THE WALL STREET JOURNAL.

DOW JONES | News Corp ★★★★★ MONDAY, AUGUST 7, 2017 ~ VOL. CCLXX NO. 31 WSJ.com ★★★★ $4.00

Last week: DJIA 22092.81 ▲ 262.50 1.2% NASDAQ 6351.56 ▼ 0.4% STOXX 600 382.53 ▲ 1.1% 10-YR. TREASURY ▲ 6/32, yield 2.269% OIL $49.58 ▼ $0.13 EURO $1.1774 YEN 110.69

What's News

Business & Finance

Wall Street regulators imposed far lower penalties in the first six months of Trump's presidency than they did during the first half of 2016. **A1**

◆ **Value stocks** are mired in one of their worst stretches on record as investors choose companies with fast profit or price growth. **B1**

◆ **Shares of Brighthouse,** MetLife's spun-off unit, is set to begin trading in the insurance industry's latest response to low rates. **B1**

◆ **Tobacco firms** are rolling out electronic devices they say are healthier alternatives to smoking but feel more like real cigarettes. **B1**

◆ **Fox News suspended** anchor Eric Bolling while it investigates allegations he sent inappropriate photographs to female co-workers. **B5**

◆ **Google's diversity chief** criticized a memo that suggested men are better suited for engineering jobs. **B3**

◆ **Apple plans** to introduce a cellular-enabled smartwatch that won't need an iPhone. **B4**

◆ **Arion is launching** a commodities hedge fund to trade metals. **B9**

World-Wide

◆ **GOP lawmakers** plan to use their August recess to argue for a tax-code overhaul but face pressures from their constituents. **A1**

◆ **The U.N. passed** tough sanctions on North Korea, but time is short to make them stick as Pyongyang's nuclear work advances. **A1**

◆ **Venezuela's army** said two people died in what it said was an attack on a military base by former army officers and civilians. **A6**

◆ **Netanyahu's allies** came to the Israeli leader's defense after a former aide agreed to turn state witness in twin corruption probes. **A9**

◆ **Rwanda's leader** was re-elected with what the election panel said was nearly 99% of the vote. **A6**

◆ **The U.S. military** called off a rescue mission for three Marines whose aircraft went down off Australia. **A8**

◆ **Asean and China** agreed on a framework for a code of conduct in disputed South China Sea waters. **A8**

◆ **France opened** an anti-terrorism probe after a knife-wielding man tried to enter the Eiffel Tower. **A6**

Journal Report

Three price/earnings measures suggest stock prices are too high. So why hasn't it mattered? **Investing in Funds & ETFs, R1-8.**

CONTENTS

Rare Late Summer Tornado Hits Oklahoma, Injuring Dozens

TOM GILBERT/TULSA WORLD/ASSOCIATED PRESS

PATH OF DESTRUCTION: A tornado, unusual for August, smashed into a shopping district of Tulsa, Okla., early Sunday, sending more than two dozen people to hospitals, including two with life-threatening injuries. The storm knocked out power to more than 17,000 customers.

Wall Street Fines Tumble

Business-friendly shift under Trump, end of crisis-era cases bring a decline of two-thirds

By Jean Eaglesham, Dave Michaels and Danny Dougherty

Wall Street regulators have imposed far lower penalties in total in the first six months of Donald Trump's presidency than they did during the first six months of 2016, a comparable period in the Obama administration, according to a Wall Street Journal analysis.

Lawyers who defend financial cases said a shift to a business-friendly stance at regulatory agencies in the Trump administration is one of several reasons for the decrease. Other factors include delays resulting from the change in administrations and the winding down of cases from the financial crisis.

Penalties levied against firms and individuals by the Securities and Exchange Commission, the Commodity Futures Trading Commission and the Financial Industry Regulatory Authority in the first half of 2017 were down nearly two-thirds compared with the first half of 2016—putting regulators on track for the lowest annual level of fines since at least 2010, the Journal found. Fines of $489 million in the first half of 2017 compared with $1.4 billion in the 2016 period.

The SEC levied some $318 million in penalties during the first half of 2017—a figure based on a search of federal court documents and publicly available records on the agency's website and data provided by Andrew N. Vollmer, a professor at the University of Virginia School of Law.

Last year, agency actions yielded $750 million in penalties during the same period, an agency spokesman said.

The SEC declined to disclose its own tally of 2017 penalties; the agency didn't dispute that the total value of penalties fell in the first half of 2017 compared with the same term in 2016.

Kevin Callahan, the spokesman, said the SEC doesn't consider six months to be long enough to draw any lessons about the agency's effective-

Please see CASES page A9

Recess, Full Plate Keep Heat On GOP

By Siobhan Hughes And Janet Hook

Congressional Republicans plan to use the next four weeks away from Washington making a public case for a sweeping rewrite of the tax code, an ambitious legislative undertaking they hope will heal divisions that opened when the party's signature health-care bill collapsed.

But at home in their districts, they face pressures that could make it hard to focus on taxes. Many of their constituents and party activists blame Congress, more than President Donald Trump, for the health-care stalemate and are pressing them to find a resolution. And before they can do anything, lawmakers face a load of time-sensitive fiscal business: hashing out a budget, funding the government and raising the federal debt limit.

The result is a party sent home for a month-long recess to face mixed messages from voters and an uncertain path forward in the fall.

"Back home, people aren't mad at the president. They're mad at the Republican Party for not working with the president to try and get things done," said Rep. Mike Kelly (R., Pa.), who said he hears complaints while doing errands at Wal-Mart in a district that Mr. Trump handily won.

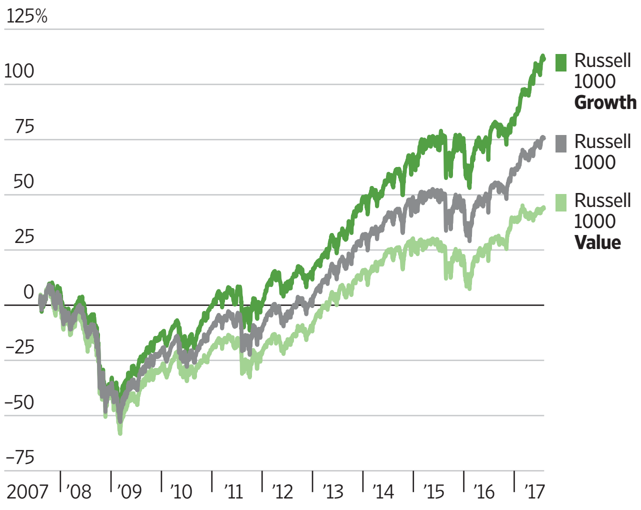
How Republican lawmakers respond to such frustration—

Please see PARTY page A4

Unhappy Returns for Value Investors

Value stocks, cheaper shares bought in expectation of long-term appreciation, have lagged behind those from companies with fast earnings or price growth since the end of the financial crisis. B1

Index performance over the past 10 years in the U.S.



Source: FactSet THE WALL STREET JOURNAL.

EGYPT BETS ON POWER OF ECONOMIC PAIN

Cuts to food and fuel subsidies seen as opening path to jobs, growth

By Yaroslav Trofimov

CAIRO—Egypt's President Abdel Fattah Al Sisi is cutting food and fuel subsidies, a program long plagued by waste and corruption, in a high-stakes gamble to aid the stalled economy that none of his predecessors dared execute.

The economic shock therapy, coupled with a steep currency devaluation, has rocked the Arab world's most populous country. Fuel prices went up 50% overnight in June, cooking-gas prices have doubled and the annual inflation rate has surpassed 30%.

As savings erode and consumer buying-power shrinks, Mr. Sisi is betting that the expected payoff—new jobs, foreign investment and growth—will arrive before the economic pain risks another social explosion in Egypt, whose 2011 revolution inspired other uprisings in what became known as the Arab Spring.

"The poor people are suffering too much, and the middle-class people are turning into poor people," said Osama Heikal, a pro-government lawmaker who worries about the austerity's social impact.

Tarek Kabil, the minister of trade and industry, compared the economic overhaul to an antibiotic. "You have to take the entire course," he said in an interview. "You cannot

Please see EGYPT page A10

Australia Wants to Drain the Swamp—of Canadians

* * *

Lawmakers felled by obscure citizenship rule; 'Resigned as, bro'

By Rachel Pannett

SYDNEY—The closest Matt Canavan has ever gotten to Italy is paying a visit to Roma, a dusty cattle town of some 7,600 in the district he represents as an Australian senator. "I was not born in Italy, I've never been to Italy and, to my knowledge, have never stepped foot in an Italian consulate or embassy," he said.

Yet on July 25, when Mr. Canavan grudgingly stepped down as the nation's resources minister, Italy turned out to be his political *bacio della morte*, or kiss of death.

In 2006, Mr. Canavan's sentimental Italian mother, Maria, had successfully applied on his behalf for Italian citizenship—without telling him. *Signore* Canavan found out only after she came clean, and after confirming it with Italian diplomats.

Australian passport

In case you're not familiar with Section 44 of Australia's Constitution, it contains a 116-year-old sub-clause written to ensure that elected officials act in Australia's best interests. It states that lawmakers must not owe allegiance to a foreign power. As such, they're ineligible for office if they're dual citizens of

Please see CITIZEN page A10

Time Is Tight in Race To Stifle North Korea

By Jake Maxwell Watts And Ben Otto

MANILA—The United Nations Security Council passed the toughest-ever economic sanctions against North Korea over the weekend. Now comes the hard part: making them stick, and fast.

U.S. Secretary of State Rex Tillerson met here Sunday with counterparts from China, Russia, and a host of Asian countries as he sought to build momentum to isolate North Korea. He described the sanctions as "a good outcome."

Chinese Foreign Minister Wang Yi, who met Sunday in Manila with his North Korean counterpart, said Beijing has urged Pyongyang "to stop the missile tests and even nuclear research which violate U.N. Security Council resolutions and the wishes of the international community."

There is one major obstacle, however: Time is running out. The most recent missile launched by the regime at the

Please see KOREA page A8

U.S. NEWS

THE OUTLOOK | By Eric Morath

You're Fired! No, Wait, Keep Working

The Labor Department reported Friday another solid month of U.S. hiring in July. Getting less attention these days, but no less important, is how little American firms are firing.

Americans are less likely to be laid off than at any point in at least 50 years. For every 10,000 people in the workforce, 66 claimed new unemployment benefits in July, trending at the lowest point on record going back to 1967. The previous low point, 83 per 10,000, was touched in April 2000, at the height of a tech boom. Separate Labor Department data shows the rate of layoffs and other discharges as a share of total employment this year is at the lowest level on records back to 2000.

The fall in layoffs is mainly a result of a vastly improved labor market. It means Americans have more job security than they may realize less than a decade after dismissals spiked in the 2007-2009 recession. But other factors with more mixed implications are at play, including elevated levels of long-term unemployment, an aging workforce, a decline in manufacturing work and more risk-averse businesses, which also point to a less dynamic economy.

After nearly seven years of consistent job growth, firms are reluctant to let employees go in a tight labor market in which available workers with a recent employment history are quickly snapped up.

"It's tough to find qualified candidates—you kiss several frogs to find a prince," said David Daoust, chief executive of Minnesota marketing firm Brand Advantage Group.

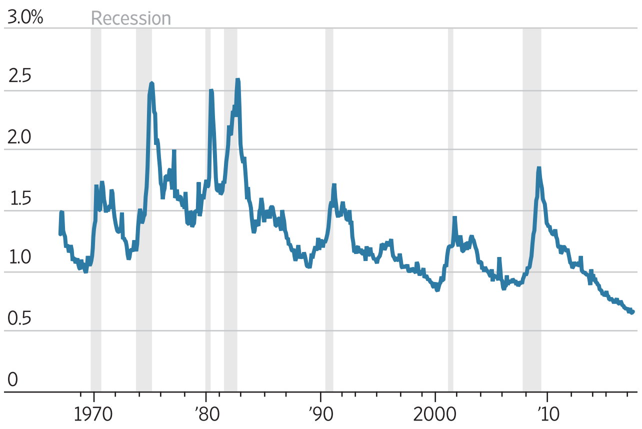
His firm recently merged with a crosstown competitor. Rather than dismiss duplicative staff, he retained all 26 new employees. Some workers were retrained for new roles, and the company expanded its remote-work policy to ease the burden for employees finding themselves with longer commutes.

Demographic trends are influencing employment decisions, said Bill Ziebell, head of Arthur J. Gallagher & Co.'s employee benefits and compensation consulting practice. In the late 1990s baby boomers were in their prime working years, now they're retiring in greater numbers. "If you have a big segment of the workforce winding down due to retirement, why would you let anyone go?" he said.

Another factor is manufacturing's diminished role in the economy. Factories regularly lay off and rehire workers to adjust production levels. But a much smaller slice of Americans work in manufacturing today than in decades past.

Layoffs Fall in Tight Labor Market

Average monthly rate of initial unemployment claims as a share of the U.S. labor force



Source: Labor Department

THE WALL STREET JOURNAL.

The current jobless rate is relatively elevated in relation to layoffs. For example, when the unemployment rate dipped to 3.4% in October 1968, about 102 per every 10,000 workers filed for unemployment benefits, well above July's rate of layoffs. That suggests less churn in the labor market, meaning a lack of economic dynamism.

Businesses appear to be taking less risk in this expansion. During the latest expansion, new businesses have accounted for a little more than 11% of all new private-sector jobs created in the U.S., according to Labor Department. During the 1990s, the figure was 15%. New businesses fail at greater rates than established firms, so fewer new companies could equate to fewer layoffs.

Federal Reserve researchers found in a paper this year that declining business dynamism weighs on productivity because labor and investment aren't moving toward their most productive uses.

There's another reason that unemployment is high relative to layoffs: Many unemployed Americans have been out of work for months and are sitting in the economy's sidelines. The number of Americans unemployed for 27 weeks or more was about 35% more last month than when the recession began in late 2007. By contrast, the share of the labor force unemployed for 5 weeks or less is the lowest on record back to the 1940s. That means fewer people in the market ready to hop to a new job, and more hoarding by firms of what they've got.

Separations have shifted toward workers quitting their jobs from being dismissed, said Jed Kolko, economist with job search site Indeed. This helps explain the low level of jobless claims. The unemployed typically apply for jobless benefits when they are involuntarily let go. Those who quit or are fired for cause generally can't apply.

Patrick Graham, chief executive of Charlotte Works, said his agency's effort is focused on those who he calls the "chronically unemployed" and those in low-wage, part-time work.

It's created a paradox in the North Carolina city: a persistent level of long-term joblessness and underemployed, and businesses scrambling to find workers in a region with a 3.6% unemployment rate.

"It's a tale of two cities," Mr. Graham said. "You have people who can't find the level of employment they need to make a decent living, and yet there's a skills gap for midlevel jobs which causes employers to recruit talent from outside the area."

ECONOMIC CALENDAR

TUESDAY: Renewed tension between Washington and Beijing on trade imbalances will keep China's trade data in focus. Economists expect **China's exports and imports** grew 10.5% and 16.4%, respectively, in July from a year earlier, moderating slightly from June's growth, but still expanding at a strong pace.

WEDNESDAY: Economists expect both **consumer and industrial price inflation in China** held steady in July from June's levels, when the readings grew 1.5% and 5.5%, respectively. Continued robustness in industrial inflation is good news for Chinese companies, as that can help them improve profits and repay their debts.

The **Labor Department** releases its preliminary second-quarter report on **U.S. productivity**. Some economists attribute the U.S. economy's slow wage growth to lackluster productivity gains in the aftermath of the recession. Economists surveyed by The Wall Street Journal expect productivity rose 0.8% in the second quarter.

FRIDAY: The Labor Department releases the **U.S. consumer-price index** for July. The figure was unchanged in June from the previous month.

Recent softening of inflation has turned into a conundrum for the Federal Reserve, as the central bank weighs the timing of its next interest-rate increase.

Economists will watch the report for any signs of firming prices. Economists surveyed by the Journal projected that the CPI gained 0.2% in July.

U.S. WATCH

CHRIS GRANGER/NOLA.COM/ASSOCIATED PRESS

Pastor Rufus Bonds on Sunday at Metropolitan Baptist Church in New Orleans. Parts of the city flooded after a heavy weekend rain.

NEW ORLEANS

Rain Overwhelms City's Pump Stations

Officials in New Orleans said heavy rainfall overwhelmed the city's pump stations, contributing to flooding in some areas.

Officials said Sunday that some neighborhoods saw between 8 and 10 inches of rain over a few hours Saturday. That was too much for the Sewerage & Water Board's 24 pump stations to cope with even though all were operating.

Deputy Mayor Ryan Berni said the city has no immediate plans to request an emergency declaration from the state, but that could change as it collects more information on flood damage. More rain is forecast for Monday afternoon.

—Associated Press

'SANCTUARY CITIES'

Chicago to Sue Over Immigration Policies

Chicago Mayor Rahm Emanuel said Sunday the city will file a federal lawsuit challenging the Trump administration's use of federal grant money as a way to force local authorities to cooperate with a crackdown on illegal immigration.

The showdown over so-called sanctuary cities has been months in the making, as some local governments resist federal calls to hold people in jail when asked to do so by the Immigration and Customs Enforcement Agency.

The lawsuit is being filed Monday, Mr. Emanuel said, because the Justice Department recently required such cooperation from cities to be considered for a long-running federal crime-prevention grant. Mr. Emanuel said the new rules would require cities to allow the Department of Homeland Security to have unlimited access to local police stations. "Chicago will not be blackmailed into changing our values, and we are and will remain a welcoming city," Mr. Emanuel said in a press release Sunday.

The Justice Department criticized Mr. Emanuel's stance.

"In 2016, more Chicagoans were murdered than in New York City and Los Angeles combined," said Devin O'Malley, a spokesman for the department. "So it's especially tragic that the mayor is less concerned with that staggering figure than he is spending time and taxpayer money protecting criminal aliens and putting Chicago's law enforcement at greater risk."

—Valerie Bauerlein

SAN FRANCISCO

Professor Is Arrested After Stabbing Death

A Northwestern University professor and a University of Oxford employee were taken into custody over the weekend, more than a week after the stabbing death of a man in Chicago, police said.

Northwestern microbiologist Wyndham Lathem and Oxford financial officer Andrew Warren were wanted on first-degree murder charges. Both men surrendered Friday in the San Francisco area.

Mr. Lathem, 42, was being held without bail in Alameda County and faced a Monday court appearance. While a fugitive, Mr. Lathem sent a video to family and friends apologizing for his alleged involvement in a crime he called "the worst mistake of my life," investigators said.

The two men had been fugitives since the body of 26-year-old Trenton James Cornell-Duranleau was found July 27 in Mr. Lathem's Chicago apartment.

Mr. Warren was being held at the county jail in San Francisco. It wasn't clear if he had an attorney.

One of Mr. Lathem's attorneys, Barry Sheppard, said, "I hope that the public doesn't engage in a rush to judgment."

—Associated Press

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CORRECTIONS & AMPLIFICATIONS

The first name of Cherryl Cohen was incorrectly given as Cheryl in a Review article Saturday on an art collection owned by her and her husband, Frank Cohen.

Readers can alert The Wall Street Journal to any errors in news articles by emailing **wsjcontact@wsj.com** or by calling 888-410-2667.

Charities Push for Tax-Plan Changes

By Richard Rubin

WASHINGTON—Charities stand to lose billions in donations if Republicans advance their tax overhaul, prompting the nonprofits to carefully attempt to persuade lawmakers to reshape their plan.

As a result of a proposal to double the standard deduction and prevent people from deducting state and local taxes from federal taxable income, fewer taxpayers—5% instead of 30%—would have a financial incentive to itemize their deductions, including their charitable gifts, according to several estimates.

Moreover, each deduction would be worth less to individuals if marginal tax rates are reduced, as Republicans want.

For example, a married couple with costs of $7,000 in mortgage interest and $6,000 in local taxes would exceed today's $12,700 standard deduction. That couple would have an incentive to itemize and deduct every dollar of charitable contributions.

If the standard deduction climbed to $24,000 or more and state and local taxes stopped being deductible, the same couple would likely claim that standard break rather than itemize.

People don't donate only for the tax deduction. But according to an Indiana University study, these backdoor limits on charitable deductions could reduce giving by $13 billion, or 4.6%, annually. That is about four times the Salvation Army's 2015 annual revenue.

Many nonprofits—including universities, museums and foundations—don't want to be seen opposing a doubled standard deduction, which could lower taxes for millions of middle-class households and make the tax code simpler.

"What I have most encouraged them to do is to offer a solution and not position themselves as adversaries of tax reform," said former GOP congressman Phil English, a lobbyist at Arent Fox LLP, whose clients include Catholic Charities. "If they appear to be against tax reform, per se, they are running the risk of being adverse to many of their own donors."

Instead, nonprofits are pitching an alternative: what they call a "universal" tax deduction for charitable contributions. That switch would let taxpayers deduct donations even if they don't itemize.

"We don't think that anybody should have their charitable giving taxed. Anybody," said David Wills, president emeritus of the National Christian Foundation.

Rodney Prunty, president and chief professional officer of the United Way of Racine County, Wis., said he has been encouraging his representatives—including the local congressman, House Speaker Paul Ryan—to be wary of changes that could undermine charitable giving.

"It's really the heart and soul of our sector," Vikki Spruill, president and chief executive officer of the Council on Foundations, an industry association, said of the income-tax deduction. "As government resources become more scarce, philanthropy will not be able to fill the gap."

An Expensive Proposition

A universal deduction for charitable contributions could be expensive for the government. Measured against today's tax code, the change would lower revenue by $191 billion over a decade and deliver some of the biggest benefits to high-income households, according to the Tax Foundation, a Washington, D.C., think tank that favors a simpler tax system with lower rates.

That would force even more trade-offs by lawmakers. They already are searching for revenue-raising provisions to pay for lower tax rates.

