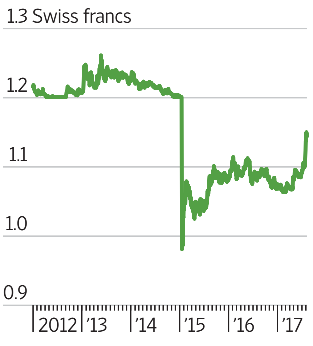
As European interest rates edge higher, holding still negative-rate Swiss assets will bite. That may lead to outflows from Swiss assets in search of higher returns elsewhere. The Swiss franc's role may be more as a currency to borrow to fund bets elsewhere.

The recent move has been so sharp that some consolidation might now be expected; the ECB might yet start to sound concerned about the strength of the euro too, although financial conditions are still supportive. But if the global economy and the eurozone are emerging from the shadow of their crises, then the Swiss franc's haven status may take an extended break.

—Richard Barley

Swiss Reversal

How many Swiss francs €1 buys



Sources: FactSet; Reuters (photo)
THE WALL STREET JOURNAL.

OVERHEARD

When a flywheel is mentioned, mechanically minded types think of a heavy wheel that, through its inertia, helps smooth fluctuations in a piece of machinery. For corner-office types, it is so much more.

Just consider a few of last week's earnings calls. **Re/Max Holdings** co-CEO **Adam Contos** told investors the real-estate firm's aim working in new regions was "getting that flywheel moving and keeping it at a velocity at this point." **Dun & Bradstreet** CEO **Robert Carrigan** said that after years of cost-cutting and no growth, "it takes a while to sort of get that flywheel going again." **Shopify** CEO **Tobias Lutke**: "All of these things go on the flywheel that hopefully then spins faster and faster and faster."

The flywheel has become such a staple of corporate jargon that what has become rare are the instances when they talk about an actual flywheel.

Apple Plays Costly Game Of Catch-Up

Apple Inc.'s new 10th Anniversary iPhone is still sight unseen, yet a glance at the company's latest quarterly results raises the question of what else may be coming.

Apple's spending on research and development totaled $2.9 billion for the third fiscal quarter ended July 1, rising 15% year over year. That brought Apple's R&D spending to $11.2 billion for the trailing 12 months, which is about 5% of the company's revenue for the period. Apple hasn't expended a greater portion of its revenue on R&D on an annual basis since 2004.

That suggests other big things on the horizon, though what exactly is anyone's guess. Apple only claims "an increase in headcount-related expenses to support expanded R&D activities" in its quarterly filing. The company is widely reported to be working on projects related to self-driving cars, health-care monitoring and augmented reality, to name just a few.

Apple's market value has surged 35% this year to $820 billion—adding $45 billion since last week's earnings report, which all but confirmed that some new iPhones will launch this quarter. And it is hard to forget the stock has seen downturns twice in the past five years following big iPhone launches.

It is worth noting that Apple is competing with other deep pockets willing to dig even deeper. As a percentage of revenue, Apple's R&D expenditures rank the lowest among big tech companies save for HP Inc. Of course, spending gobs of money now is never a guarantee of future success, but Apple has a distinct need to make its billions count. —Dan Gallagher

Online Lenders Clear Low Bar but Higher Ones Lie Ahead

The online-lending industry regained its footing in the second quarter, more than a year after it was knocked off balance by severe disruptions in the loan marketplace. But investors' sky-high hopes for the sector may have been lowered permanently.

The two most prominent listed companies in the space, **On Deck Capital** and **LendingClub**, reported second-quarter earnings on Monday.

Both benefited from a lowered bar as investors adjusted to serial past disappointments.

After a weak first quarter, business lender On Deck said it would slow growth, tighten credit criteria and focus on becoming profitable.

It delivered on those objectives in the three months to June.

Total loan originations came to just $464 million, down around one-fifth both from the previous quarter and a year earlier. Loans on average went to borrowers with higher credit scores for shorter terms.

Investors also were relieved that On Deck reiterated it would turn profitable later this year.

Shares rose 18.5% Monday, but that left them at only about one-quarter of their December 2014 IPO price, a sign of just how much the hype around these lenders has deflated. The stock was up another 1.4% by late Tuesday.

Crucially, On Deck has moved on from funding loans through an online marketplace, the aspect of its business model that was truly disruptive.

The company now funds the vast majority through its own balance sheet, making On Deck more like an ordinary bank.

For its part, LendingClub finally returned to growth in the second quarter.

Originations rose to $2.15 billion, having stagnated at below $2 billion for four straight quarters.

Even so, it remains well below the $2.7 billion level of the first quarter of 2016 when the company was rocked by a management scandal.

The company also boasted that it successfully securitized a package of loans for the first time.

Previous securitizations were done by third parties that acquired its loans.

This opened a new funding channel and brought 20 new investors to LendingClub loans, the company said.

But revenue generated from this transaction amounted to just 2.6% of the quarter's total revenue, making it something of a footnote. The company still expects to post a net loss for the full year.

The stock was 64% below its own 2014 IPO price as of Monday.

Both companies have to worry about rising competition.

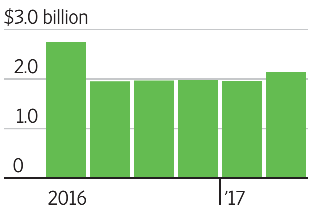
Innovative payment companies like Square and PayPal are extending more microloans to their merchant customers. Meanwhile, giants of finance like Goldman Sachs are extending more unsecured personal loans, which is LendingClub's sweet spot.

Reduced expectations were these lenders' best friend in the second quarter. The bar has been raised now—perhaps a bit too enthusiastically.

—Aaron Back

Back on the Wagon

LendingClub's quarterly loan originations



Source: the company
THE WALL STREET JOURNAL.