Rep. Kevin Brady (R., Texas), chairman of the tax-writing House Ways and Means Committee, said his panel is taking a "very serious look" at a universal deduction. "We want to encourage Americans, who are incredibly generous already, to give more, to give earlier in life, and to continue to grow," he said last month.

Elsewhere in the tax debate, many charities are choosing to stay on the sidelines when it comes to the estate tax, because lawmakers are unlikely to be swayed on that issue. Republicans' wish to repeal it would depress charitable bequests.

Other policy questions in the nonprofit sector could emerge, including tax rules for foundations and limits on political activity by churches.

—Richard Rubin

Struggle of Black Banks Leaves a Void

Declining sector spurs worry that some neighborhoods will lose access to capital

By Sharon Nunn

Six CEOs of black-owned banks locked themselves in a New Orleans conference room for more than a day in late 2016. Surrounded by papers, drawing boards and PowerPoints, the group strategized ways to reverse a trend 15 years in the making: the decline of their own banking sector.

The number of black-owned banks in the U.S. has been dropping steadily and fell to 23 this year, the lowest level in recent history, according to the Federal Deposit Insurance Corp. That has left many African-American communities short of access to capital and traditional financial services, according to some banking experts.

"We have a crisis among black banks," said Doyle Mitchell, chief executive of Washington-based Industrial Bank. "We met...to save the industry. To save ourselves."

The 2008 recession hit the black banking sector especially hard, and if the rate of closures of about two a year, as well as the industrywide reluctance or inability to start banks, continues, black-owned banks could disappear entirely within the next eight to 12 years.

The trend worries some analysts, who argue that fewer banks serving low-income, minority groups could expand "financial deserts"—communities with few or no banking institutions—and increase the likelihood that black and Hispanic communities could become susceptible to redlining, a discriminatory practice that excludes poorer minority areas from financial services.

"These banks are banks that serve relatively poor neighborhoods," said Russell Kashian, an economics professor who studies black-owned banks. "There are neighborhoods that if...the black-owned bank isn't there, nobody is there."

Most black-owned banks have a few branches in one city, although one of the category's largest players, New Orleans-based Liberty Bank, has a multistate presence. Such banks make up just a sliver of the overall U.S. financial sector, with collective assets of $5.5 billion, versus $16.3 trillion in the industry overall.

As a result, some economists question the significance of the industry's decline. "Size-wise they've been small," said Nicholas Lash, a business professor at Loyola University Chicago who studies minority banking.

Yet those who live in communities that have been served by black-owned banks say their impact is both practical and psychological. The most recent example is in Chicago, where Illinois state regulators in January closed Seaway Bank & Trust, determining that its financial health had so deteriorated that pumping in more money couldn't save it.

"It was like air coming out of a balloon," said Bob Fioretti, a former Chicago alderman who was involved in raising money to keep Seaway open. "People were deflated."

Seaway, formerly Chicago's largest black-owned bank, helped anchor the black business community on the city's South Side.

Claire Adams, a former board president of a South Side housing community that was one of the first businesses to use Seaway when it opened in 1965, said she fears that with fewer small community banks in her part of the city, payday lenders and check-cashing institutions—which often charge exorbitant rates and fees—would be the only nearby banking option for many African-Americans.

"The only thing that's left are these predatory institutions," Ms. Adams said.

With such concerns in mind, members of the South Side's religious community raised more than $100,000 in deposits for Seaway in 2016. But the effort wasn't enough. Seaway was sold to the State Bank of Texas, then sold again to a North Carolina credit union.

A prolonged period of low interest rates and intense competition, as bigger banks slowly move into underserved areas, have contributed to the decline of black-owned banks. Now a practical concern is that, even if bigger institutions step in, they won't be as accommodating in lending to black-owned businesses. A survey of entrepreneurs by the U.S. Census Bureau in 2014 found that 47% of black business owners had gotten the full amount of funding requested from banks, credit unions or other financial institutions, compared with 76% of whites.

ALYSSA SCHUKAR FOR THE WALL STREET JOURNAL (PHOTOS)

Claire Adams said the decline of black-owned banks means more residents of Chicago's South Side will rely on high-fee payday lenders.

Industry Hit Peak A Century Ago

Black-owned banks arose and flourished in a period when African-Americans were kept out of other financial institutions, both overtly and through practices that effectively walled off their neighborhoods from other banks.

The industry hit a peak in the late 19th and early 20th centuries, a period when 57 black-owned chartered banks entered the financial system, according to a study by Lila Ammons, a Howard University Afro-American Studies professor.

The establishment of black-owned banks gave rise to flourishing black business hubs in Northern and Southern cities, including some notable "Black Wall Street" communities in Richmond, Va.; Tulsa, Okla.; and Durham, N.C.

The black banking community has traditionally been tight-knit, particularly because many of the surviving black-owned banks remain in or close to the families that founded them.

Chicago's failed Seaway Bank, for example, was run by Chief Executive Officer Veranda Dickens, who took over the top position after her husband, Jacoby Dickens, died in 2013. Doyle Mitchell, CEO of Washington, D.C.-based Industrial Bank, runs an institution his grandfather opened in the 1930s.

—Sharon Nunn

Mosque Blast Renews Security Focus

By Valerie Bauerlein

The bombing of a Minnesota mosque on Saturday is the latest in rising anti-Muslim incidents in the U.S. that have prompted Islamic groups to boost security measures.

Federal Bureau of Investigation figures showed a 67% rise in anti-Muslim incidents in 2015, the most recent data available from the bureau. Overall, the FBI said there were 5,850 reported hate crimes in 2015, a nearly 7% increase from the previous year. Anti-Jewish incidents rose 9%, the FBI said.

No one was injured in the 5 a.m. Saturday explosion at the Dar Al-Farooq Islamic Center in Bloomington, Minn., a city of 85,000 people south of Minneapolis, police said. Law-enforcement officials said someone appeared to have thrown an improvised explosive device from a passing truck into the mosque office just before early morning prayers.

The FBI and the Bureau of Alcohol, Tobacco, Firearms and Explosives are investigating.

The mosque primarily serves members of the area's Somali community. About 41,000 of a total of 129,000 people living in the U.S. claiming Somali ancestry lived in Minnesota as of 2015, according to the Census Bureau.

The national office of the Council on American-Islamic Relations, a Muslim advocacy organization, has been encouraging Islamic centers to increase security, including guards and camera surveillance. A recent CAIR guide to mosque safety urges leaders to install glass-block windows, which are difficult to break, for example, "if protection against thrown firebombs is a consideration."

The Bloomington center's executive director, Mohamed Omar, on Saturday said Muslims should continue to worship and attend education classes, rather than stay home out of fear. "This is our center," Mr. Omar said. "We hope that this will be the last [incident], and we won't see any problems."

The explosion is one of several such incidents in Minnesota in recent weeks, including the vandalism of a Muslim cemetery in Castle Rock Township, south of Bloomington. In June, a Minnesota man was sentenced to 39 years in prison for injuring two Somali men and shooting at others last year while they were en route to prayers in Minneapolis.

A new Pew Research Center survey found that 64% of Muslim Americans say they are dissatisfied with the way things are going in the U.S., up from 38% in 2011. Pew researchers said unease among Muslim Americans has grown since President Donald Trump, as a candidate more than a year ago, called for a "total and complete shutdown of Muslims entering the United States." More than half of U.S. Muslims—58%—are immigrants, according to Pew.

The acting secretary of Homeland Security, Elaine Duke, said Saturday the department "fully supports the rights of all to freely and safely worship the faith of their choosing and we vigorously condemn such attacks on any religious institution."

Elected officials and faith leaders from around the state joined mosque leaders in a Saturday news conference calling for solidarity and peace.

The Rev. Curtiss DeYoung, head of the Minnesota Council of Churches, said the attack felt personal because he had shared the post-Ramadan Iftar meal with mosque members.

"An attack on a mosque, is an attack on a synagogue, is an attack on a church, is an attack on all faith communities," he said. "We stand with you."

COURTNEY PEDROZA/STAR TRIBUNE/ASSOCIATED PRESS

Minnesota Gov. Mark Dayton on Sunday condemned the bombing of the Dar Al-Farooq Islamic Center in Bloomington, Minn.

CHARLES PASSY/THE WALL STREET JOURNAL

Longtime Blue Bonnet Cafe employee Maura Domingues.

In Texas Town, It's Pie, Not Barbecue

By Charles Passy

MARBLE FALLS, Texas—For most Texans, barbecue is the state's signature food. Others might suggest a Tex-Mex favorite—say, cheese enchiladas—as a contender.

But for the 6,300 residents of this city in Texas' bucolic Hill Country, about 50 miles northwest of Austin, it is all about the pie.

Specifically, the pie at Blue Bonnet Cafe, a downtown fixture since 1929. At the 180-seat restaurant, it is a given that customers will order a $3.29 slice. The big question is which of the dozen-plus varieties, from lemon meringue to coconut cream, to choose.

There is also the matter of when to devour dessert: before or after the main meal, which may consist of country-style favorites like pot roast or chicken-fried steak.

"We have people come in here and eat the pie first because they're otherwise afraid they're going to get full," said John Kemper, who has owned the restaurant with his wife, Belinda, since 1981. Later on, the couple's son-in-law and daughter, Dave and Lindsay Plante, also came aboard.

It adds up to about 40,000 pies sold annually, bringing in at least $600,000, or some 15% of the restaurant's revenue, said Mr. Kemper. That is up from roughly 5% of revenue pies made up when he took over the operation.

Over the years, the restaurant has been recognized with a range of honors. Southern Living magazine named Blue Bonnet's German Chocolate Pie as one of the South's best. Blue Bonnet has become a pit stop for a number of famous Texans, from President George W. Bush (during his days as governor) to country-music star Willie Nelson.

Mr. Kemper admits there are no great secrets to Blue Bonnet's pies, which are made largely from scratch according to traditional recipes. The cream-based ones are indeed heavy on the heavy cream. "It really gives them a good flavor," Mr. Kemper said.

Looks are important, too: With the meringue pies, the topping is shaped by the restaurant's pros to form a perfect dome. Some members of Blue Bonnet's 70-member staff have been honing their skills for more than three decades.

Blue Bonnet has competition. Royers Round Top Cafe, about a two-hour drive to the east, has become so well-known for its creative takes on pies that it ships thousands every year across the country.

Defection Hits Democrats at a Bad Time

West Virginia governor becomes a Republican just as the party tries to build out of a hole

By Janet Hook

When West Virginia Gov. Jim Justice switched parties to the GOP last week, the Democratic Party lost more than a state leader. It also lost some mojo in an urgent battle to rebuild the tattered party from the state level up.

Republicans now hold governors' seats in 34 states—matching a record for the GOP—while Democrats have 15 governorships. One state is led by an independent.

The West Virginia switch was an unexpected blow for Democrats, who have pinned high hopes on governors races in 2017 and 2018. Many Democrats see those races as crucial to political recovery in the wake of the devastating 2016 presidential-election loss and the erosion of power at the state level over the past eight years.

Governors will "lay the foundation for how the Democrats will rebuild," said Kelly Ward, executive director of the National Democratic Redistricting Committee, an arm of the party focused on state races. "They provide the leadership in both policy and politics. They are the bench."

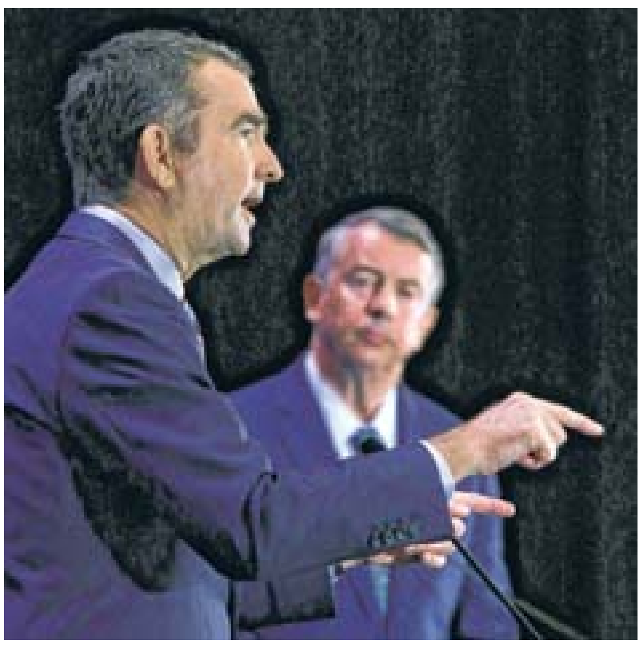
The 2017-18 political map gives Democrats a promising battleground: Of the 38 governors' seats on the ballot, 27 are held by Republicans, including 14 open seats.

Republicans say the West Virginia governor's defection is a warning that Democrats shouldn't be overconfident.

"Democrats talk a big game on 2018 governor's races, but their fundraising doesn't match their rhetoric," said Wisconsin Gov. Scott Walker, head of the Republican Governors Association.

The last time a governor switched parties was in 1991, when Democrat Buddy Roemer of Louisiana switched to the GOP.

Democrats see Mr. Justice's party switch as a unique case because he is a political novice who was a registered Republican until two years ago, and had strong ties to the family of President Donald Trump.



BOB BROWN/RICHMOND TIMES-DISPATCH/ASSOCIATED PRESS

Virginia gubernatorial candidates Ralph Northam, left, and Ed Gillespie met for their first debate July 22 in Hot Springs, Va.

"It's a standalone event," said Connecticut Gov. Dan Malloy, chairman of the Democratic Governors Association. "We simply move on."

Democrats have an edge in both of this year's gubernatorial races. In New Jersey, a Democrat is strongly favored to win and succeed Republican Chris Christie, analysts say. There is a closer contest in Virginia, where a bitter fight to succeed Democratic Gov. Terry McAuliffe is being waged between Democrat Ralph Northam and Republican Ed Gillespie. Both Messrs. Christie and McAuliffe are barred by law from seeking re-election.

The stakes in Virginia—and in other battlegrounds in 2018—aren't just about who sits in the governor's chair. These fights are also about who wields power in the coming battles over congressional redistricting, the decennial drawing of district lines that happens next after the 2020 census. That process often helps determine whether Democrats or Republicans face more-competitive or safer reelection bids, and the GOP made a concerted push to win control leading into the 2010 census.

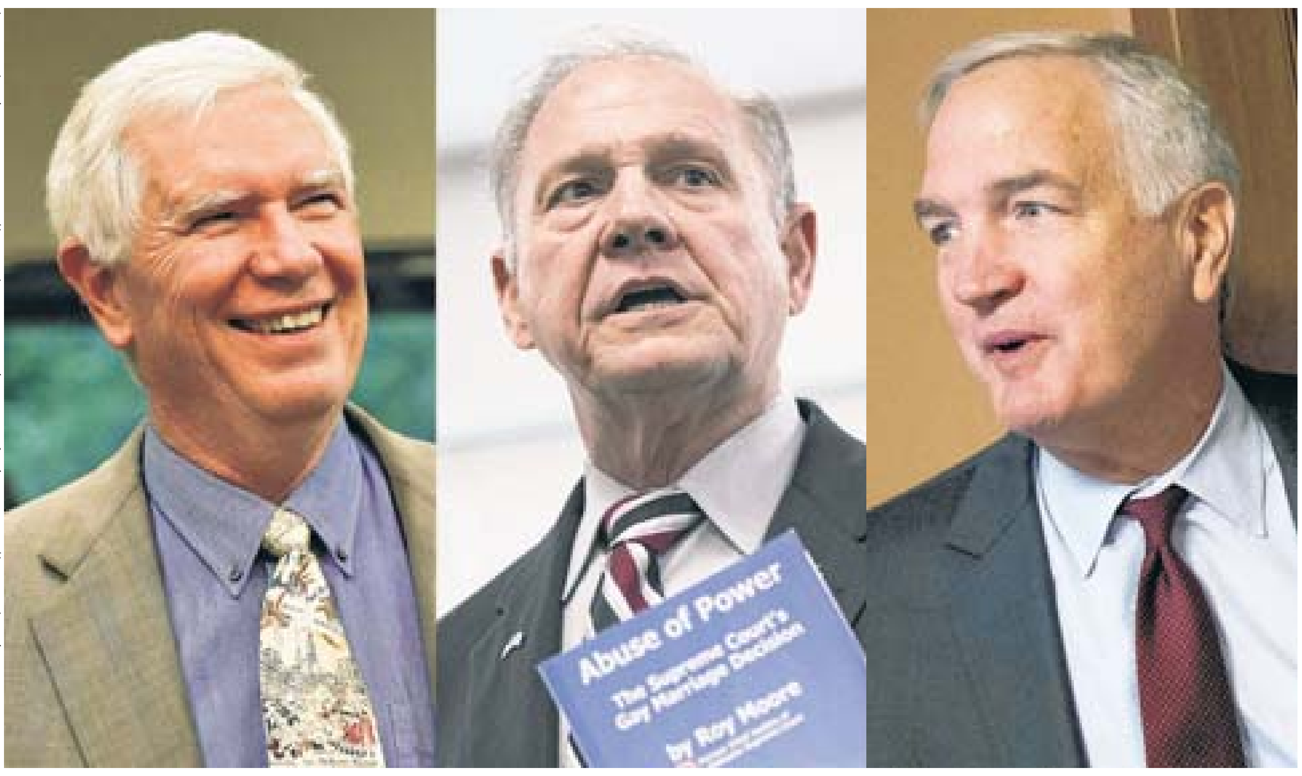
Virginia is particularly important to Democrats because a loss there, combined with the state legislature staying in GOP hands, would give Republicans broad power over redistricting decisions. Eric Holder, attorney general under former President Barack Obama and head of the National Democratic Redistricting Committee, spoke at a political dinner in Richmond in June and called Virginia "the epicenter of the political universe in 2017."

The Democratic National Committee in July announced an initial $1.5 million investment in the Virginia governor's race to help increase the number of grassroots organizers on the ground and to help pay for digital, data and tech infrastructure.

One consequence of Mr. Justice's decision to swap parties last week is that West Virginia now has an all-GOP state government. That brings to 26 the number of states where Republicans have a "trifecta" versus just six states where Democrats have control of the legislature and the governor's mansion.

That is part of the reason Democrats are putting more emphasis on governors' races in 2017-18. Messrs. McAuliffe and Holder are helping lead an effort to get Democratic donors who tend to focus on presidential races to pay more attention to the states. The new redistricting committee headed by Mr. Holder, which started early this year, raised nearly $11 million in its first six months.

Still, Republicans enjoy a fundraising advantage. The Republican Governors Association raised $36 million over the first half of 2017, compared with the $21 million raised by its Democratic counterpart.



BRYNN ANDERSON/AP (BROOKS); BILL CLARK/CQ ROLL CALL/ZUMA PRESS(MOORE); ANDREW HARNIK/AP(STRANGE)

From left, Alabama Congressman Mo Brooks, former Alabama Chief Justice Roy Moore and U.S. Sen. Luther Strange are in contention.

Trump Looms Large in Alabama Race

By Arian Campo-Flores

NORTHPORT, Ala.—In the run-up to the Aug. 15 special-election primary to fill Attorney General Jeff Sessions's former U.S. Senate seat, Republican candidates are sparring over who would best advance President Donald Trump's agenda and remain most loyal to him.

"I'm a fighter," U.S. Rep. Mo Brooks said at a recent candidate forum here sponsored by the BamaCarry gun-rights group. "That's one of the things Donald Trump likes about me as a congressman and a candidate."

"If we're going to make America great again, we've got to make America strong again," said former Alabama Chief Justice Roy Moore, borrowing the president's signature slogan.

Alabamans "are looking for a leader, a businessman" like Mr. Trump, said state Sen. Trip Pittman, who trails Sen. Luther Strange—a former state attorney general named to Mr. Sessions's seat by ex-Gov. Robert Bentley—and Messrs. Brooks and Moore. "That's what I am."

Despite the president's tumbling approval ratings nationally, Mr. Trump, a New York businessman who made numerous campaign trips to Alabama during the presidential election last year, remains popular in this deeply conservative state, where he won 62% of the vote in November.

"You would think that the U.S. Senate Republican primary were an episode of 'The Bachelor' where you get to marry Donald Trump," said Brent Buchanan, a GOP consultant in Alabama.

The race's three leading contenders align with different factions of the GOP. Sen. Strange is backed by Senate Majority Leader Mitch McConnell (R., Ky.), prompting some to cast him as the establishment candidate.

Mr. Brooks is part of the insurgent wing of the party as a member of the ultraconservative House Freedom Caucus. Mr. Moore, who was suspended from the Alabama Supreme Court over his defiance of the U.S. Supreme Court's decision legalizing gay marriage, has a fervent following among evangelical Christians.

If no candidate wins a majority in the primary—a likely scenario, analysts say—a runoff for the GOP candidate would take place Sept. 26, followed by the general election on Dec. 12. A Republican primary victor is widely expected to go on to capture the seat.

On the Democratic side, the candidates include former U.S. Attorney Doug Jones, who is best known for prosecuting the two remaining perpetrators in a 1963 church bombing that killed four African-American girls. Mr. Jones has been critical of Mr. Trump's policies on everything from the environment and health care, to Cuba and banning transgender individuals from the military.

The candidates have appealed to the GOP base on a range of issues, from repealing the federal health law to beefing up border security. In a campaign ad, Mr. Brooks said he would read the King James Bible in a filibuster to ensure funding to build a wall along the U.S.-Mexico border.

A dominant theme, though, is pledging fealty to Mr. Trump. Mr. Strange's Twitter account includes posts calling Mr. Trump's election "a miracle" and promising that he is "standing with our president."

Mr. Brooks has been attacked in a recent campaign ad for critical comments he made against Mr. Trump during the presidential primary campaign. The ad was paid for by the Senate Leadership Fund, a political committee with ties to Mr. McConnell that supports Mr. Strange, the leading fundraiser of the group. "I don't think you can trust Donald Trump with anything he says," Mr. Brooks told MSNBC at the time.

Mr. Brooks said the comments were from a time when he was supporting Texas Sen. Ted Cruz, but he said he supported Mr. Trump in the general election by, among other things, cutting a $2,500 check to support a group of volunteers campaigning for the New York billionaire in Florida, a battleground state, he said.

Arbitration Rule Repeal Is Slowed

By Andrew Ackerman

WASHINGTON—A Republican-backed effort to overturn a rule making it easier for consumers to sue banks has hit a snag: the Senate.

At issue is a Consumer Financial Protection Bureau rule approved in July barring fine-print requirements that consumers use arbitration to resolve disputes over financial services. The rule makes it easier for consumers to join class-action lawsuits against banks and credit-card companies. Though fiercely fought by the financial industry, it is set to go into effect in March.

CFPB Director Richard Cordray, an Obama-administration appointee, pressed ahead with the rule despite opposition from Trump administration banking officials and Republicans in Congress.

Republican lawmakers are targeting the CFPB rule with a legislative tool known as the Congressional Review Act. It allows lawmakers to overturn a newly issued regulation on an expedited schedule with a simple majority vote in Congress. The House voted 231-190 to overturn the rule in July. The Senate plans to act in September when it returns from a long recess.

Richard Cordray, head of the Consumer Financial Protection Bureau.

However, support in the Senate is uncertain. No Democrats are likely to back the effort, and Republicans, with their slim majority, can't afford to lose more than two GOP votes. Several Republican senators have expressed reservations about voting to overturn the regulation, worried they may be portrayed as siding with banks and against consumers.

Analysts with Compass Point Research & Trading LLC and Keefe, Bruyette & Woods have put the odds of the rule remaining in place at over 50%.

Sen. Lindsey Graham (R., S.C.) said in an interview that he opposed the resolution, saying arbitration is "a windfall for the companies in terms of how you settle their cheating.

"You've had banks and credit-card companies nickel-and-diming consumers, and one of the things that makes them think twice is the idea of a massive lawsuit," Mr. Graham said. "Nobody is going to get a lawyer over a $10 overcharge, but when you overcharge millions of people $10, the bank or the credit-card company makes out like a bandit" in arbitration.

Supporters of arbitration say it is generally faster and less expensive for consumers than a lawsuit.

Other Republicans, including Sens. Susan Collins of Maine, Lisa Murkowski of Alaska and John Kennedy of Louisiana, have said they are undecided. And Sen. John McCain (R., Ariz.) may be unavailable to vote as he undergoes treatment for brain cancer.

The stakes are high for Republicans. If they can't overturn the arbitration rule, it could energize the CFPB to complete additional regulations opposed by Republicans, such as payday-loan restrictions.

Backers of the effort to repeal the CFPB rule have said they are making headway in their efforts to kill the rule. "We're making good progress," Senate Banking Committee Chairman Mike Crapo (R., Idaho), who drafted the Senate version of the legislation, said in an interview.

—Yuka Hayashi contributed to this article.

PARTY

Continued from Page One

and whether they move past the health defeat or get swept back into that fight—will determine whether the GOP-led Congress returns as a unified force. August is the longest recess of the year, and constituents can both energize and draw energy from lawmakers who appear at town halls and other meetings.

Many Republicans are worried that an inability to deliver major legislative accomplishments would result in significant GOP losses in midterm elections. Although Republicans have a favorable map in 2018 that should bolster their chances of holding their Senate majority, GOP strategists see a greater risk of losing control of the House.

A June Wall Street Journal/NBC News poll found that people said they would prefer Democrats over Republicans controlling Congress by a 50%-42% margin—the highest level of support for a Democratic Congress since September 2008.

"More people have sent me emails completely disgusted with the Republican Party," said Jenny Beth Martin, cofounder of Tea Party Patriots. "Their frustration is with members of Congress."

Tensions between Mr. Trump and his party on Capitol Hill have mounted. The president berated congressional Republicans—as a group—for failing to repeal the 2010 Affordable Care Act, and some individually for crossing party lines to vote against legislation to replace it.

At the same time, congressional Republicans have grown increasingly willing to defy and speak critically of Mr. Trump. They sent him a bill imposing sanctions on Russia that he opposed. They defended Attorney General Jeff Sessions when Mr. Trump was attacking him.

Republicans are divided

Tensions between Mr. Trump and his party on Capitol Hill have mounted.

over whether they should try again for health changes while pursuing a complicated tax-code rewrite. The party also is split over whether to reach out to Democrats or to continue pursuing its agenda on a partisan basis.

In Kentucky on Saturday, Senate Majority Leader Mitch McConnell showed willingness to support a bipartisan effort being spearheaded by Sen. Lamar Alexander (R., Tenn.). Mr. Alexander's initiative would stabilize health-insurance markets for people who don't get coverage through work or from government programs—so long as the stabilization is accompanied by some broader health-insurance changes.

The GOP-led Congress can't give its full attention to either health or tax matters until it has dispensed with more pressing issues, including raising the federal debt limit by Sept. 29 and keeping the government funded beyond Sept. 30, the end of the fiscal year.

Those time-sensitive issues will be a heavy lift for Republicans. One issue is whether the needed debt-ceiling increase should include conditions demanded by the party's conservatives. On the spending bill, action could be slowed if Republicans include controversial items such as money for Mr. Trump's plan to build a wall along the U.S.-Mexico border. "Tax reform will have to take a back seat," said Greg Valliere, chief global strategist at Horizon Investments, in a recent research note. "Very complicated budget issues will dominate this fall."

Tea-party activists who have sought a repeal of the ACA for years plan a Sept. 23 rally in Washington to air their grievances.

Rep. Mike Coffman (R., Colo.) at a town-hall meeting last week got a lesson on how much health care is still on voters' minds. A majority of questions focused on health care, coming from both those who favored and opposed the ACA. Among them, one woman berated Congress for getting coverage via the ACA while some voters struggle to find affordable coverage.

House Ways and Means Chairman Kevin Brady (R., Texas) plans to use Ronald Reagan's ranch as a backdrop for an August event urging an overhaul of the tax code. The White House has also been planning events at which Mr. Trump will make the case.

Most Republicans agree on broad contours of a tax overhaul, one that would lower rates for companies and individuals, mostly high-income households. But the party has to overcome strategic differences over how to write a bill. Mr. McConnell has said a tax rewrite would likely be a partisan exercise. The White House has suggested Republicans should reach out to Democrats who represent regions where Mr. Trump won.

WORLD NEWS

Venezuela Says It Put Down a Rebellion

Former army officers, with civilians' help, briefly seize a base; demonstrator is killed

Venezuela's army said two people died Sunday in what it described as a paramilitary attack on an important military base by former army officers and civilians, only days after President Nicolás Maduro installed an all-powerful assembly to consolidated his authoritarian reign.

By Anatoly Kurmanaev in Caracas and Tibisay Romero in Valencia

The army said it had regained control of the base, but added that several members of the group that conducted the raid had escaped and taken weapons with them. It said an intense manhunt was under way.

"The scoundrels have been defeated," Army chief, Gen. Jesus Suarez, said in a video. The army said it had arrested seven men linked to the attack, including a former army lieutenant who had deserted, along with civilians. The government released photos of the seven men, several of whom had their faces covered with heavy bruises.

The attack on the Paramacay base in Valencia, Venezuela's third-largest city, came only hours after a group of men clad in military gear and carrying weapons released a video claiming they were inside the base and calling for a rebellion against Mr. Maduro's government.

"We don't recognize the tyranny of assassin Nicolás Maduro," Capt. Juan Caguaripano, a National Guard captain who deserted in 2014, said in the video. He said the call for an uprising wasn't an attempted coup, but a defense of the country's democracy.

The attack capped a tumultuous week in the oil-rich country that is suffering through a deepening political and economic crisis, including street protests that have claimed more than 120 lives.


RONALDO SCHMIDT/AGENCE FRANCE-PRESSE/GETTY IMAGES

Activists set up a barricade in Valencia, Venezuela, on Sunday, days after President Nicolás Maduro established a powerful assembly.

On Friday, the government swore in the Constituent Assembly dominated by Mr. Maduro's Socialist allies, and on Saturday, the assembly removed Attorney General Luisa Ortega, a dissident official who opposed Mr. Maduro's plans to overhaul the constitution.

Hours after the attack in Valencia, a Twitter account in the name of Capt. Caguaripano began issuing messages. It claimed the raid had been a success and made off with a large amount of military weaponry from the base, as well as material from three other army outposts. The authenticity of the account couldn't be verified. The Paramacay artillery base is home to Venezuela's 41st armored brigade.

At least one of the group that attacked the base was killed, as well as an opposition activist, according to the military and local doctors. Ramon Vivas, a 51-year-old regional head of the Progressive Advance opposition party, was shot dead while demonstrating near the base as a show of support to rebels on the inside, the party said.

Clashes in Valencia continued through Sunday afternoon,

In a video, attackers refer to 'tyranny' of country's president, Nicolás Maduro.

as National Guards fired tear gas and rubber bullets to disperse opposition supporters.

The government described the incident as a terrorist attack and said the army fully backed the government. "There's absolute normality at the rest of the country's military units," Diosdado Cabello, a close ally of Mr. Maduro and vice president of the ruling Socialist party, wrote on his Twitter account Sunday morning.

The nation, however, has seen several days of fast-moving, disruptive events. On Saturday, soldiers in riot gear had cordoned off the entry to the office of the attorney general, Ms. Ortega, and she fled the scene on the back of a motorbike. She was replaced by a close ally of the president.

"This is a regime that has already crossed all the red lines, all of them," said José Miguel Vivanco, director of the Americas division at Human Rights Watch. "This is a civic-military dictatorship with more than 600 political prisoners. It's reminiscent of South America's military dictatorships of the '70s."

The series of events have made ordinary Venezuela more weary than ever even as the country's crisis drags on. The country's Bolivar currency fell some 50% last week alone on the black market amid worries the government's outright authoritarianism will snuff out any hope for a transition or economic recovery.

The attack Sunday could signal growing desperation among some of Mr. Maduro's opponents. In June, a rebel police commando seized a helicopter and threw grenades at the country's Supreme Court. No one was injured.

It also shows, however, that any large-scale uprising will be difficult. Former President Hugo Chávez, who himself launched an unsuccessful coup in 1992, purged the army of any dissidents many times and worked to ensure ideological loyalty from senior leadership. Cuba's formidable security services have also had a big presence in Venezuela for years.

—José de Córdoba in Mexico City contributed to this article.

Opposition Politician Leopoldo Lopez Is Allowed Home

Popular Venezuelan politician Leopoldo Lopez returned home on Saturday night after a stint in a military prison, said family members.

Intelligence police snatched Mr. Lopez, one of the government's most vocal opponents, from home early Tuesday for allegedly violating his sentencing terms. He has spent three years in jail for allegedly instigating violence and was serving the remainder of his 14-year sentence under house arrest.

"We will carry on with more conviction and firmness to achieve peace and liberty in Venezuela," Mr. Lopez's wife, Lilian Tintori, said in a Twitter post following his release.

The government hasn't commented on his surprise reprieve. The opposition mayor of Caracas, Antonio Ledezma, was returned to house arrest recently following a similar stint in jail.

Mr. Lopez's transfer came a day after the government installed the powerful Constituent Assembly, which can rewrite the constitution and overhaul institutions with a simple show of hands.

Billed as a forum for peace and dialogue, the assembly members said their priority would be to dismiss dissident officials and lift immunity from opposition lawmakers.

President Nicolás Maduro has pushed forward with the assembly over an international outcry. He has arrested dozens of opposition leaders and activists in recent weeks, bringing the number of political prisoners in the country to more than 600, according to policy group Penal Forum.

The president has accompanied the crackdown with calls for dialogue, punctuating the arrests with occasional high-profile reprieves such as the release of Mr. Lopez.

—Anatoly Kurmanaev

Rwanda Leader Keeps Grip on Power

By Nicholas Bariyo

KAMPALA, Uganda—Rwanda's strongman leader Paul Kagame won Friday's presidential election with almost 99% of the vote, extending his 17-year rule until at least 2024 after a campaign that seemed more like a coronation than a contest.

With total votes tallied, Mr. Kagame secured some 6.65 million votes, the National Electoral Commission said Saturday.

The victory—by a margin that more closely resembles those chalked up in dictatorships than democracies—hands the 59-year-old Mr. Kagame what he has indicated will be his final term in office. But according to Rwanda's constitution, he is free to seek two further five-year terms, meaning he could retain his position until 2034.

Mr. Kagame delivered a victory speech at the ruling Rwandan Patriotic Front's headquarters in the capital, Kigali, on Saturday morning. He pledged to "continue transforming Rwanda to guarantee a dignified life for every citizen," and thanked the Rwandan people "for putting trust in me once again."

The European Union, which often sends representatives to monitor African elections, had no presence during Friday's polls, but the East African Community said the vote was free, fair and without irregularities.

99%

Vote won by Paul Kagame, said Rwanda's electoral commission

Mr. Kagame—a former rebel leader who is now more commonly seen at international business events—is credited with engineering Rwanda's economic transformation from the ruins of the 1994 genocide to one of the star economic performers on the continent. But critics and rights groups accuse his government of using state power to intimidate, jail and eliminate opponents through assassinations—allegations the government rejects.

Mr. Kagame's victory cements his position at the leading edge of a growing trend of self-styled strongman technocrats across the continent. From Ethiopia to Tanzania and Ivory Coast, leaders are increasingly consolidating control to spur radical economic transformation.

"The development strategy is identical to that of the late Lee Kuan Yew of Singapore," said Efosa Ojomo, a research fellow at the U.S.-based Clayton Christensen Institute for Disruptive Innovation, referencing the former prime minister who transformed the tiny Asian economy into a global hub but drew criticism from humanitarian groups.

"In essence, these leaders feel that for an economy to develop quickly, some sacrifices with respect to human rights might have to be made."

Mr. Kagame, who has won with more than 90% of the vote in each Rwandan election since 2003, stood against the relatively unknown Frank Habineza of the opposition Democratic Green Party of Rwanda, and independent candidate Philippe Mpayimana. Mr. Kagame told a rally last month that the results of the election were "already clear," and that voting would be a mere "formality."

More than 90% of Rwanda's 6.8 million registered voters participated in the election, according to election officials.

But amid mounting criticism of Mr. Kagame's suppression of dissent, analysts expect international donors to pay more attention to allegations of rights abuses.

"Repression is getting a lot of attention at the moment, but in the recent past, under Kagame, Rwanda has been even more restrictive," said Benedict Craven, an analyst at the Economist Intelligence Unit.

Mr. Kagame campaigned on a platform of building infrastructure and boosting agricultural productivity, mining and tourism. But economists warn Rwanda's economy is slowing, which may hamper the ruling party's development agenda.

Rwanda's gross domestic product grew at 1.7% in the first quarter, the lowest quarterly rate in nearly a decade, according to the country's statistics office.


CYRIL NDEGEYA/AGENCE FRANCE-PRESSE/GETTY IMAGES

President Paul Kagame celebrated his re-election in Kigali Saturday.

Russia Hosts Army Games


MAXIM SHEMETOV/REUTERS

A woman assembled an AK-74 assault rifle on Sunday before the Safe Route competition, at the Andreyevsky military polygon in Tyumen, Russia. The International Army Games runs for two weeks.

France Opens Antiterror Probe After Man Is Detained in Paris

By Noemie Bisserbe

PARIS—French prosecutors on Sunday opened a counterterrorism investigation after a knife-wielding man attempted to force his way into the Eiffel Tower.

The man, who was shouting "Allahu akbar"—Arabic for "God is great"—was quickly detained by police on Saturday night and no one was harmed, a spokeswoman for the Paris prosecutor's office said. The man has a history of psychological problems, she added, without disclosing further details.

The Eiffel Tower was open to visitors on Sunday.

A string of attacks—including the Nov. 13, 2015, assault by Islamic State militants that killed 130 in Paris and the truck attack in Nice that killed 86 people on Bastille Day in July 2016—has put France on edge. The government has declared and renewed a state of emergency, but the crackdown hasn't stopped periodic attacks on Paris landmarks.

In June, a car rammed into a police van before bursting into flames on the Champs-Élysées, in an assault authorities are investigating as a possible terror attack. The driver died at the scene.

Earlier that month, French authorities locked down the area around Notre Dame cathedral after a man attacked police with a hammer. Antiterrorism prosecutors are investigating the assault.

In April, a gunman opened fire on the Champs-Élysées, killing a police officer. Police returned fire, killing the gunman, later identified as Karim Cheurfi, a French national. Islamic State claimed responsibility for the April attack.

WORLD WATCH

MYANMAR

Government Ends Rakhine Inquiry

The Myanmar government's inquiry into violence in northern Rakhine state last year that forced tens of thousands of Muslim Rohingya to flee to Bangladesh and led to United Nations accusations of crimes against humanity by the army has concluded that no such crimes happened.

At the release of the Rakhine Investigative Commission's final report, Vice President Myint Swe, a former general, said "there is no evidence of crimes against humanity and ethnic cleansing as the Office of the High Commissioner for Human Rights claimed."

Security forces launched an aggressive clearance operation in Rakhine in October 2016 after insurgents killed nine border police officers.

The commission's report accepted that some things might have happened that broke the law, attributing them to excessive action on the part of individual members of the security forces.

Rights groups have previously expressed their doubts over the commission's work, saying it lacked outside experts, had poor research methodologies and lacked credibility because it wasn't independent.

The U.N. has mandated its own fact-finding mission to travel to the area to conduct its own inquiry, but Myanmar's government has said its members won't be allowed to go.

—Associated Press

BRAZIL

Soldiers Are Deployed To Patrol Rio's Slums

More than 3,500 Brazilian soldiers are occupying slum communities in northern Rio de Janeiro as part of efforts to combat a spike in violence there.

The troops moved into the Complexo do Lins and neighboring Camarista Méier communities in the early hours of Saturday.

Defense Minister Raul Jungmann told Globo TV that the troops would stay as long as necessary.

Last week 8,500 soldiers were deployed in Rio de Janeiro to fight organized-crime gangs, which control many of the city's slums. Brazilian television showed soldiers armed with automatic rifles sitting atop tanks as they patrolled.

Mounting violence has led authorities to acknowledge in recent weeks that much of the city of Rio is out of their control.

In late June, authorities arrested nearly 100 police officers in Rio de Janeiro who are suspected of allowing gangs to traffic drugs in the city's slums in exchange for bribes.

—Associated Press

Rescue Mission for Marines Ends

Three still missing but 23 others saved after Osprey aircraft crashed off coast of Australia

BY MIKE CHERNEY AND GORDON LUBOLD

SARAH VILLEGAS/U.S. MARINE CORPS/REUTERS

Search efforts for three U.S. Marines off Australia's east coast after their aircraft went down. The mission is now a recovery operation.

SYDNEY—The U.S. military called off a search-and-rescue mission for three Marines missing after their Osprey aircraft went down in waters off Australia's east coast, military officials said.

The mission ended about 3 a.m. local time Sunday, with operations shifting to a recovery effort, according to a statement from the Third Marine Expeditionary Force. The families of the three missing service members have been notified.

The MV-22 Osprey was carrying 26 military personnel when it went down about 4 p.m. Saturday. The tilt-rotor aircraft was assigned to the 31st Marine Expeditionary Unit, and it had launched off the amphibious assault ship USS Bonhomme Richard, Marine officials said. The aircraft was conducting scheduled operations when it crashed into the water, officials said.

The Bonhomme Richard's small boats and aircraft responded immediately, according to Marine officials, and 23 people were rescued.

The recovery and salvage operation could take months, according to the military statement, and the circumstances of the incident are being investigated.

Australian Defense Minister Marise Payne said Saturday she had briefed U.S. Defense Secretary Jim Mattis and Australian Prime Minister Malcolm Turnbull on the matter and offered Australia's assistance. "Our thoughts are with the crew and families affected," she said.

An Australian navy survey ship, the HMAS Melville, was heading to the search area from its northeast Australian port of Cairns to assist the U.S.-led salvage effort, Ms. Payne said Sunday. An Australian navy diving team was also preparing for deployment.

President Donald Trump was also briefed on the situation, White House officials said.

After the crash, Japan's Defense Minister Itsunori Onodera made a request for the U.S. military to stop flying Ospreys—which are stationed at a U.S. military base in Japan's southern island prefecture of Okinawa—in the country.

"We're not getting much clear information and I think there are voices of concern domestically in Japan so we will ask them to refrain" from flying the aircraft in Japan for now, Mr. Onodera said Sunday.

The latest incident follows an accident July 10 in which a KC-130 refueler prop plane reportedly experienced a problem midflight and went down in Mississippi, killing 15 Marines and one sailor.

The MV-22 Osprey has a history of mishaps since its early stages of development, and is associated with more than 30 deaths over the years.

In January, an MV-22 Osprey experienced what is known as a "hard landing" during a raid in Yemen, seriously injuring one service member. The aircraft only experienced minor damage, but due to the sensitive nature of the risky operation, the plane was destroyed, a loss of about $170 million.

In December 2016, an MV-22B Osprey had a hard landing in shallow water off the coastline of Okinawa, Japan.

Overall, the Marine Corps has had eight "Class A" flight mishaps over the course of 190,000 flight hours as of July 31 for fiscal 2017 for all aircraft. A Class A mishap is defined by the loss of life, damage of $1 million or more or the total loss of an aircraft.

Since the Osprey was fielded in the Marine Corps in 2007, its safety record has improved.

Corps officials said the Osprey has a "slightly better Class-A" mishap rate than other planes, like the F-18A-C Hornet jet fighter and CH-53 Super Stallion helicopter.

—Chieko Tsuneoka contributed to this article.

China, Asean Set Talks on Disputed Waters

BY JAKE MAXWELL WATTS

BULLIT MARQUEZ/ASSOCIATED PRESS

China's man-made Subi Reef in the South China Sea. Other nations have competing claims in the sea.

MANILA—Southeast Asian nations agreed with China on Sunday to endorse a framework for a maritime code of conduct that would govern behavior in disputed waters of the South China Sea, a small step forward in a negotiation that has lasted well over a decade.

The framework sets parameters for discussion of an agreement intended to bring predictability to a potential flashpoint as China increasingly asserts its military presence over the area in the face of rival claims.

The 10 countries of the Association of Southeast Asian Nations will meet with China at the end of August to discuss legalities for negotiations on the code of conduct, with formal talks beginning soon after, Philippines department of foreign affairs spokesman Robespierre Bolivar said Sunday.

The endorsement of the framework, which was tentatively agreed in May, came during a bilateral meeting between China and Asean on the sidelines of a series of security-oriented meetings that will conclude Tuesday.

The unsticking of the framework after years of obstruction is widely seen as a concession by China, which has opposed any legally binding code on maritime engagement, stepped up naval patrols and built artificial islands to enforce its claims, and equipping them with military weapons.

Beijing's move to allow discussion on the code of conduct follows a resetting of ties with the Philippines under President Rodrigo Duterte, who in October—just four months after taking office—visited Beijing and declared a new friendship between the two countries.

Southeast Asian states have long sought to persuade China to sign up to an enforceable code for the strategic waters. There is no timetable to reach a final agreement.

China has competing claims in the sea with several other countries including the Philippines, Malaysia, Vietnam and Brunei.

Beijing claims almost the entire sea, which is rich in fish and natural gas.

Research published recently by the Washington, D.C.-based Center for Strategic and International Studies calculates that as much as $3.4 trillion worth of trade passes through the waters each year.

KOREA

Continued from Page One

end of July would be able to fly more than 6,400 miles, according to one analysis, putting Los Angeles, Denver and Chicago within range. Some experts believe North Korea could develop a nuclear missile capable of handling atmospheric reentry as early as next year.

"The problem with sanctions alone is that we don't have that kind of time," said Leon Sigal, director of the New York-based Northeast Asia Cooperative Security Project, pointing to lags between when sanctions are implemented and enforced and when the economic effects are felt. "They're very close to an ICBM."

The Security Council has passed eight rounds of sanctions since 2006, when North Korea performed its first nuclear test. The sanctions hurt the secretive regime economically but failed to deter Pyongyang from working to become a nuclear power.

The latest sanctions, passed unanimously with the support of China, North Korea's biggest economic partner, are meant to close loopholes around the world that have allowed the rogue regime to cultivate trade, financing and labor ties to support its nuclear programs.

China in a statement Sunday called the sanctions necessary. Beijing accounts for 90% of the North Korean regime's trade, according to various estimates.

In the meeting with China on Sunday, North Korea's foreign minister, Ri Yong Ho, restated Pyongyang's position on nuclear policy, said Mr. Wang, the Chinese foreign minister, without elaborating. North Korea has previously refused to disarm, arguing that its nuclear capability is a deterrent to protect it from foreign aggression.

ROMEO RANOCO/REUTERS

Rex Tillerson and Chinese foreign minister, Wang Yi, on Sunday.

The Chinese meeting with the North Koreans was important and "it was made clear to them what they need to do to demonstrate to the world they understand and would like to discuss a new role for North Korea in the global community," R.C. Hammond, Mr. Tillerson's communications adviser, told reporters Monday.

North Korean officials were unavailable for comment. Mr. Ri will have a chance to speak Monday to the 27 members of the Asean Regional Forum gathered in Manila.

The new sanctions ban trade in coal with North Korea and bar countries from employing North Korean laborers and entering into joint ventures with Pyongyang. U.S. officials say the sanctions could cut a third, or $1 billion, from North Korea's foreign revenue.

The U.S. faces resistance in Asia, where countries have business ties with North Korea dating back decades and experts say many companies and individuals profit from hard-to-detect financing of trade. The biggest challenge is China, experts say, which has not fully enforced past sanctions, chiefly because it is concerned that if the Pyongyang regime collapses, a conflict could draw U.S. troops near the Chinese border or send in droves of North Korean refugees.

China has said it complies fully with U.N. sanctions on North Korea but opposes U.S. unilateral sanctions.

China's trade with North Korea rose 10.5% in the first half of this year as part of its normal economic relationship not covered by sanctions, Chinese trade data show.

"Beijing's reluctance to implement U.N. sanctions is further enabling Pyongyang to sprint down the weapons path," said Duyeon Kim, a visiting senior fellow at the Korean Peninsula Future Forum in Seoul. "China knows it can squeeze the North enough without the collapse that it fears, but Beijing chooses not to because of its own strategic interests."

U.S. presidents have implored China to crack down on North Korea. President Donald Trump has accused China of not doing enough.

On Sunday, Susan Thornton, acting assistant secretary for the State Department Bureau of East Asian and Pacific Affairs, said the U.S. would focus on China's implementation.

Elsewhere in the region, the U.S. faces other challenges reining in Pyongyang.

"Very rigorously enforcing sanctions has significant costs for the enforcer, and Southeast Asian countries are not generally willing to bear those costs," said Justin Hastings, professor of international relations at the University of Sydney.

In addition, some nations say they prefer to engage diplomatically with North Korea.

"I think it's better that people talk," Philippine foreign secretary Alan Peter Cayetano said Friday. "The less we talk, the more grave the situation can become."

—Jonathan Cheng in Hong Kong and Eva Dou in Beijing contributed to this article.

Netanyahu Allies Rally to Defense

By Rory Jones

Fearing the collapse of Israel's delicate governing coalition, allies of Prime Minister Benjamin Netanyahu on Sunday came to his defense after a former aide agreed to turn state witness in twin police corruption probes.

"I trust the PM 100%," Miri Regev, culture minister and member of Mr. Netanyahu's right-wing Likud party, told reporters Sunday. "The media and the opposition are doing everything to topple the right, to topple Netanyahu."

Mr. Netanyahu denies any wrongdoing—and has labeled the monthslong police investigations a witch hunt to force him from power—but pressure on the prime minister has continued to build. Mr. Netanyahu was dealt a significant blow Friday when Ari Harow, the prime minister's former chief of staff, became a state witness into allegations of bribery and fraud.

There would be "no witness agreement, if there is nothing" serious to investigate, Yoaz Hendel, chair of the Institute for Zionist Strategies, a right-of-center think tank, and a former spokesman for Mr. Netanyahu, said Sunday of the cases against his former boss. "Ari is game-changing."

GALI TIBBON/PRESS POOL

Benjamin Netanyahu at a cabinet meeting on Sunday

Israeli investigators offered Mr. Netanyahu's former aide a deal to become a witness after police in February recommended indicting Mr. Harow on charges of fraud, breach of trust, bribery and money laundering. He is accused of using his public role to benefit his private consulting business. The investigation into Mr. Harow was launched separately from those into Mr. Netanyahu.

As part of the deal to become a state witness, Mr. Harow agreed to confess to the charges and to serve six months community service with a fine of 700,000 Israeli shekels ($193,000), police said. An Israeli court also issued an order banning further publication of Mr. Harow's involvement in the investigation.

A lawyer for Mr. Harow didn't respond to a request for comment.

Mr. Netanyahu called the Harow development "background noise" in a Facebook post over the weekend. His spokesman on Sunday referred to that statement in response to questions about Mr. Harow's decision.

An indictment for corruption wouldn't legally obligate Mr. Netanyahu to resign but is bound to unleash calls across Israel's political spectrum for the prime minister to step down.

"The coalition partners right now don't want early elections so Netanyahu has political capital to expend," said Emmanuel Navon, a political analyst and lecturer at Tel Aviv University. "But I think an indictment might be too much."

For Israel, Mr. Netanyahu's departure from the prime minister's office would be akin to a political earthquake. He has been at the center of politics for more than two decades and served as the country's leader since 2009, his second stint at the helm. His coalition maintains a slim majority, with 66 seats in the 120-member Israeli parliament, the Knesset.

BANDAR ALGALOUD/PRESS POOL

Saudi Prince Mohammed bin Salman, left, and Sheikh Mohammed bin Zayed, the effective leader of the United Arab Emirates, in 2016.

Two Royal Heirs Forge Ties

By Margherita Stancati

The heirs to the throne in Saudi Arabia and the United Arab Emirates hardly knew each other until they enjoyed a beloved Gulf pastime together—an overnight camping trip in the vast Saudi desert, accompanied by trained falcons and a small entourage.

The outing about a year and a half ago, equivalent to a round of presidential golf, was a turning point in the burgeoning friendship between Prince Mohammed bin Salman, the son of the Saudi king, and Sheikh Mohammed bin Zayed, the Emirati crown prince, according to people familiar with the excursion.

Oil-rich and ultraconservative Saudi Arabia is increasingly aligning its policies with its smaller and more liberal and economically-diverse neighbor. And the relationship between the two princes, widely known by their initials as MBS and MBZ, is being seen as central to the Saudi shift.

The Saudis are taking bolder steps to curb religious extremism at home, and toughening their stance toward Islamist groups abroad, something the U.A.E. has long advocated.

Saudi Arabia is also embracing a more aggressive foreign policy, most recently by leading efforts with the U.A.E. to impose an embargo on Qatar, another small Gulf neighbor. Qatar has supported Islamist groups such as the Muslim Brotherhood in Egypt and Hamas in the Gaza Strip, and maintained ties to extremist groups, drawing the U.A.E.'s ire.

"MBS and MBZ have created this situation," Andreas Krieg, a former adviser to Qatar's government and a Gulf expert at King's College, London, said of the embargo crisis.

Until recently, he said, the Saudi prince got on well with Qatar's ruling emir. "But because Qatar and the U.A.E. are 180 degrees apart from each other, Saudi Arabia had to make a choice," Mr. Krieg said.

The Saudi leadership was divided over how to handle Qatar, according to several people close to the royal court. Saudi and U.A.E. officials said the decision on Qatar was made jointly. The Saudi royal court didn't respond to a request for comment.

The growing alignment between Riyadh and Abu Dhabi has far-reaching implications for the region and for the U.S. The Trump administration has taken a hard line against Iran and welcomed closer cooperation with Saudi Arabia and the U.A.E. against their common rival.

At the same time, the more aggressive Saudi-U.A.E. posture poses challenges for Washington. The Trump administration is spearheading efforts to resolve their feud with Qatar, which is home to America's largest military base in the Middle East and used by aircraft involved in fighting Islamic State in Iraq and Syria.

The U.A.E. sees a stable and moderate Saudi Arabia as a top national-security priority largely because of its position as the birthplace of Islam, say people close to the Emirati leadership.

The Emirati leadership sees Mohammed bin Salman as the best bet to prevent instability in Saudi Arabia, say the people close to the U.A.E. leadership. Mohammed bin Salman, who is 31, ascended rapidly through the Saudi leadership after his father became king in early 2015. In June, he was named crown prince.

Mohammed bin Zayed, who is 56 and his country's effective ruler, helped orchestrate President Donald Trump's trip to Saudi Arabia in May and he and other senior Emirati officials played a key role in lobbying the new U.S. administration in favor of Mohammed bin Salman, say people familiar with the relationship.

—Dahlia Kholaif contributed to this article.

FROM PAGE ONE

CASES

Continued from Page One

ness. The number of cases brought over the two periods was "relatively constant," he added.

The Trump administration is preparing to roll back some Obama-era financial regulations. Fines marched steadily higher during the previous administration, partly because of enforcement against misconduct that occurred before and during the financial crisis.

James McDonald, enforcement chief at the CFTC, said variations in penalty tallies from year to year are normal and "not an indication of any changes in our commitment to vigorously prosecute violations of our laws to preserve market integrity and protect customers." He said, "There will be no let up, no pause, and no delay in our enforcement program."

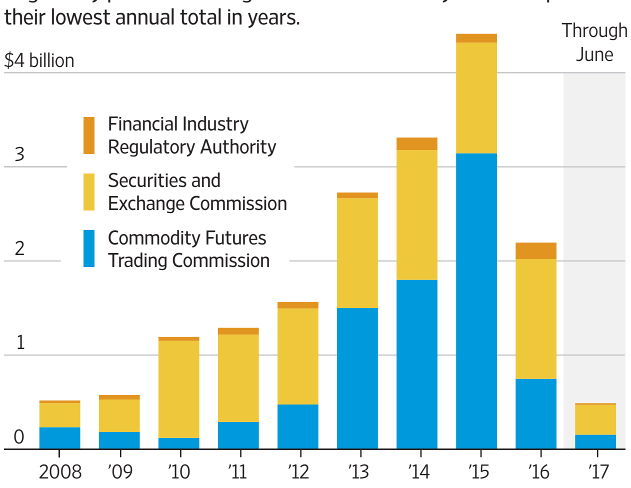
Nancy A. Condon, a Finra spokeswoman, said "vigorous enforcement is an essential part of our oversight." The nongovernmental watchdog, which oversees brokers and brokerage firms, assesses its regulatory programs "based on our ability to efficiently and effectively identify and discipline bad actors," she added, and "not on the volume of actions or overall quantity of fines."

The Trump administration brings new priorities to the SEC and CFTC, said Thomas Sporkin, a former senior SEC official and now a partner at law firm Buckley Sandler LLP. "When you move from an administration that put a heavy emphasis on regulation to a more conservative, business-friendly one, that means a change in the agenda," he said.

Each of the three agencies has changed its enforcement chief in the past five months, and both the SEC and CFTC have new chairmen. The SEC and CFTC have each been operating with less than the full roster of five commissioners: The CFTC had just two commissioners until last week, when the Senate voted to approve two more; the SEC had two until May and now has three.

Easing Up

Regulatory penalties through the first half of the year are on pace for their lowest annual total in years.



Note: All data are full-year except 2017. Annual totals for the SEC and CFTC are for the fiscal years ending Sept. 30.
Source: WSJ Analysis of data from SEC, CFTC and Finra THE WALL STREET JOURNAL.

Because SEC commissioners have sometimes split along party lines on the issue of financial penalties, vacant seats make it harder for agency enforcers to bring certain kinds of cases, according to current and former officials. "With only two commissioners in place, it only takes one to prevent the staff from bringing an enforcement action," said Mark Schonfeld, a former director of the SEC's New York office and now a partner at law firm Gibson Dunn & Crutcher LLP.

Another factor is the dropoff in blockbuster, multibillion-dollar cases the SEC and CFTC have brought against Wall Street alleging crisis misconduct and market manipulation in recent years.

The drop in the CFTC's half-year penalties, to $154 million from $603 million, was mostly the result of two big benchmark-rigging cases it brought in May 2016, according to the Journal's analysis.

At the SEC, a single case filed in June last year, alleging a bank misused customer assets, imposed penalties of $358 million—more than 10 times the agency's biggest penalty in the first half of this year of $30 million.

The scarcity of big cases is reflected in SEC settlements of cases alleging accounting violations, a priority area under the last chairman. The highest accounting-related penalty in the first half of 2016—$80 million paid by biotech giant Monsanto Co.—dwarfs the highest penalty for accounting failures so far in 2017—$8.25 million paid in January by medical-device company Orthofix International NV. Orthofix admitted wrongdoing; Monsanto, a much bigger company, settled with the SEC without admitting or denying wrongdoing.

SEC Chairman Jay Clayton, who took over in May, has expressed concern about the size of corporate penalties the SEC has levied in recent years, saying they hurt shareholders and it would be better to punish guilty individuals.

Wall Street is lobbying to reduce the size of financial penalties. Organizations including the U.S. Chamber of Commerce, the Financial Services Institute and Fidelity Investments have been pushing Finra, which is financed by the industry, to ease up.

Finra, which is overseen by the SEC, is weighing a potential change to its enforcement guidelines, according to people familiar with the matter.

The watchdog imposed only two fines of more than $1 million in January through June this year and didn't announce either.

EGYPT

Continued from Page One

take one tablet and stop."

The subsidy cuts are among the conditions set by the International Monetary Fund in a $12 billion loan agreement intended to help Egypt stabilize its economy after years of turmoil.

Subsidies on energy and food account for more than $11 billion a year, or 18% of Egypt's current budget, even after the latest cuts.

The subsidies are just one obstacle to economic growth, which has slowed in the years since the revolution. Labor laws make firing workers nearly impossible, the judicial system is unreliable and the government bureaucracy stifles initiative. Compounding matters, the military essentially operates a parallel and largely unaccountable economy.

The subsidy cuts nudge Egypt toward fixing economic distortions but carry pain and risk, according to former foreign minister Nabil Fahmy, now a professor at the American University in Cairo. "Is there a cost to it? Yes, there is a cost," he said. "Now, the issue is: Will the return be large enough? Do we have enough time for the return to kick in?"

The Egyptian government also has made infrastructure investments in electricity and transportation, and is pushing plans to make it easier to open new businesses and factories, as well as obtain land for entrepreneurial uses. A former minister of defense, Mr. Sisi, however, has also increased the already significant role the military plays in the Egyptian economy.

Countries throughout the Middle East, even such wealthy monarchies as Kuwait, also are pursuing economic overhauls as they try to create enough jobs to keep up with their burgeoning populations.

Across the Red Sea from Egypt, Saudi Arabia's new Crown Prince Mohammed bin Salman is trying an ambitious, if less painful, overhaul to wean the kingdom from its oil dependence. Under pressure, he rolled back key austerity measures in April amid a succession struggle and mounting public dismay.

Mr. Sisi, who faces an election next year, has eliminated most political opposition and organized dissent since ousting and jailing Egypt's first freely elected president, Mohammed Morsi of the Muslim Brotherhood, in 2013.

Egypt's news media has been squelched and access to independent websites blocked in past months. New legislation has hobbled the work of nongovernment organizations, hiding the true scale of popular discontent.

The government said the restrictions were needed to combat terrorism and extremism, a view disputed by human-rights groups and what remains of the opposition.

"The current stability is stability on the tip of a volcano that is on the verge of an explosion. When it will explode, no one can predict," said Abdelmoneim Aboul Fotouh, a moderate Islamist politician who received 17% of the votes in the first round of Egypt's 2012 presidential election.

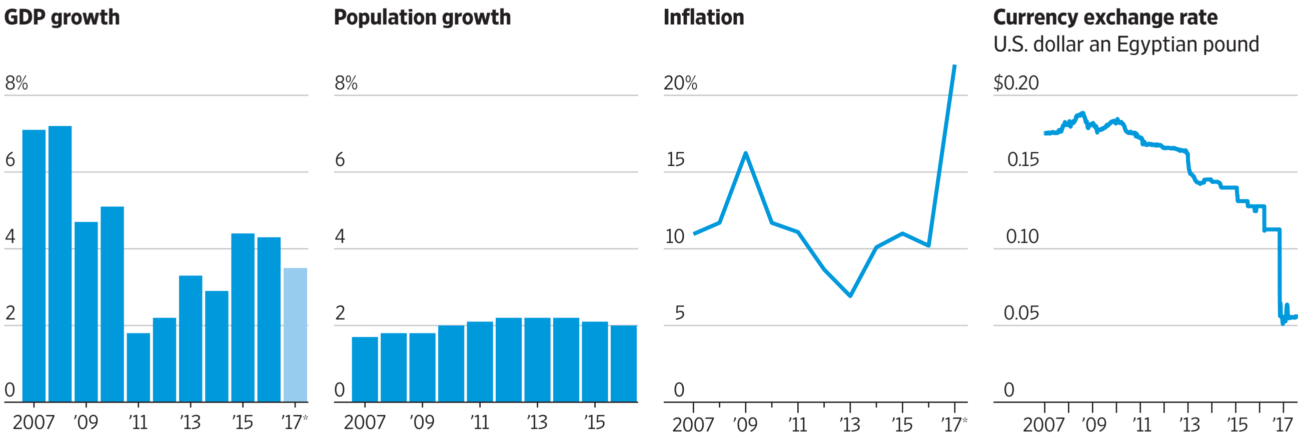
"If it happens, it won't be a revolution carried out by the middle classes, like in 2011," Mr. Aboul Fotouh said. "Under current circumstances what I'm afraid will happen is chaos. And if chaos unfolds in Egypt, it will be a threat not just to the Egyptians, but also to the whole region—and to the West."

Egyptians buy sugar from a truck in Cairo during a shortage last fall. The government has cut longstanding food and fuel subsidies.

KHALED DESOUKI/AGENCE FRANCE-PRESSE/GETTY IMAGES

Egypt's Knotted-Up Economy

President Abdel Fattah Al Sisi is betting the expected payoff from cutting subsidies on food and fuel will arrive before the economic pain risks another social explosion.



*Estimate Sources: International Monetary Fund (GDP, inflation); World Bank (population); FactSet (currency)

THE WALL STREET JOURNAL.

Bargain bread

Every day, millions of Egyptians line up at government bakeries to buy five loaves of bread for less than two U.S. cents, a fraction of the wheat's cost. The food subsidies extend to some 80% of Egypt's families and were first instituted as part of rationing during World War II.

Farmers across Egypt nurture their crops with water pumps operating on diesel that, even after June's 55% increase, still retails for 77 cents a gallon, less than a third of retail prices in the U.S.

Over decades, the system has been corrupted by the illegal resale of subsidized food, fuel and gas by officials to buyers in Egypt and abroad, government officials said.

In 1977, Egypt's then-President Anwar Sadat tried to tackle the subsidy problems as he began opening the economy and abandoning the socialist and Arab nationalist legacy of his predecessor, Gamal Abdel Nasser. As part of a loan agreement with the IMF, Mr. Sadat ordered a reduction of subsidies on bread, sugar and cooking oil.

The announcement yielded mass protests that paralyzed the country. Dozens of people were killed, and Mr. Sadat quickly reversed his decision.

His successor, President Hosni Mubarak, learned the lesson. Over three decades of rule, Mr. Mubarak remained wary of touching subsidies even as he pursued such economic overhauls as privatization and free-trade deals.

Egypt's January 2011 revolution was sparked, in part, by outrage over corruption and cronyism that accompanied Mr. Mubarak's economic liberalization, and public sentiment leaned toward nostalgia for Nasser-era socialist policies.

Many high-profile business executives landed in jail, privatization deals were reversed, and tourism—a significant part of the economy—collapsed when potential visitors stayed away. With Egypt's foreign reserves dwindling, fuel and electricity shortages further crippled growth.

After winning the election in 2012, Mr. Morsi tentatively agreed to subsidy cuts and new taxes during negotiations with the IMF over a $4.8 billion loan.

A public outcry quickly forced him to backtrack, badly denting his popularity, which was already shrinking because of the government's Islamist bent and intolerance. Mr. Morsi's regional backers, primarily Qatar and Turkey, stepped forward to provide Egypt with billions of dollars in funding.

Mr. Sisi ousted Mr. Morsi in 2013 and turned to his own regional backers—the United Arab Emirates, Saudi Arabia and Kuwait. These Gulf monarchies, fearful of the Arab Spring contagion, and eager to stem the spread of Muslim Brotherhood influence, funneled tens of billions of dollars to shore up Egypt's economy.

By last year, amid tensions between Cairo and Riyadh, that spigot dried up, too.

With a worsening deficit and shrinking foreign-exchange reserves, Egypt had little choice but to accept the IMF's bitter medicine.

Mr. Sisi floated the Egyptian pound, which immediately lost roughly half its value against the U.S. dollar. Then his government signed a $12 billion loan deal with the IMF in November that included a pledge to trim food and fuel subsidies.

"They have been courageous, but they've been courageous under duress," said Mohsin Khan, a fellow at the Atlantic Council and the IMF's former director of Middle East and Central Asia. "Their options were very limited."

Hard choices

The government's goal is to end the subsidies in three to five years, according to Mr. Kabil, the trade and industry minister. "The right thing to do is to lift them totally," he said. "But you cannot do it today because you cannot correct 40 years of problems in one day."

Instead of supplying subsidized food and fuel to most Egyptians, the government is moving to make cash payments to individuals based on need and, more broadly, increasing minimum salaries and pensions.

"You cannot have a subsidy as a blanket cover to the entire population," Mr. Kabil said. "Some people do not require a subsidy." Rationalizing the system will allow for more spending on health, education and industry growth, he said.

It has been a tough sell to the average Egyptian. At a line outside the government bakery in Cairo's Maadi district, Sayed Mohammed Sayed, a retired civil servant, launched into a tirade as others nodded.

The recent 100 Egyptian pound increase in his monthly pension, about $5.63, was useless considering the country's inflation, Mr. Sayed said: "We don't know how much longer we will be able to stick it through. Everything has shot up in price. Everything. And what are we getting in exchange for these skyrocketing prices? Nothing."

In Cairo's poorer Shubra neighborhood, Fatma Hassan, a 35-year-old mother of two, was just as angry. Her family's income of around 4,500 Egyptian pounds a month, which provided a comfortable lifestyle a year ago, barely affords subsistence, she said.

"We used to have no restrictions on what we eat, where we go, what to wear," Ms. Hassan said. "At the end of the year, we started omitting things we once could afford. Now, there is nothing left for us to do without."

Recent increases in the price of subsidized cooking gas, oil and sugar risk putting the family over the edge, she said: "We don't know what to do. Do they want us to rob a bank?"

As the government saves money from subsidy cuts, bringing prices for basic commodities more in line with market rates, Egypt should be able to accelerate cash subsidies to the poorest Egyptians, said Naguib Sawiris, a media tycoon and one of Egypt's most prominent business owners. "The population needs someone to explain to them where is the light at the end of this tunnel to accept any more austerity measures."

The chaos that has ravaged Egypt and other countries after the Arab Spring appears to have made Mr. Sisi's efforts at economic change more palatable.

Having witnessed the economic meltdown and the breakdown in law and order after their own revolution in 2011, many Egyptians—despite unhappiness with the austerity program—are, for now, wary of taking to the streets again. The latest round of subsidy cuts in June produced only minor protests.

"The people are suffering tremendously from the terrible economic situation and increased living costs," said Younis Makhioun, head of the Salafi Islamist Nour party. "But they also see the experiences of neighboring countries—Syria, Libya and Iraq—and dread Egypt facing the same fate."

—Dahlia Kholaif contributed to this article.

CITIZEN

Continued from Page One

other countries.

Never mind that the rule was enacted at a time when Canada, Australia and New Zealand were all British colonies and still share the same head of state—Queen Elizabeth—or that another constitutional provision of similar vintage allows for New Zealand to become an Australian state should its citizens someday come to their senses.

The divided loyalty rule is especially inconvenient in a country where nearly half the population was either born overseas or had at least one parent born abroad, according to the latest census.

Until July, only two lawmakers in history had ever run afoul of the law. But in the last month, thanks to a wave of inquisitions, three lawmakers have been scooped up in its net. Scott Ludlam, the co-deputy leader of Australia's Greens Party, stepped down after he was exposed as a dual citizen of New Zealand—a country he'd left at the age of 3.

Larissa Waters, a Queensland senator and Mr. Ludlam's co-deputy, resigned after discovering she was an "accidental" Canadian (she left Canada as an 11-month-old and hasn't been back since).

Australian lawmaker Larissa Waters resigned after discovering she was an 'accidental' Canadian.

PENNY BRADFIELD/THE SYDNEY MORNING HERALD/GETTY IMAGES

Australia allows people to hold multiple citizenships, just not elected officials. Now, every lawmaker who was born overseas, or whose parents were, is fielding media calls. More than 20 Australian lawmakers have been anxiously contacting embassies to ensure they don't hold dual citizenship.

Since citizenship varies in other countries—sometimes by descent, sometimes requiring paperwork—the onus is on the lawmaker. Deputy Prime Minister Barnaby Joyce, whose grandmother was born in England, went so far as to say he had never set foot in England—a statement immediately contradicted by photos taken in June showing him laying a commemorative wreath in London. He later apologized. "There's a lot on my mind," he explained.

The situation became so ludicrous that it briefly threatened the conservative government's narrow grip on power. Julia Banks, a lower-house government lawmaker, ran into hot water because her father was born in Greece, which may have bestowed Greek citizenship on her by descent. Her disqualification, though unlikely, would have triggered a by-election, potentially imperiling the government's one-seat majority.

When Mr. Ludlam heard the news about his New Zealand roots, he was in New York observing the signing of a global treaty banning nuclear weapons. The whistleblower in his case was John Cameron, a Perth-based barrister who found Mr. Ludlam's Kiwi roots in a New Zealand register, telling local media he was acting as a citizen with a keen interest in the constitution.

During a layover from a hastily arranged flight back to Perth, Mr. Ludlam called the New Zealand High Commission, and then his parents who, he said, were as shocked as he was. Mr. Ludlam had settled with his family in Australia just before his ninth birthday, and when he was naturalized in his teens, thought that negated his Kiwi citizenship. "Apparently we have imagined the whole thing," he said of his time in the senate.

On July 14, Mr. Ludlam ended nearly a decade in office. He said he won't take the matter to court, joking that he sees the controversy as a means of "finally taking the hint." And no, he won't be running for office in New Zealand's election next month. "Resigned as, bro," he tweeted to supporters, a play on the New Zealand slang: "sweet as, bro," meaning "everything's OK."

Ms. Waters, a former environmental lawyer and rising star in Australian politics, discovered that her Canadian mishap was the result of a law change. Just after she was born, Canada adopted an "opt-in" citizenship model in which people needed to decide if they wanted to be Canucks.

Turns out the old rules still applied in her case, which meant she was automatically given Canadian citizenship unless she opted out by her 21st birthday.

Sadly, Ms. Waters is currently a woman adrift. During her tearful resignation speech, she said it was with "shock and sadness" she had discovered she was Canadian. After that, Catherine McIntyre, writing for Canadian current-affairs magazine Macleans, issued a stern rebuke. "Harsh words indeed, and a sting to a collective Canadian ego accustomed to veneration from the international community," she wrote.

Since leaving office, Ms. Waters has withdrawn from public and declined interview requests. Her Twitter bio now begins: "Accidental Canadian..."

Two recent Australian prime ministers—Tony Abbott and Julia Gillard—were both born abroad. Mr. Abbott recently produced a letter renouncing his British citizenship, declaring: "FYI rumor mongers."

As for Mr. Canavan, the former resources minister, he declined to comment further as he prepares for a court fight to defend his right to stay in parliament. His critics aren't convinced of his innocence.

"As my father would say: *'C'è una puzza,'* Which means there's a whiff about it," says Richard Di Natale, the Greens' leader, whose father is from Sicily. He renounced his Italian citizenship in 2004.

GREATER NEW YORK


FRANK FRANKLIN II/ASSOCIATED PRESS

The number of shops at the Westfield World Trade Center has risen to 82 from about 60 when it opened last year in lower Manhattan.

New Center Is Finding Its Footing

By Keiko Morris

As its first-year anniversary approaches, the $1.4 billion World Trade Center, hailed as a milestone in lower Manhattan's recovery from the 2001 terrorist attacks, is still a work in progress.

The shopping component, **Westfield** World Trade Center, opened its first phase of shops in the soaring, white transit hub last Aug. 16 to the promise of immense pedestrian traffic from tourists and the thousands of office workers in the mixed-use complex. But the project has faced hefty challenges amid a choppy retail environment as the retail landlord, Westfield Corp., tries to operate a mall in a site still under construction.

PROPERTY

So far the results have been mixed. While most of the space that can be occupied is open, a handful of retailers have closed their doors or delayed openings. Moreover, Westfield still has at least a year wait for a portion of prime space that has been leased.

"It's not a traditional mall or a traditional transit hub or a traditional memorial," said Greg Portell, the lead partner in the retail practice of A.T. Kearney, a global strategy and management consulting firm. "It's also not a project you'd expect to be perfect out of the gate."

The number of shops open at Westfield World Trade Center has risen to 82 from about 60 at its outset, according to Westfield. The company has continued to tweak its strategies as it tried to convert the anticipated surge of tourists and office workers streaming into the World Trade Center campus each day into sales for its retailers.

"I think the objective and main key is working on the conversion rates so they [retailers] can convert that traffic into sales," said William Hecht, chief operating officer of Westfield's U.S. operations. "We're very pleased with it and also pleased with the additional benefits and attractions we are adding to it."

But Westfield has encountered its share of hurdles. The center suffered from a few instances of water leaks because of drainage issues and construction. Entrances to various subway stations are still being built and 3 World Trade Center, where the bulk of the project's food and dining venues will be located, is under construction.

The shopping center's western end is interrupted by about 25,000 square feet of leased retail space that isn't expected to be handed over to Westfield by the Port Authority of New York and New Jersey until the end of 2018. The Port Authority is rebuilding what had been a temporary entrance to the PATH train station.

More stores are opening in the World Trade Center retail complex, but challenges remain.

Because the area—about nine storefronts on two levels now covered over—is situated near the entrance and exit to PATH, it is considered prime retail space.

A handful of retailers also have closed or pulled out of the project. Retailer Kit and Ace abruptly closed its store in the center earlier this year, announcing it was shutting shops in the U.S., Australia and U.K. to focus on Canada and its e-commerce platform.

Another notable vacancy is a corner storefront also near the PATH train hall that was to be taken by fashion retailer Michael Kors Holdings Ltd., which announced it would close 100 to 125 full-price stores during the next two years. Westfield said it is negotiating with Michael Kors to take back the space.

"It's not unusual to have a small percentage to not go forward on a continuing basis either because the location is not working or the parent company may have struggles or issues," Mr. Hecht said.

Westfield has made some important strides. It has incorporated a weekly farmers market, as well as movie nights and an early morning dance gathering, into its retail mix. The shopping center provides a concierge service that includes making dinner reservations or securing tickets to a show, the company said.

As the center continues to find its footing, Westfield has the task of striking a delicate balance to avoid skewing its focus too much on one type of customer, Mr. Portell said. That demands a level of agility not required from other types of retail properties, he said.

Mayor's Plan To Fix Transit: Tax the Wealthy

By Kate King

New York City Mayor Bill de Blasio is proposing a tax on the city's wealthiest residents to fund long-term improvements to the subway and bus systems.

The proposed income-tax surcharge would raise $695 million next year and $820 million in 2022, the mayor's spokesman said. It would increase the city's highest income-tax rate to 4.4% from 3.9% for individuals with annual incomes over $500,000 and married couples making more than $1 million.

"Rather than sending the bill to working families and subway and bus riders already feeling the pressure of rising fares and bad service, we are asking the wealthiest in our city to chip in a little extra to help move our transit system into the 21st century," Mr. de Blasio said in a written statement.

New York City is among the highest-taxed cities in the U.S. The combined federal, state and local income-tax rate for individual filers making $1 million or more in New York City is 48.25% when taking into account deductions, said E.J. McMahon, founder and research director of the Empire Center for Public Policy, a think tank based in Albany, N.Y. That rate, which doesn't include health care or Social Security taxes, would increase to about 48.57% under Mr. de Blasio's proposal.

The proposed New York City tax increase comes at a time when federal officials are considering eliminating state and local deductions.

"That is disproportionately important to New York state because we have a high number of high-income people who pay high state and local income taxes," Mr. McMahon said.

New York City's highest combined income-tax rate for state and local taxes was 12.7% in 2016, second only in the U.S. to California, according to an Empire Center report.

Metropolitan Transportation Authority Chairman Joseph Lhota said Mr. de Blasio's proposal doesn't solve the agency's short-term funding emergency. The MTA, which runs the city's subway system, last month released a plan to improve reliability and make repairs at a cost of $836 million in the first year.

"The Mayor should partner with us and match the state funding now so we can turn the trains around," Mr. Lhota said in a written statement. "There's no question we need a long-term funding stream, but emergency train repairs can't wait on what the state legislature may or may not do next year."

Changes to the city's tax structure require approval by the state legislature.

Details of the proposal were first reported by the New York Times.

New York Gov. Andrew Cuomo echoed Mr. Lhota's comments calling on the city to match state funding for the MTA's overhaul plan.

"We need two things: immediate action, and a long-term modernization plan," he said in a written statement. "One without the other fails the people of the city."

An official with Mr. Cuomo's administration said the governor's office is also looking at congestion pricing, including fees on for-hire vehicles, as a way of raising revenue to pay for MTA improvements. The governor's office may introduce a proposal as part of Mr. Cuomo's state of the state address in January, the official said.

32,000
The number of tax filers who would be affected by the surcharge

Messrs. Cuomo and de Blasio, both Democrats, have a strained relationship and are at odds over whether the state or the city should shoulder the bulk of the cost for much-needed subway repairs.

Mr. de Blasio's proposed tax would affect about 32,000 tax filers, which city officials said represent fewer than 1% of all filers in New York City. Most of the revenue would be spent on subway and bus upgrades, but $250 million would be earmarked for half-priced MetroCards for low-income riders. An estimated 800,000 people at or below the federal poverty level would be eligible for the reduced fare, according to the mayor's office.

John Raskin, executive director of the transit-advocacy group the Riders Alliance, said he supports the mayor's proposal.


BEBETO MATTHEWS/ASSOCIATED PRESS

Mayor Bill de Blasio wants to raise taxes on the wealthiest New York City residents to help pay for bus and subway improvements.

Food Retailers Enjoy Budding Success

By Keiko Morris

Westfield World Trade Center's large and varied customer base is both an advantage and a challenge for food retailers.

Tourists, office workers, commuters and a growing downtown residential population flow through the shopping center, which is situated within and around the Santiago Calatrava-designed Oculus.

For culinary establishments, that has meant figuring out the habits of each group and tailoring a strategy that fits.

Épicerie Boulud, one of three cafes from chef Daniel Boulud, gets more than its fair share of French tourists, said Brett Traussi, chief operating officer of the Dinex Group, the holding company for Mr. Boulud's establishments. The restaurant does a little bit better than anticipated in the morning hours, when office workers buy both breakfast and lunch to take to their offices.

Eataly USA's new downtown outpost at the shopping center has brought in more than two million visitors in the past year, on target with its projections, chief executive Nicola Farinetti said.

The 40,000-square-foot store, a collection of restaurants and a marketplace for Italian foods, opened last year as part of Westfield World Trade Center's shopping center. Eataly, which also has a store in the Flatiron District, has placed a much larger emphasis on people who work and live in the downtown area, Mr. Farinetti said.

The shop opened a takeout counter for residents and workers to order cooked meals, and developed Foodiversità, family-friendly cooking demonstrations and tastings.


OLEG MARCH

Épicerie Boulud in the WTC attracts many French tourists.

In general, the city's food retail and restaurants have fared better than other categories of brick-and-mortar retail during the current shakeup in the sector, said Barbara Byrne Denham, a senior economist at Reis Inc., which tracks real-estate data. In the second quarter, New York City's retail sector lost about 1,500 jobs compared with last year, Ms. Denham said. The city's restaurant industry added 7,300.

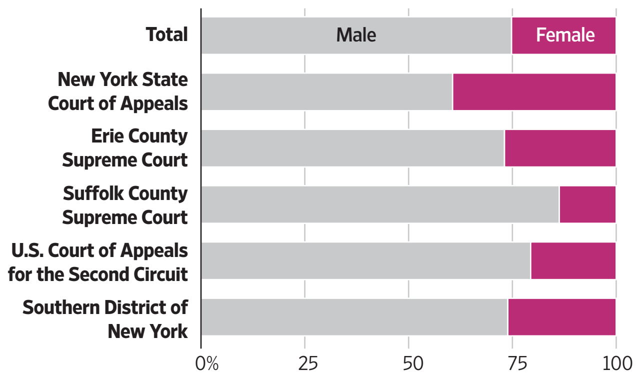
That doesn't mean food is a sure bet.

Eataly took a few risks when it signed onto the downtown project. The company's first location in a shopping center, the store is on the third-floor of 4 World Trade Center without a direct street retail presence.

"The only challenge has been the lack of visibility on the ground level of our Tower," Mr. Farinetti said, "as many customers have experienced difficulty in finding our store."

Gender Gap

Female attorneys are outnumbered by their male colleagues in leadership roles in state and federal courts in New York.



Note: Study took place from September through December of 2016.
Source: New York State Bar Association
THE WALL STREET JOURNAL.

Male Lawyers Dominate Top Courtroom Roles in New York

By Corinne Ramey

Just a quarter of lawyers who have leadership roles in New York state and federal courtrooms are women, according to a new analysis by the New York State Bar Association.

The gender discrepancy differed significantly between attorneys representing public entities, such as state or federal government, and those representing private parties.

Women accounted for 38.2% of lawyers representing the public, but only 19.4% of lawyers representing private parties, according to the report, by the association's Commercial and Federal Litigation Section.

Former U.S. District Judge Shira Scheindlin, who worked on the study, said the results confirmed what she had long observed from the bench.

"I walked into my courtroom in 2016, which is 25 years after women made up 50% of graduating classes at law schools," said Judge Scheindlin, who retired from the bench last year and now serves as a mediator and arbitrator. "In big civil cases, my law clerks and I would look at the vast amount of lawyers in the room and it was all guys in suits."

Gender gaps in courtrooms and law firms nationwide are well documented. Researchers have suggested causes including family demands on women, the culture in some law firms and the preference by clients for male attorneys in certain types of cases.

The report's recommendations included firms giving more prominent opportunities to female associates early in their careers and clients requesting diverse legal teams.

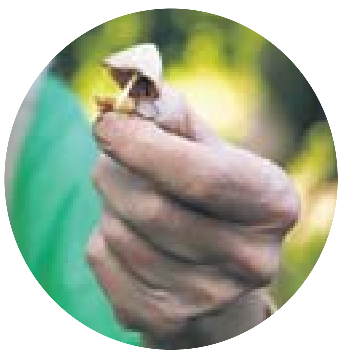
The report, which was released last week, is the first so-called observational study that counted lawyers who regularly had leadership roles in courtrooms, not only those whose names appeared in court documents, said Mark Berman, former chair of the association's litigation section.

From September through December last year, state and federal judges across New York filled out questionnaires that documented the types of cases and gender of lawyers in their courtrooms.

Judge Scheindlin said the study in two years to see if anything has changed.

GREATER NEW YORK

The Mycological Society has identified more than 700 species of fungi in New York City.



BESS ADLER FOR THE WALL STREET JOURNAL (6)

Members of the New York Mycological Society gather in Central Park to forage and learn about various types of mushrooms.

Mushrooms Have a Story to Tell About City's Growth

By Mariana Alfaro

Armed with jewelers' loupes, a dozen mushroom hunters gathered at Cunningham Park in Queens on a recent Sunday morning.

The New York Mycological Society, which has about 470 members, spends a few days a week collecting, studying and sometimes eating New York City-grown mushrooms and other fungi. Over the years, the group has identified more than 700 species of fungi in the city.

Some are edible, others "dangerously poisonous" but all help tell a story of the city's growth and the effects environmental changes have on its flora, said Tom Bigelow, the Society's president.

"One thing that we've found is that there are species of fungi that are now common in New York City that did not exist here 20 years ago," he said. Some "have been introduced through nurseries, but some southern species of fungi are moving north" as the climate changes.

At Cunningham Park, 12 mycologists collected about 60 different species of fungi. They found species as common as the Artomyces pyxidatus, commonly known as coral fungus, and as unique as the Ganoderma lobatum, a mushroom that looks like an oyster.

The Sunday excursion was part of a series of weekend walks—or "Bolete Patrols"—where mushroom enthusiasts, led by a fungi connoisseur pick samples to catalog the growing spread of wild fungi. Afterward, they usually gather at a member's house to study the bounty.

Most of those who stopped by such a meeting in June after the Central Park walk were older New Yorkers. However, Mr. Bigelow said the Mycological Society increasingly is attracting young city dwellers who are particularly interested in learning about mushrooms they can eat.

Because many of the Society's members want to know about edible mushrooms, Mr. Bigelow said the group emphasizes that it isn't an identification service but rather an organization that helps people learn about mushrooms.

In its 54-year history, the NYMS has had only one significant poisoning incident, Mr. Bigelow said, back in the mid-1970s. The member got seriously ill, but to this day he is still mushroom hunting.

In June, as group members met at Mr. Bigelow's apartment to study the mushrooms they had found earlier, he picked up one. "This one here," he said, "is poisonous. Not deadly, but it will make you sick."

During the gathering, Dennis Aita, vice president of the Mycological Society, said he was surprised by the increase in younger participants. "Young people were not mushroom hunting 20, 30, 40 years ago, now they are," he said.

Alberto H. Arensberg, 28 years old, is among the younger mushroom-hunting set. He says he wants to help spread the word about the Society among New Yorkers his age.

"Young is one part, but I think anyone who's a real New Yorker, loves the city a lot, would find themselves attracted to this," he said. "For me at least personally, it's very much a New Yorker thing."

'Summer of Hell' Goes Viral in Tri-State Area

By Mike Vilensky

It is perhaps the most widely shared catchphrase Gov. Andrew Cuomo has coined, but it paints his state as infernal: "The Summer of Hell."

Mr. Cuomo first tossed out the term in late May to warn of a six-week reduction in commuter trains to Penn Station during track repairs. Now it is used across the tri-state area to refer to a mélange of transportation problems coming back to bite Mr. Cuomo as the phrase goes viral.

"This was originally about what was going on at Penn," said Bill Cunningham, a political strategist and former aide to Gov. Hugh Carey. "Now if there's a fire on the A train in Harlem or a derailment in Queens, it all falls under this phrase, 'Summer of Hell.' I think the governor may be thinking, 'Gee, did I have to be glib?'"

A spokesman for the governor, Jon Weinstein, said: "Thankfully for LIRR commuters, so far we've avoided the worst-case scenario—otherwise known as hell."

"Summer of Hell" has inspired a range of reactions. New Jersey Gov. Chris Christie recently remarked he would like to "smack" Mr. Cuomo for coining it, as NJ Transit gets lumped under its umbrella. On Twitter, #SummerOfHell trends all day long, sometimes attached to criticisms of Mr. Cuomo's handling of the subways.

A visual influenced by the term graces the cover of this week's New Yorker magazine: a subway riding through flames, driven by Satan.

Gov. Cuomo coined the phrase to warn of a reduction in trains to Penn Station.

The term first appeared as Mr. Cuomo criticized Amtrak, the agency that runs Penn Station, over its management of the station. People familiar with Mr. Cuomo's thinking said it may have helped prepare commuters for the worst and encourage them to take alternative transportation.

While the term first seemed off-the-cuff, Mr. Cuomo repeated it in interviews and news releases with a tinge of pride.

Analysts said it may have successfully helped Mr. Cuomo exceed expectations at Penn Station, where the track closures only caused some inconveniences.

Some commuters even came up with their own riff on it. "This is the hashtag Summer of Heaven," said Ian Siegel, a commuter taking the ferry instead of his usual train on a recent afternoon. But the term took a turn as it became a way to describe problems underground.

"That slogan put a phrase to a sentiment everyone is feeling," said Nick Sifuentes, deputy director of transit-advocacy group the Riders Alliance.

At the Metropolitan Transportation Authority, the agency overseeing the subways, some are less than thrilled about being lumped in with a summer's worth of misery.

"I'm not a big fan of it," said Veronica Vanterpool, an MTA board member, of the term. "I think it's a lot of hyperbole, and it discounts the year-round frustrations."

However, Joe Lhota, the chairman of the MTA, has defended Mr. Cuomo's use of the term, saying it has called public attention to transit problems.

—Mariana Alfaro contributed to this article.

GREATER NEW YORK WATCH

NEW YORK

Sen. Flanagan Says He Completed Rehab

New York's Senate Majority Leader John Flanagan on Sunday said he recently sought help for a dependency on alcohol.

Mr. Flanagan, a Republican representing Long Island, said in a statement he "proactively took control of the situation so he could overcome it and move forward."

Shortly before the statement was released, Newsday reported that Mr. Flanagan had sought treatment for alcoholism. He said he was using alcohol as a crutch due to the pressure of the position, but the details of his rehabilitation program weren't clear.

The statement suggested Mr. Flanagan, 55 years old, had completed his treatment and would stay on as majority leader.

—Mike Vilensky

NEW JERSEY

Pilot Dies When Small Plane Crashes

A pilot was killed when a small plane crashed Sunday morning near a New Jersey airport, state police said.

The crash occurred at about 10:30 a.m. in Green Township not far from Trinca Airport. It wasn't clear if the plane had taken off from the airport or was headed there. The pilot, whose name wasn't immediately released, was the only person in the plane.

—Associated Press

NEW YORK

Schumer to Fight Cuts in Airport Funds

Sen. Chuck Schumer said he would fight a proposal from President Donald Trump that would slash funding for smaller, regional airports.

The Democrat said the budget plan would eliminate a funding program that is critical to airports in upstate New York and throughout the country. He said regional airports play a critical role in local economies and provide a vital service.

—Associated Press

Musical Roasts the Perfect Martha Stewart

By Leslie Brody

A musical opening at Joe's Pub in Manhattan on Monday shines a comic light on Martha Stewart, the 76-year-old self-made media magnate who tried to teach us to bake the perfect pie.

Impersonator Ryan Raftery wrote and stars in "The Rise and Fall (and Rise) of Martha Stewart."

He spent nine months studying the lifestyle icon to give his take on her humble beginnings in Nutley, N.J., her business empire and stint in federal prison. She was convicted in 2004 for obstruction of justice and other charges tied to a stock sale.

Mr. Raftery, who is in his 30s and grew up in Brooklyn, has created musicals about Vogue editor Anna Wintour and talk-show host Andy Cohen.

Ms. Stewart couldn't be reached for comment.

Here are edited excerpts from a conversation with Mr. Raftery.

WSJ: Why Martha?
Mr. Raftery: I wanted to choose one more media titan. It didn't take long for me to land on America's favorite purveyor of perfectionism. For me as a writer, it's interesting to go to the origin, to say where does this come from. Nobody is born wanting to punch someone in the face for not pitting a pomegranate correctly.

WSJ: Are you a perfectionist?
Mr. Raftery: I'm a perfectionist in my shows. I never made my bed every morning before I started researching Martha Stewart. I do now.

She is clearly a legend, but the world has kind of moved in the opposite direction. Rachael Ray wants to get you in and out of the kitchen in 30 minutes, and that's the draw for her, quick and easy.

Martha will spend three days making a paste for a wedding cake. Even her daughter said this, you can never win with Martha, she does everything better.

WSJ: What impact has this project had on you?
Mr. Raftery: I've never cared more about a subject. I've never met her, but when I see photos of her now, I really care about her. I've gotten to a point in my research where I've gotten into her head space and I understand what she wants to do for us as a culture. Martha believes in the power of hard work and I have a tremendous amount of respect for that.

WSJ: Is there a downside?
Mr. Raftery: Yes. Loneliness. That kind of perfectionism, how does it not bleed into your personal life?

There is a great scene at the end of my show where Martha comes over to her daughter's apartment and starts picking apart everything, literally running her finger along surfaces to see how much dust there is, and they have this big fight.

WSJ: How do you weigh her contributions against her crime?
Mr. Raftery: Martha has never admitted any guilt. She still maintains that she is innocent. I have read so many testimonials from people who have planned their entire weddings based on her books or learned to make their favorite dish by watching her.

There are so many aspects of our lives she has touched. Martha says in the show we're all trying to do the same thing, create our own world and live well.

WSJ: What's the hardest part of the performance for you?
Mr. Raftery: The voice. She chews her words like candy. There is a very harsh way that Martha speaks, and by the end of the show I can feel my facial muscles working.

WSJ: The main takeaway?
Mr. Raftery: Your guests will only remember dessert.

BRENDAN BURKE

A promotional image for 'The Rise and Fall (and Rise) of Martha Stewart.'

LIFE & ARTS

ANTIQUITIES

The Men Who Trade ISIS Loot

The middlemen who buy and sell antiquities looted by ISIS from Syria and Iraq explain how the smuggling supply chain works

A STREAM OF plundered antiquities flowing out of Syria and Iraq to Western art collectors is dependent on men like Muhammad hajj Al-Hassan.

Mr. Al-Hassan, a 28-year-old Syrian, says he started to trade antiquities in 2015 after being contacted by a top official of Islamic State who sought his archaeological expertise to find Western buyers.

Later, he became a cog in an international supply chain smuggling art looted by ISIS.

By Benoit Faucon, Georgi Kantchev, and Alistair MacDonald

FROM TOP: REUTERS; AP/GETTY IMAGES

ISIS demands that diggers in sites like Palmyra, Syria, above, sell all discovered items to the group at a 20% discount of their value.

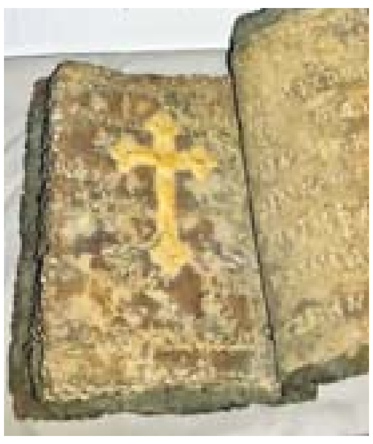
ISIS's territorial grip is fading fast: Iraq has declared victory over the terrorist group in Mosul and ISIS is fighting to hold its self-proclaimed Syrian capital Raqqa—the last major city under its control. But the group's legacy of looting will linger for many years, law enforcement officials say, in much the same way that art looted by the Nazis continues to surface 70 years later. The ancient statues, jewelry and artifacts that ISIS has stolen in Syria and Iraq, are already moving underground and may not surface for decades, according to these officials and experts in the trade.

"Once looted in Syria and Iraq, objects enter a gray market shrouded in secrecy," said Michael Danti, an archeologist who directs the Boston-based Cultural Heritage Initiatives and advises the U.S. State Department on the looting of antiquities in Syria. "It's a problem that will stay with us for years to come."

Western security officials say they expect revenue from looted antiquities from Iraq and Syria to become an increasingly important source of money for ISIS if its other revenue streams, such as oil, continue to dwindle.

"ISIS is increasing pressure on this line of trafficking to compensate for the loss of petroleum revenue," a French security official said.

While it's impossible to know how much money these stolen artifacts provide to ISIS annually—estimates range from the low tens of millions by Mr. Danti to $100 million by a French security official—the income is considered noteworthy.



This bible dates from early Byzantine era, around the 6th century A.D., and was excavated in North Aleppo by ISIS before being put up for sale in Turkey in June 2016 for $50,000, according to Mr. Al-Hassan. The bible has yet to find to a buyer, he said.

The Wall Street Journal interviewed Syrian art traders, recent ISIS defectors who worked in antiquities, and law enforcement officials in the U.S., France, Switzerland, and Bulgaria to piece together how the international antiquities smuggling operation works.

Their accounts describe a pattern of trafficking in which ancient objects make their way from archeological sites in Iraq and Syria, across borders with Turkey and Lebanon, to warehouses in Europe and Asia to await sale to dealers in the West.

Last month, Oklahoma City-based arts-and-crafts retailer Hobby Lobby settled claims with the U.S. government by paying a $3 million fine and surrendering artifacts believed stolen in 2010 and smuggled from Iraq. In response to the claims, which are related to allegations of trading items looted prior to the emergence of ISIS, Hobby Lobby said it will surrender the artifacts, pay the fine and adopt new procedures for buying cultural property.

ISIS hasn't commented on the trade in antiquities.

Mr. Al-Hassan and another Syrian art trader, Omar Al-Jumaa, said they agreed to speak to the Journal in person to denounce ISIS and draw attention to the group's role in the antiquities trade.

Like others involved in antiquities smuggling, Mr. Al-Hassan trades under an alias. He identified himself by his trading name, Mohamed al-Ali, in an interview for a May 2017 Wall Street Journal video about looted art.

In more recent interviews, Mr. Al-Hassan declined to say whether he is currently active in the trade. Mr. Al-Jumaa said he is currently selling looted objects.

Before the civil war, Mr. Al-Hassan said he was an English-language student who had begun studying archaeology in his spare time, inspired by a friend's father. His knowledge in that field became an asset when the rebel Free Syrian Army took control of his region of Eastern Syria in 2013 and he began regularly digging antiquities for the group.

When the territory passed into the hands of Islamic State in June 2014, Mr. Al-Hassan said he and other young men were arrested by the terror group and accused of collaborating with the FSA. Mr. Al-Hassan said he and four other men, including his neighbor, were blindfolded by a Tunisian ISIS commander and lined up in a school. Everyone in the group, except for Mr. Al-Hassan, was shot in the head, he said. Mr. Al-Hassan says he was spared when ISIS officials told him they had no proof of his connection with the FSA.

One year later, he says, he was contacted by Abu Laith Al-Dairi, the ISIS official in charge of antiquities, to sell artifacts looted by the group. "We have a lot of objects," Mr. Al-Hassan remembers Mr. Laith Al-Dairi saying over the phone. "I need you to find European buyers."

For many Syrian traders and smugglers, antiquities are one of the few ways they can earn a living. "They are destroying our history," said Mr. Al-Hassan. But "traffickers love them because they can make money."

The Journal couldn't verify some details of Messrs. Al-Hassan and Al-Jumaa's stories about their lives in Syria. But their accounts of the antiquities trade squared broadly with those of law enforcement officials. Mr. Al-Hassan, for instance, told the Journal last year about a Roman-era ring that ISIS's Mr. Al-Dairi was trying to sell. Later, in December, the U.S. Justice Department filed a civil complaint seeking the recovery of that object and other Syrian-looted artifacts from the group and named Mr. Al-Dairi as a key figure in the trade.

Islamic State seizes antiquities from Syria and Iraq by giving licenses to locals to dig for them, according to people involved in the trade. The digging operation is often overseen by the group's cadre of foreign jihadists, which the organization considers more loyal than locals.

Initially, ISIS didn't charge for the licenses but demanded loyalty from diggers and 20% of the estimated value of each object they excavated, these people say. Now, however, ISIS demands that diggers sell all discovered items to the group at a 20% discount of their estimated market value; ISIS then resells the objects itself, according to Mr. Al-Hassan. As ISIS loses territory, such rules are applied unevenly depending on the local leader, Mr. Danti said.

Marble bas-relief from the Middle Euphrates valley, above, likely looted by ISIS, according to French officials. The object was seized at Paris's Roissy airport in March 2016 after arriving from North Lebanon.

Mr. Al-Hassan says Abu Laith Al-Dairi, the ISIS official in charge of antiquities, put this stone bas-relief up for sale in May to ISIS's network of traders with an asking price: $200,000.

The illegal trade is "not just for funding the [terrorist] group itself, but for creating ways to bring funds to its subjected population, whose hearts and minds Islamic State is trying to win," Yaya Fanusie, director of the Washington-based counterterrorism think-tank Foundation for Defense of Democracies, told a U.S. congressional hearing last year.

A network of independent intermediaries buy artifacts from ISIS and carries them out of Syria and Iraq, often blending in with humanitarian convoys and refugees, Western officials and ISIS antiquity traders say. They are also hidden in exports such as cotton, fruit and vegetables.

Outside Syria and Iraq, the intermediaries then sell to middlemen such as Messrs. Al-Hassan and Al-Jumaa.

Mr. Al-Hassan said he recently sold two antique bibles looted by Islamic State from a site in Eastern Syria to a Russian buyer in a city in Southern Turkey for €10,000 ($11,000). The Russian then smuggled the bibles out of Turkey, hidden in a truck with vegetables, he said. Mr. Al-Hassan said he kept a commission of 25% and gave the rest to the trader who had brought the object to Turkey.

Other smugglers employ different ways to hide their cargo.

Mr. Al-Jumaa, said he paid $1,000 to a local Syrian woman wearing a long black robe known as an abaya to carry a bronze Roman statue across the Turkish border from Syria in her bag. The statue, of a warrior with winged helmet and a shield, had originally come from Raqqa, he said. The Turkish border police rarely check on women for religious reasons, Mr. Al-Jumaa said.

Mr. Al-Jumaa said he picked up the statue from the woman on the Turkish side of the border and drove it to a city in Turkey, where he said he is currently looking for a buyer. (Mr. Al-Jumaa said he later discovered that the object may be a reproduction made in the 1920s.)

Like Mr. Al-Hassan, Mr. Al-Jumaa has reason to hate Islamic State. He said he was jailed in 2014 after assaulting a member of the group who had refused to let him take a cousin badly burned in an air attack by the Syrian regime to Damascus for treatment. Every morning, an Islamic State jail warden put a large kitchen knife to his throat and said the group would execute him that day.

But after escaping to Turkey he said he began trading for the group. "I don't feel happy selling our history, but I need the money," said Mr. Al-Jumaa, who was a law student when the war broke out.

Despite ISIS's territorial losses, the trader says his business is doing well because so many items plundered by the group are now in circulation. Last week , he said he was set to meet four Lebanese men he had communicated with over WhatsApp who were travelling to Turkey to buy a cut emerald he said was looted by the organization in Mosul in 2014. Mr Al-Jumaa is asking $600,000 for the precious stone, he said, but negotiations with a British trader to sell for that amount failed in March.

Mr. Al-Hassan said an Iraqi-Kurdish trader on July 30 was trying to sell a 3rd-century Palmyrene limestone statue of a woman after bringing it to Istanbul. On Aug. 1, traders on the Syrian side of the border were offering an ancient Greek silver pendant and antique Hebrew coins looted in Western Syria, as they tried to smuggle them into Turkey, Mr. Al-Hassan said.

In the majority of cases, artifacts from Iraq and Syria are first smuggled into Turkey or Lebanon, European and U.S. officials say, calling those countries key smuggling hubs. From there they often pass through southeastern European countries like Bulgaria and Romania and then into Western Europe, in particular Germany and Switzerland, according to the officials.

Bulgarian police once searched a shipment of clothes from an undisclosed location and found ancient coins disguised as buttons on jackets, according to a December report written by the Organized Crime Unit of Bulgaria's Interior Ministry and seen by the Journal.

Increasingly, objects are being shipped to Southeast Asian nations, like Singapore and Thailand, before making their way back to Western Europe, Brian Daniels, a research associate at the Smithsonian Institution told the House Financial Services Committee at a hearing in June.

That's because Asian markets are less closely monitored by customs officials, European officials say. If the objects arrive in the West from Asia, that may help cover their Middle-Eastern origin as they cross borders, Western security officials say.

In March 2016, police in Paris seized stolen steles from a marble altar as it transited from Lebanon to Thailand. The artifact originated in the middle area of the Euphrates Valley, which spans Syria and Iraq and was largely controlled by ISIS at the time, French customs officials said. It was being shipped via Asia to help mask a suspected final destination in the U.S., according to French security officials familiar with the matter. French authorities tracked the sender to an address in North Lebanon but are still trying to find that person's identity, they say.

There are around 20 major art galleries and trading houses in Western European cities that offer smuggled artifacts, the Bulgarian report said, without naming them. "The trade's main target buyers are, ironically, history enthusiasts and art aficionados in the United States and Europe—representatives of the societies which ISIS has pledged to destroy," Ms. Fanusie told Congress last April.

The FBI has a $5 million reward for any information about looted materials coming into the U.S. from Syria and Iraq. No one has come forward to claim a reward, law enforcement officials say.

GIACOMO FORTUNATO FOR THE WALL STREET JOURNAL

WHAT'S YOUR WORKOUT? | By Jen Murphy

Gymnastics For a Google Executive

How Kari Clark got serious about working out after CrossFit

After Kari Clark gave birth to her second child in 2015, she decided it was time to finally master a cartwheel. "When you have a baby you have to become open to embracing new habits," she says. "I had always exercised, but suddenly I wanted to get really serious about my health."

Ms. Clark, a 39-year-old product manager for Google Accessories in New York, says despite three years of CrossFit she still couldn't do a pull-up. "I was that kid in gym class who struggled to climb to the top of the rope, who couldn't do a cartwheel," she says. "We usually avoid what we're bad at which is why I decided to try gymnastics."

Ms. Clark had noticed people at her Brooklyn gym doing handstands and ring holds and approached a trainer about lessons.

"The first time I tried to do squats on a low beam I fell on my butt 20 times," she says. "Learning movement patterns outside of your norm teaches your body to have a child's openness to new things. It's like problem solving for the body."

Gymnastics helped her gain upper body strength and she learned powerlifting techniques to strengthen her lower body and core. "In CrossFit I was always just following along," she says. "Now, I dissect my movement and technique. I video and photograph my workouts so my trainer can critique my form."

Last year, she did her first cartwheel and pull-up.

The Workout

Ms. Clark works out for one hour, six mornings a week. Once a week she meets for group movement classes with trainer Kyle Fincham at CrossFit Outbreak. Drills might include handstands, rows and dips on gymnastics rings and tai chi-inspired partner presses where she keeps hands at chest height and pushes them against the hands of a resisting partner.

Mr. Fincham gives her homework for the rest of the week. Twice a week she mixes in bent arm work, such as eccentric pull ups, where she starts at the top position of a pull up and slowly lowers herself down to hanging. Once a week she does straight arm work, like skin the cat, where she starts from a dead hang position on the rings, and pikes her legs up and over her head sending her toes toward the ground behind her. Three days a week she incorporates hand balancing like walking on her hands along the wall. Twice a week she goes to Brooklyn Athletic Club to powerlift or join a strength class. Ms. Clark weighs 135 pounds and can squat her weight and deadlift 230 pounds.

"My goal is to do a double body weight deadlift," she says.

She weaves two, 10-minute HIIT cardio sessions into each workout, that might include battle ropes or sprints for 20 seconds on, 40 seconds off. Every morning she meditates for up to 20 minutes with her 4-year-old daughter, using Headspace.

The Diet

After reading Slim by Design, which touts redesigning living spaces to positively impact diet, Ms. Clark rearranged her refrigerator and cupboards, moving healthy foods front and center and making less healthy items harder to reach. "When I'm exhausted I grab the first thing I see, and now that's usually cherry tomatoes," she says. She works with a coach at a nutrition consultancy, Working Against Gravity, and sets macronutrient targets for each day.

She often eats two breakfasts; a homemade muffin pre-workout and egg whites or oatmeal post. The Google offices provide complimentary meals. "I usually have a huge salad of roasted vegetables," she says. Ms. Clark's husband also tracks his food and the couple cooks most nights. Dinner is lean meat and loads of vegetables. "I probably eat three cauliflowers a week," Ms. Clark says. On Friday mornings she takes her children on doughnut crawls. "We split a doughnut at each stop and then eat healthy the rest of the day."

The Gear & Cost

Ms. Clark purchased gymnastics rings for $25 on Amazon and has two pairs. "I've used them in hotel gyms in China and parks in Barcelona," she says. She wears Adidas Adipower Weightlifting Shoes (retail $180). She pays $60 per group movement sessions at CrossFit Outbreak and her membership at Brooklyn Athletic Clubs costs $300 a month, including classes. She pays $160 a month for nutrition coaching.

The Playlist

"There's a lot of rest time in powerlifting so I listen to podcasts while I stretch between sets," she says. Favorites include the Tim Ferriss Show, Noah Kagan Presents and Happier with Gretchen Rubin.

Kari Clark, from left to right, plays catch while hanging from a bar at CrossFit Outbreak in Brooklyn, N.Y. She performs skin the cat on the rings. She power lifts and her goal is to deadlift 230 pounds.

ART REVIEW

DISCOVERING MODERNISM'S NEGLECTED SPUR

BY JAMES PANERO

New York

ALFRED H. BARR JR., the founding director of the Museum of Modern Art, once wrote that "those who love art or spiritual freedom cannot remain neutral... when one kind of art or another is dogmatically asserted to be the only funicular up Parnassus."

There are, of course, many twists and turns in the history of art, yet the line that runs up Modernist Mountain has often been mapped as a single track: Impressionism, to post-Impressionism, to Cubism, on through the many pictorial innovations of the last century. In this analogy Symbolism, an idealist route of the 1890s, may be modernism's neglected spur—and an impresario named Joséphin Péladan (1858-1918) its most colorful conductor.

"Mystical Symbolism: The Salon de la Rose+Croix in Paris, 1892-1897," an intoxicating exhibition now at New York's Solomon R. Guggenheim Museum, re-creates the short-lived exhibition series that Péladan mounted in Paris at the height of the Symbolist moment. Organized by Guggenheim senior curator Vivien Greene, the show includes 40 works that once appeared in Péladan's invitational exhibitions. The artists assembled, like the history of the Salons themselves, will be new to almost everyone, but these Salons were once a sensation, encapsulating the anxious mood of the fin-de-siècle and influencing the art of the 20th century.

Infused with spiritualist mysticism, versed in the poetry of Charles Baudelaire, and set to the soundtrack of Richard Wagner, Symbolism championed art, literature and music of many styles—all art with a capital A, with fidelity to nature subordinated to the expression of the artist's mood. In "Mystical Symbolism," the outward appearances can seem anything but modern. Artists such as Pierre Amédée Marcel-Béronneau and Ferdinand Hodler looked past what they considered the mundane observations of the Impressionists to draw on the Old Master styles of Gustave Moreau and Pierre Puvis de Chavannes.

SOLOMON R. GUGGENHEIM FOUNDATION, 2017

Alphonse Osbert's 'Vision' (1892), center, in one of the galleries of 'Mystical Symbolism' at the Guggenheim

Péladan embodied this same rear-guard sensibility. He styled himself an Assyrian "Sar," or king, and named his group Rose+Croix after the esoteric and arguably fictitious Rosicrucian Order of 17th-century origin. Through his Salons he sought work that illustrated dreams, allegory and myth "to restore in all its splendor the cult of the Ideal based on Tradition with Beauty as its means." The story of Orpheus, that original tragic artist, is a recurring theme here, and maidens abound in various stages of *déshabillé*. The exhibition is most revelatory for the many artists, from Charles Maurin to Fernand Khnopff, Jan Toorop to Alphonse Osbert, it brings to light. The dream-like lithograph by Carlos Schwabe, commissioned to promote the first Salon, is a highlight of fin-de-siécle printmaking.

The Guggenheim exhibition hinges on the personality of Péladan, and "Mystical Symbolism" includes portraits of the artistic leader. This author, critic and Catholic occultist employed his imperious bearing and forked beard to maximum effect: Especially striking is Jean Delville's messianic figure in choir dress and Alexandre Séon's priestly golden profile.

In her red-velvet-bound catalog, Ms. Greene explains how the Salon de la Rose+Croix "privileged a hermetic and numinous vein of Symbolism, which reigned during the 1890s when Christian and occult practices were often intertwined in a quest for mysticism undertaken by many who yearned for a renewed centrality of faith. The Salon aimed to transcend the mundane and material for a higher spiritual life—the movement's holy grail."

Ms. Greene's focused and illuminating exhibition, which goes on to Venice's Peggy Guggenheim Collection in the fall, continues the New York museum's commitment to exploring modernism's less trodden paths. But equally important, the museum shows respect for the art and ideas on view. With deep red walls and plush blue couches, Ms. Greene and her designers have done much to establish this exhibition as a Rosicrucian-like art-filled precinct. The addition of recorded music in the galleries, normally a distraction in museum settings, here completes the transformation of the space and signals the relevance of music to Symbolist history. Ms. Greene, in fact, selected only music performed during the original Salons—most famously, a work by Erik Satie written for the Rose+Croix.

And far from a dead end, the art of the Rose+Croix, and Symbolism in general, may lead more directly than one might assume into the art of the 20th century, especially in the development of pure abstraction. "The aesthetic quest of the R+C—to inspire through the new religion of art," argues Ms. Greene, "was carried on by Vasily Kandinsky, František Kupka, and Piet Mondrian, all of whom were weaned on Symbolism and owed their theories of painting, in varying degrees, to the esoteric beliefs of Theosophy."

So perhaps it isn't a coincidence that the exit of "Mystical Symbolism" leads directly onto the Guggenheim's magical Kandinskys and Mondrians hanging on the rotunda walls.

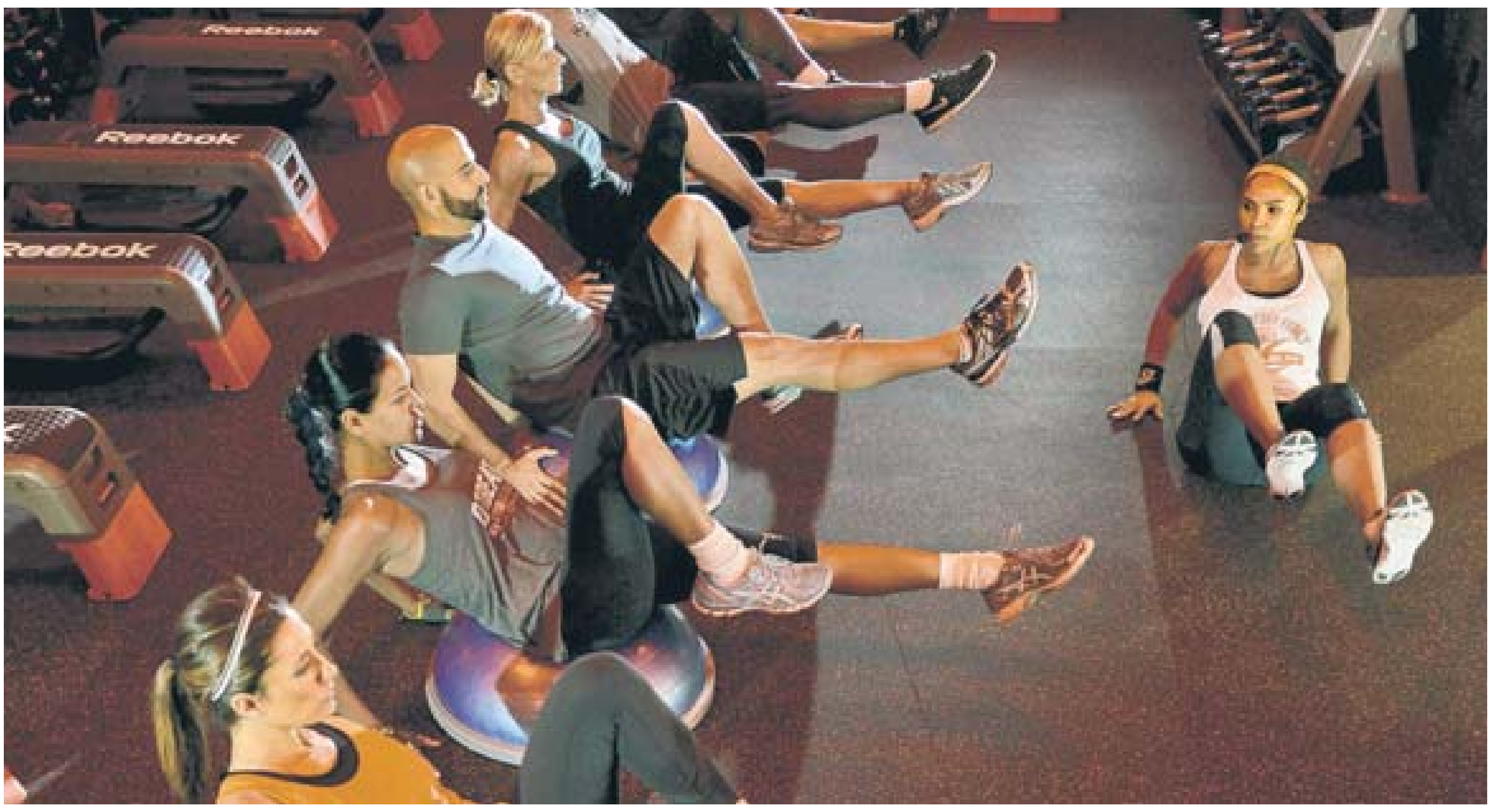
Mystical Symbolism: The Salon de la Rose+Croix in Paris, 1892-1897
Solomon R. Guggenheim Museum, through Oct. 4

Mr. Panero is executive editor of the New Criterion

FITNESS

Work the Abs or Fill the Tank?

BY RACHEL BACHMAN



FANS OF BOUTIQUE exercise studios seem to be putting some of the money they used to spend on gas into specialized fitness classes.

Boutique-fitness customers are spending slightly less on luxury items, according to a new analysis of overall spending by patrons of fitness studios. But as their spending on boutique fitness has increased, users have cut back most dramatically not at Coach or Dior, but the gas station.

That could mean two things: First, cheaper gas could be fueling spending on exercise; second, boutique fitness isn't that exclusive anymore.

Atlanta-based Cardlytics tracks trends based on credit, debit, electronic check and bill-pay spending for more than 120 million U.S. bank accounts. For this study, Cardlytics looked at people who spent money at a specialty fitness studio between December 2016 and May 2017. These cozy operations, unlike big-box gyms, offer guided exercise such as stationary-cycling sessions or barre instruction, with classes that run about $20 to $35.

In the analysis, Cardlytics traced recent spending by boutique-fitness users—without their names or personal details—back five years.

Pete Hemauer of Elgin, Ill., is a recent convert to boutique fitness. The 50-year-old manager at a manufacturing facility has belonged to a big-box gym for decades. He pays $54 a year as part of a lifetime membership.

About six months ago he took some friends' advice and tried Orangetheory Fitness, a chain of interval-training studios whose classes cost about $28 for a drop-in, depending on location. Mr. Hemauer loves the ever-changing, guided workouts, the prodding of trainers, the class regulars. He now has a $159-a-month membership and goes five days a week.

"I love the whole atmosphere of the class," he says. "It's just fun."

Membership at fitness boutiques grew 74% from 2012-2015, compared with 5% for traditional commercial gyms, according to the International Health, Racquet & Sportsclub Association.

Mr. Hemauer countered some of his increased fitness spending by trading his $5-a-day Starbucks habit for a machine that makes espresso with Starbucks pods, a setup that costs him less than $2 a day.

He's also reaping the benefits of ditching his SUV when gas prices spiked several years ago for a Ford Focus that gets 34 miles per gallon.

An Orangetheory Fitness studio in Fort Lauderdale, Fla., above, and a challenging class at the Fitthing Room in New York City.

FROM TOP: ORANGETHEORY FITNESS; BRIAN HARKIN FOR THE WALL STREET JOURNAL

This year boutique-fitness devotees are dedicating an average of 1.8% of their total spending to specialized classes, Cardlytics found. Five years ago, the same group dedicated 0.15% of all spending to boutique fitness. That increase of 1.65 percentage points is more than the same group's 1.6 percentage-point increase in spending on e-commerce.

The Cardlytics findings run counter to the notion of boutique fitness as the new luxury—that fans are buying fewer designer handbags so they can pedal at SoulCycle.

Boutique-fitness users' spending on luxury items declined little and wasn't much to begin with: It dropped to 0.31% of their overall budgets from 0.43% during 2012-2017. Cardlytics defined luxury brands as places where people spend an average of $360 at a time.

The place where spending by boutique-fitness users declined the most? Gas stations. Boutique users are spending about 2.9% of total dollars at gas stations this year, a drop of 2.7 percentage points from 2012. One reason: The price of gas has dropped by roughly $1.50 a gallon over the past five years.

"It is pricey, I got to admit. It was a tough decision," Mr. Hemauer says of his Orangetheory Fitness spending. But he has no regrets. "It's an investment in myself."

Jeremy Renner, right, and Hugh Dillon, Elizabeth Olsen and Graham Greene, below

WEINSTEIN CO. (2)

FILM REVIEW | By Joe Morgenstern

GRIEF ON THE RESERVATION

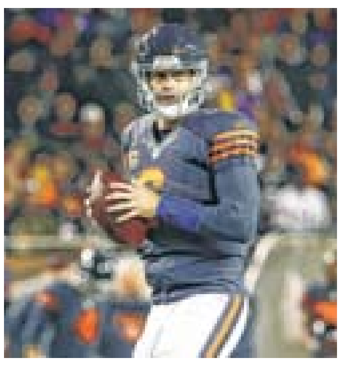
LAST SUMMER the collaboration between an Scottish director, David Mackenzie, and an American screenwriter, Taylor Sheridan, yielded "Hell or High Water," a beautifully nuanced action adventure about bank-robber brothers in the present-day American West. Now Mr. Sheridan, who also wrote the drug-wars drama "Sicario," has written and directed "Wind River," a scenic thriller set in the dead of winter on a Native American reservation in Wyoming. The storytelling doesn't measure up to the spectacular scenery; at several points the narrative veers sharply off-course into Tarantino-tinged violence, some of it patently silly. But the generally somber tone is interesting, the performances are involving—even in the case of a risky casting choice—and a sense of discovery dominates from start to finish. (The cinematographer was Ben Richardson. Nick Cave and Warren Ellis did the elegiac score.)

The co-stars are Jeremy Renner and Elizabeth Olsen. Mr. Renner is Cory Lambert, a veteran game tracker with the U.S. Fish and Wildlife Service. Cory is a lone wolf on a snowmobile in subzero weather, hunting down wolves that prey on sheep, and Mr. Renner is superb in the role; it's the strongest one he's had since the bomb-squad sergeant in "The Hurt Locker." Ms. Olsen is Jane Banner, a rookie FBI agent who arrives from her regular post in Las Vegas to investigate a possible homicide after Cory discovers a frozen body in the snow. The script provides a plausible explanation for Jane's assignment—she's a fish out of warm water, and she knows it. But there's no good reason why she should be so flagrantly glamorous, and no explaining why she does some of the dangerous things she does. All the same, Ms. Olsen keeps us watching this unlikely woman, even caring about her.

The homicide provides the pretext for the plot—suddenly Cory, the game tracker, is tracking a human killer. But the subtext, and a powerful one, is grief, and living with it, if not getting through it; Cory and his Native American ex-wife have lost a daughter under circumstances that bind him to the father of the current victim. And the sub-subtext, or background emotional color, is cultural loss or dislocation shared by Native Americans across the reservation. They are, to the film's credit, all played by Native American actors, chief among them the remarkable Graham Greene, who played Kicking Bird in "Dances With Wolves." This time Mr. Greene is Ben, a taciturn tribal policeman who seems to have happened onto the set while the cameras were rolling.

SPORTS

HEARD ON THE FIELD



Cutler Ends Retirement, Returns With Dolphins

Jay Cutler's retirement didn't even last through a preseason.

The Miami Dolphins agreed to sign the 34-year-old quarterback, who just three months ago called it quits, according to multiple reports. Cutler will step in to try to buoy a team scrambling after quarterback Ryan Tannehill injured his knee. Tannehill could miss the entire year.

Though Cutler has always earned marks for his powerful arm, he went just 17-29 as a starter in the last four seasons with the Bears. But he had 21 touchdowns and a career-best 92.3 passer rating in Chicago in 2015, his only with Adam Gase as his offensive coordinator. Which is a reason to be optimistic in Miami—Gase is their head coach.

—*Andrew Beaton*

Alonso Gives Mariners Power Bat at First Base

Baseball's nonwaiver trade deadline passed last week, but that won't stop contenders from improving their rosters heading into the stretch run. Teams can still make deals involving players put on waivers. The movement started in earnest Sunday, when the Seattle Mariners acquired All-Star first baseman Yonder Alonso from the Oakland Athletics for rookie outfielder Boog Powell.

The Mariners entered Sunday's action 1 ½ games out of an American League wild-card spot despite a massive hole at first base. They rank 29th in the majors in on-base-plus-slugging percentage at that position.

Alonso, a free agent this winter, should help solve that problem. A left-handed swinger, Alonso has hit 18 of his 22 home runs this season against right-handed pitchers, to go along with a .286 batting average and .948 OPS against righties. He will platoon with Danny Valencia.

—*Jared Diamond*

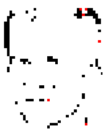
(l-r) KAMIL KRZACZYNSKI/USA TODAY SPORTS/REUTERS; TOM SZCZERBOWSKI/GETTY IMAGES

Participants ride during a spinning class at SoulCycle in New York City.

KEVIN HAGEN FOR THE WALL STREET JOURNAL

FITNESS | By Jason Gay

The Cost of Working Out



Every month, I set fire to a small pile of cash to belong to a gym I do not go to. You may think this is a terrible waste of money, but I enjoy the ritual. In my mind, I'm always going to go to the gym.

(I never go to the gym.)

This, of course, is a longstanding business model in the fitness world. There are many gyms around the country collecting a hearty monthly fee from lazy-butted customers like me who never—or seldom—walk through the doors. It's brilliant and paradoxical, like a subscription cupcake bakery for people who never come in to pick up their cupcakes.

Mmmmm, cupcakes.

But the gym business is being disrupted. The Journal's Rachel Bachman has been chronicling the rise of "specialized fitness" in America—the trend away from big-box gyms with a zillion exercise machines and toward smaller, boutique-style companies that offer narrower, more focused philosophies.

The Big Gym You Never Went To is under siege from The Tiny Gym You Actually Go To.

It makes sense. In exercise, as in weddings, 50% of success is just showing up. And specialized fitness—CrossFit, SoulCycle, Orangetheory and their countless cousins—is a far more effective workout than wandering into a gym, sitting down on a recumbent bicycle, and pedaling slowly while reading Facebook on your phone.

But it's also expensive. It isn't uncommon for monthly memberships to boutique fitness operations to cost $200 or more, or for individual classes to cost $30 a class.

$30 a class! You are now permitted to scoff. Seriously, scoff away:

For $25 I'll chase you around the block with a stick!

For $20 I'll make you carry a bag of potatoes up the stairs!

For $15 I'll sit in a lawn chair and scream at you to jump rope.

For $10 I'll just tell you to stop eating chips and Skittles.

I'm not here to judge. I do think it's a little nutty to spend $30 to ride a stationary bike indoors when, for the cost of a handful of classes, you can get an actual, mobile bike which comes with free outdoors—and, as an added bonus, you don't have to listen to an instructor crank Maroon 5.

But as a failed, money-igniting never-gym-goer, who am I to rain on the specialized fitness phenomenon? What price is too much to pay for one's physical well-being?

People will spend money on almost anything, after all. My local coffee shop laughs in my face when it takes $5 for an iced coffee. My Journal tech columnist colleague Christopher Mims thinks people are going to line up to pay $1400 for a new iPhone. There are New York Jets season ticket holders.

Besides, the people at specialized gyms always seem so happy. They're fit, smiley and full of energy. They're standing outside after their classes, sweat-drenched and towel-wrapped, brimming with a sense of accomplishment. They're zealous and sometimes cult-like about their chosen regimens. And why not? In some cases, they've changed their lives.

I used to be addicted to mini blueberry muffins. Now I am addicted to Burpees. And posting selfies on Instagram.

My pals who've taken the boutique fitness plunge—they become different humans. They get new friends, new clothes, new diets. They swap out nachos for beef jerky and make their own pizza with cauliflower crust. They say "paleo" more than cavemen. They're a little annoying to be seated next to at dinner. Hand them the bread basket, and they recoil like it's a plate of bloody eyeballs.

(Although I think bloody eyeballs are, in fact, paleo.)

Boutique-fitness users are spending less on luxury goods and gasoline and more on fitness experiences, Bachman reports. This may have something to do with gasoline being cheaper, but it's hard to argue that boutique fitness is a mere fad. It feels like a phenomenon.

I've jumped in myself. While still paying for the big gym I don't go to (I'm an idiot, yes), I've also done some CrossFit (effective), some spinning (effective, though loud), and I've recently been going to a Pilates-style place in which I slide around on a padded, spring-loaded board and yank on straps and basically spend 40 minutes sobbing about my upper body strength, which resembles the upper body strength of a 4-year-old child.

I love it. (I think.) For me it's unquestionably better than the traditional gym, and, frankly, the money is a motivator here. I am so shocked I am paying so much for these classes, I force myself to go.

I know there will always be people who think this is ridiculous. If you're the kind of person who can walk into your own garage and knock out 45 minutes of dead-lifts and squats, boutique fitness probably sounds like more careless spending by over-pampered ninnies. I don't disagree, and in my next life, I want to come back as you, brilliant and motivated and ripped.

But for now, I will choose to pay. And go.

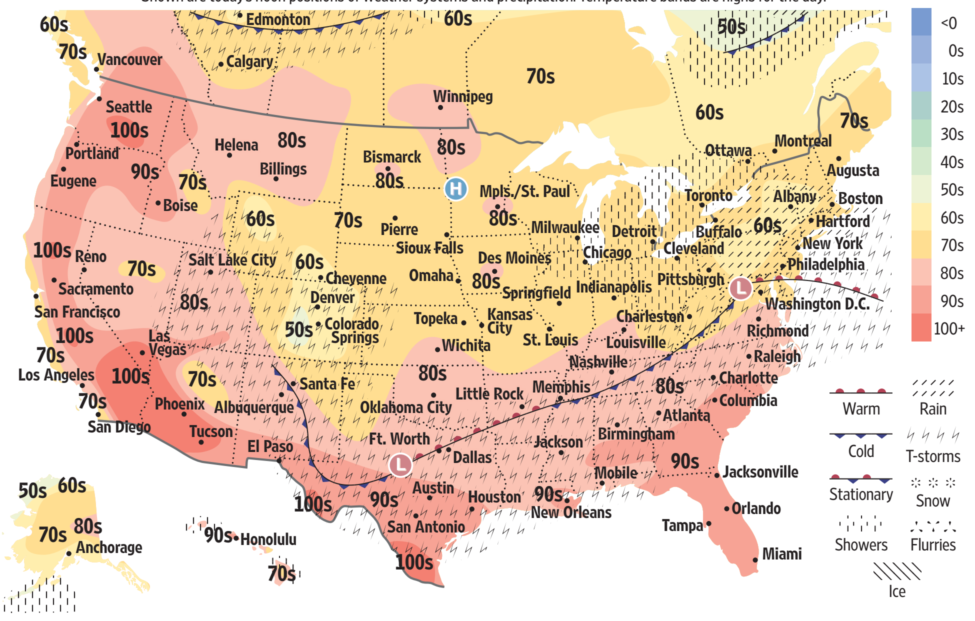
Probably.

But first, this cupcake.

Weather

AccuWeather.com

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



U.S. Forecasts

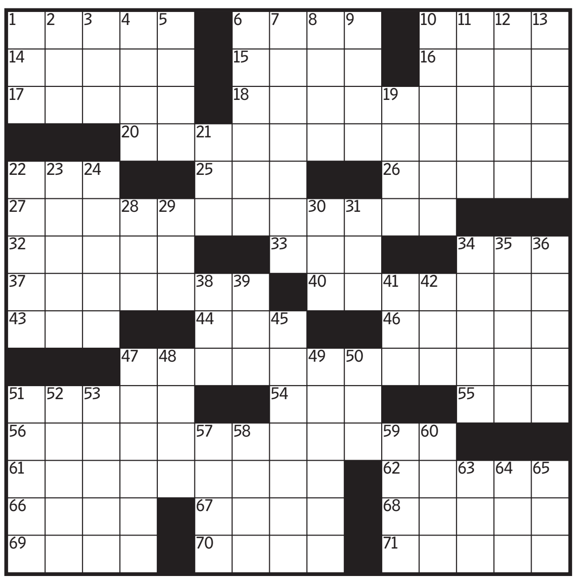
s...sunny; pc... partly cloudy; c...cloudy; sh...showers; t...t'storms; r...rain; sf...snow flurries; sn...snow; i...ice

City	Today Hi	Lo	W	Tomorrow Hi	Lo	W
Anchorage	68	57	c	69	58	c
Atlanta	86	73	t	81	71	t
Austin	95	75	t	90	74	t
Baltimore	78	65	r	80	62	pc
Boise	93	66	pc	94	67	pc
Boston	75	62	r	77	61	pc
Burlington	72	58	r	74	57	pc
Charlotte	86	70	t	79	67	t
Chicago	75	58	pc	82	63	s
Cleveland	75	62	r	77	59	s
Dallas	88	74	t	84	74	t
Denver	69	55	t	75	55	pc
Detroit	77	58	sh	81	60	s
Honolulu	90	76	pc	90	75	pc
Houston	90	78	t	89	78	pc
Indianapolis	74	58	pc	78	59	s
Kansas City	76	61	pc	79	62	pc
Las Vegas	102	82	pc	104	83	s
Little Rock	82	69	t	79	68	pc
Los Angeles	83	67	pc	85	67	pc
Miami	91	81	pc	92	82	sh
Milwaukee	72	59	sh	81	65	s
Minneapolis	81	62	pc	82	64	pc
Nashville	80	68	t	82	67	pc
New Orleans	91	77	t	89	77	pc
New York City	73	65	r	79	63	pc
Oklahoma City	81	67	c	82	66	t
Omaha	78	60	pc	82	64	pc
Orlando	91	76	t	91	75	t
Philadelphia	77	66	r	82	63	pc
Phoenix	106	82	pc	109	84	s
Pittsburgh	71	59	r	76	57	pc
Portland, Maine	76	60	r	76	57	pc
Portland, Ore.	95	63	pc	95	64	pc
Sacramento	91	61	s	93	62	s
St. Louis	79	64	pc	82	65	pc
Salt Lake City	86	66	t	88	68	pc
San Francisco	71	58	pc	73	59	pc
Santa Fe	83	58	t	85	59	pc
Seattle	91	63	pc	92	64	pc
Sioux Falls	77	55	s	79	57	pc
Wash., D.C.	79	69	r	82	66	pc

International

City	Today Hi	Lo	W	Tomorrow Hi	Lo	W
Amsterdam	70	57	c	69	56	t
Athens	99	83	pc	98	82	pc
Baghdad	120	87	s	121	88	s
Bangkok	91	79	t	93	79	t
Beijing	94	73	c	93	74	pc
Berlin	75	57	pc	80	63	pc
Brussels	74	58	pc	67	54	t
Buenos Aires	68	55	sh	62	44	c
Dubai	114	96	s	113	93	s
Dublin	63	48	pc	61	49	pc
Edinburgh	63	46	sh	63	49	sh
Frankfurt	79	59	pc	73	56	r
Geneva	83	61	t	70	55	r
Havana	92	74	t	92	73	pc
Hong Kong	92	84	t	91	84	t
Istanbul	92	77	s	91	77	s
Jakarta	91	76	s	92	75	pc
Jerusalem	88	70	s	89	71	s
Johannesburg	67	42	s	67	46	s
London	69	56	c	65	55	r
Madrid	98	65	pc	88	62	s
Manila	91	81	t	91	80	t
Melbourne	52	41	sh	58	47	pc
Mexico City	80	57	pc	78	55	pc
Milan	84	69	pc	84	66	pc
Moscow	72	55	c	71	55	c
Mumbai	88	80	sh	87	80	pc
Paris	81	60	pc	70	54	t
Rio de Janeiro	78	62	s	83	68	pc
Riyadh	112	83	s	112	83	s
Rome	93	70	pc	90	72	pc
San Juan	87	77	sh	87	80	sh
Seoul	91	77	s	88	77	pc
Shanghai	101	86	t	96	81	r
Singapore	88	80	c	89	80	t
Sydney	66	49	s	66	49	s
Taipei	102	83	s	101	83	pc
Tokyo	88	78	sh	85	80	sh
Toronto	70	56	sh	76	63	s
Vancouver	77	61	s	78	62	s
Warsaw	75	53	pc	80	62	pc
Zurich	78	56	pc	74	56	r

The WSJ Daily Crossword | Edited by Mike Shenk



SINGIN' IN THE REIGN | By John Dunn

Across

1 Sidestep, as a question
6 Former Iranian ruler
10 Festive celebration
14 Unbending
15 Gift-wrapping need
16 "...to take arms against ___ of troubles...": Hamlet
17 In the company of
18 Tangled up
20 "King of Country"
22 Lyrical lines
25 One end of the spectrum
26 Lone Ranger's sidekick
27 "King of Swing"
32 Taper off
33 Coll. senior's test
34 Its members use clubs at clubs: Abbr.
37 With 40-Across, "King of Pop"
40 See 37-Across
43 Brief writer, in brief
44 Miss identification?
46 Squirrel away
47 "King of Rock and Roll"
51 Tequila source
54 Pizzeria order
55 Rx prescribers
56 Songwriter's compensation, or this puzzle's "Kings"?
61 Lends a helping hand
62 Brewer's ingredient
66 Do some copy desk work
67 Cry of dismay
68 Heathen
69 Hibernation spots
70 Droops
71 Upright

Down

1 Significant period
2 Enthusiasm
3 In the past
4 Quiz show sound
5 Periphery
6 Two-channel
7 Shamefaced
8 Vaulted section of a church
9 Coop residents
10 Donald Trump's youngest son
11 C.S. Lewis lion
12 "Try to ___ my way"
13 Couldn't not
19 Lead-in to boy or girl
21 Assn.
22 President with two Grammys and a Nobel Prize
23 Item on a balance sheet
24 Put into law
28 Ultimate degree
29 Thumbs-up vote
30 76ers legend, familiarly
31 ___ culpa
34 Sacred hymn
35 Like an unlucky toreador
36 Tennis stars Roddick and Murray
38 Container for a ltr.
39 Luau souvenir
41 Revolutionary Guevara
42 Bout enders, for short
45 Catching sight of
47 Tosses into the street
48 Poland's Walesa
49 Instruments with hammers
50 Divinity school subj.
51 Really excited
52 Tour leader
53 John of "The Addams Family"
57 Antique autos
58 Fed. workplace regulator
59 Kind
60 Wine buyer's concern
63 Wine buyer's concern
64 Cul-de-___
65 Explosive initials

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

Previous Puzzle's Solution

N	O	R	A		J	E	B		T	O	R	P	O	R
E	P	I	C		A	L	I		E	M	E	R	G	E
R	A	P	T	O	R	S	V	B	L	A	Z	E	R	S
F	L	A	I	R			A	O	L		A	P	E	T
			N	A	P	A	L	M	E	D				
	E	A	G	L	E	S	V	B	R	O	W	N	S	
A	T	M			L	I	E	S		R	I	A	T	A
C	H	I	C	L	E				V	A	N	D	A	L
C	I	G	N	A		D	E	C	A			E	Y	E
	C	A	N	U	C	K	S	V	S	T	A	R	S	
				D	O	N	T	S	T	O	P			
C	A	P	S		L	Y	E			L	O	N	G	U
O	R	I	O	L	E	S	V	D	O	D	G	E	R	S
B	E	L	U	G	A		E	E	L		E	R	I	E
B	A	L	L	A	D		Z	E	D		E	O	N	S

The contest answer: EAGLES should be replaced with BEARS. The answers TORPOR, VANDAL, and BALLAD are formed from the official three-letter abbreviations of a pair of theme teams (TOR = Toronto RAPTORS, POR = Portland BLAZERS, VAN = Vancouver CANUCKS, DAL = Dallas STARS, BAL = Baltimore ORIOLES, LAD = Los Angeles DODGERS). The mismatch is the symmetrically placed CHICLE; since CLE = Cleveland BROWNS, the EAGLES are the mismatched team and should be replaced with the Chicago Bears (CHI).

OPINION

The Guns of Venezuela

AMERICAS
By Mary Anastasia O'Grady

In a video posted on the internet Sunday morning, former Venezuelan National Guard captain Juan Caguaripano, along with some 20 others, announced an uprising against the government of Nicolás Maduro to restore constitutional order. The rebels reportedly appropriated some 120 rifles, ammunition and grenades from the armory at Fort Paramacay in Valencia, the capital of Carabobo state. There were unconfirmed claims of similar raids at several other military installations including in Tachirá.

The Cuba-controlled military regime put tanks in the streets and unleashed a hunt for the fleeing soldiers. It claims it put down the rebellion and it instructed all television to broadcast only news of calm. But Venezuelans were stirred by the rebels' message. There were reports of civilians gathering in the streets to sing the national anthem in support of the uprising.

Note to Secretary of State Rex Tillerson: Venezuelans want to throw off the yoke of Cuban repression. They need your help.

Unfortunately Mr. Tillerson so far seems to be taking the bad advice of his State Department "experts."

The same bureaucrats, it should be noted, ran Barack Obama's Latin America policy. Those years gave us a rapprochement with Havana that culminated with the 44th president doing "the wave" with Raúl Castro at a baseball game in 2016. Team Obama also pushed for Colombia's surrender to the drug-trafficking terrorist group FARC in a so-called peace deal last year. And it supported "dialogue" last year to restore free, fair and transparent elections in Venezuela. The result, in every case, was disaster.

Castro is calling the shots in Caracas. Sanctions have to be aimed at him.

Any U.S.-led international strategy to liberate Venezuela must begin with the explicit recognition that Cuba is calling the shots in Caracas, and that Havana's control of the oil nation is part of its wider regional strategy.

Slapping Mr. Maduro's wrist with sanctions, as the Trump administration did last week, won't change Castro's behavior. He cares only about his cut-rate Venezuelan oil and his take of profits from drug trafficking. To affect things in Venezuela, the U.S. has to press Cuba.

Burning Cuban flags, when they can be had, is now practically a national pastime in Venezuela because Venezuelans understand the link between their suffering and Havana. The Castro infiltration began over a decade ago when Fidel sent thousands of Cuban agents, designated as teachers and medical personnel, to spread propaganda and establish communist cells in the barrios.

As I noted in this column last week, since 2005 Cuba has controlled Venezuela's citizen-identification and passport offices, keeping files on every "enemy" of the state—a k a political opponents. The Venezuelan military and National Guard answer to Cuban generals. The Venezuelan armed forces are part of a giant drug-trafficking operation working with the FARC, which is the hemisphere's largest cartel and also has longstanding ties to Cuba.

These are the tactical realities of the Cuba-Venezuela-Colombia nexus. The broader strategic threat to U.S. interests, including Cuba's cozy relationship with Middle East terrorists, cannot be ignored.

Elisabeth Burgos is the Venezuelan ex-wife of the French Marxist Regis Debray. She was born in Valencia, joined the Castro cause as a young woman, and worked for its ideals on the South American continent.

Ms. Burgos eventually broke free of the intellectual bonds of communism and has lived in Paris for many years. In a recent telephone interview—posted on the Venezuelan website Prodavinci—she warned of the risks of the "Cuban project" for the region. "Wherever the Cubans have been, everything ends in tragedy," she told Venezuelan journalist Hugo Prieto. "Surely we have no idea what forces we face," Mr. Prieto observed—reflecting as a Venezuelan on the words of Ms. Burgos—because, as she said, there is "a lot of naiveté, a lot of ignorance, about the apparatus that has fallen on [Venezuelans]: Castroism."

Cuban control of citizens is as important as control of the military. In Cuba this is the job of the Interior Ministry. For that level of control in Venezuela, Ms. Burgos said, Mr. Maduro must rely on an "elite of exceptional experts" Castro grooms at home.

Cuba, Ms. Burgos said, is not "simply a dictatorship." For the regime it is a "historical political project" aiming for "the establishment of a Cuban-type regime throughout Latin America." She noted that along with Venezuela the Cubans have taken Nicaragua, Bolivia, Ecuador, and are now going after Colombia. "The FARC, turned into a political party and with all the money of [the narcotics business], in an election can buy all the votes that it wants."

Mr. Tillerson is forewarned. Castro won't stop until someone stops him. To get results, any U.S.-led sanctions have to hit the resources that Havana relies on to maintain the repression.

Write to O'Grady@wsj.com.

The Design Revolution in Consumer Tech

By Steve Vassallo

Walt Mossberg, the dean of tech journalism, officially retired earlier this summer. He began his first column for the Journal, in 1991, with the now-famous line, "Personal computers are just too hard to use, and it isn't your fault." In his final column, Mr. Mossberg bookends the quarter-century of products, personalities and progress he's chronicled with this assessment of where we are now: "Personal technology is usually pretty easy to use, and, if it's not, it's not your fault."

In a generation, consumer tech went from unreliable and confusing to so intuitive that children are creating immersive three-dimensional worlds on devices with barely any instruction. Mr. Mossberg doesn't put a name to this remarkable shift, but as someone who witnessed it firsthand, I will: design. By design, I don't mean a spiffy logo or a pretty website. Design now also refers to a methodology and a mind-set that place the experience of the end user above all. This form of design isn't concerned chiefly with how good something looks, but, rather, how well it works for ordinary consumers.

I'm a venture investor and was a Silicon Valley entrepreneur. But I started my career as a product designer at IDEO in the '90s, when as Mr. Mossberg puts it, "engineers weren't designing products for normal people." I largely credit designers for bringing the needs and desires of everyday users to the development of new tech products. Engineers tend to focus on sheer technical limits: what can be done. But designers are preoccupied with what should be done. In other words, whether they're building things that solve actual problems or fulfill real wants.

Over the past two decades, advances in computing power have met typical users' speed and reliability needs, and the means to launch products have grown better and more affordable. As a result, design is now the differentiator—and the driving force behind billion-dollar companies.

Apple is the canonical example. The iPod was not the first MP3 player; the iPhone was not the first smartphone. Nor did many of the underlying technologies originate with these devices. In other words, they weren't technical breakthroughs. Rather, they were brilliant syntheses of engineering and emotion. They were design breakthroughs—instances of creative need-finding and human-attuned problem solving. And they raised consumer expectations for technology, ushering in a new era of innovation.

Witness how the industry has embraced design in the last several years: Google has invested heavily to reinvent itself as a design-centric business. Incumbents like Samsung, General Electric and IBM have spent hundreds of millions to build in-house design studios with thousands of designers. Dropbox might've been an uninspiring file storage offering—a dumb bucket—but instead it distinguished itself with seamless integration across devices. Slack, through its design, used familiar technology to create a better team-messaging experience.

Why hardware and software have become so much easier to use since the 1990s.

The last two examples are emblematic of a seminal development in the entrepreneurial ecosystem. Slack and Airbnb—like Pinterest, Instagram and Kickstarter—are recent successes founded by designers, people who are devoted to the practice of building impeccably considerate technology. Design is the key to building the next great wave of companies. To compete seriously on design, startups must make it central to their strategy from the beginning.

Like other commentators, I think we're entering the age of "ambient computing," when personal technology will become invisible and omnipresent. Augmented reality, artificial intelligence, robotics, drones, the Internet of Things, and other nascent tech will fade into the background of our lives. Technology will no longer come in the form of gadgets. Instead, as Mr. Mossberg predicts, "it'll be about actual experiences, with much less emphasis on the way those experiences get made."

In this new era, design will be ever more critical to how we build and use our technology. The 21st century will be the century of the designer founder, when core value for businesses is created by entrepreneurs who have a deeper, more intuitive sense for the human condition.

Mr. Vassallo is general partner at Foundation Capital and author of "The Way to Design" (Foundation Capital).

Kill the Filibuster Before It's Too Late

By Andy Biggs

The greatest obstacle blocking Republicans from fulfilling our agenda is not manufactured outrage about Russians. It's the Senate filibuster, the 60-vote threshold to suspend debate that prevents most bills from making it to the floor.

For years, my fellow Arizonan Rep. Trent Franks has condemned the 60-vote rule, arguing that it stops too many bills already passed by the House from becoming law. President Trump has now joined the chorus of filibuster critics as he watches his agenda languish. Republicans should consign the 60-vote rule to history—or risk throwing away their agenda along with their congressional majority.

The filibuster forces the majority into awkward legislative maneuvers. Take the GOP's plan to repeal and replace ObamaCare through the Senate's reconciliation process. The way it works is that once a budget is passed, a follow-up bill gets one chance to be reconciled in the Senate with only 51 votes. So first the House had to pass a faux budget, to make reconciliation available. Then House leaders tried to stuff as much ObamaCare replacement in one bill as they thought Senate rules would allow. The result of these wild procedural manipulations was a legislative train wreck that—at least temporarily—has halted progress toward the central Republican goal.

Bills pass the House, only to die of neglect in the Senate.

But that's only the beginning of what the filibuster thwarts. The House has already passed more than 200 bills this year, including legislation to repeal Dodd-Frank and strengthen immigration enforcement. All that legislation is parked in the Senate because even getting a vote effectively requires 60 ayes. The only conclusion is that the Senate is controlled by the minority party. Eight Democrats trump the Republican majority.

Another downside is that the filibuster rule shields senators from the responsibility of taking hard votes. They can play both sides of an issue by claiming to support a bill they know will never meet the 60-vote threshold. The filibustering senators get to bask in the glory of success without any risk, since they can squash the legislation without having to vote against it.

The reason Republican senators don't want to eliminate the rule is that they fear that they will one day return to the minority. Additionally, there is an ostensible "gentlemen's agreement" that says neither party will use its majority to repeal the 60-vote rule. But Democrats and Republicans alike have skirted that agreement when they thought it was necessary.

In 2013 Democrats dispensed with the filibuster for most nominations. Republicans did the same earlier this year when they confirmed Neil Gorsuch to the Supreme Court. Now Republicans should finish the job and repeal the 60-vote rule for legislation. If they don't, they can be sure Democrats will seize the opportunity to do so when they return to power.

The torments of the ObamaCare repeal process can be ultimately traced to the filibuster. That the "skinny repeal" bill, which needed only a simple majority, also failed does not change the fact that Republicans wasted months on procedural wrangling trying to make reconciliation work.

Yet critics of the filibuster are still voices in the wilderness. The tragedy is that President Trump is watching his agenda be derailed by his supposed allies in the Senate. Republican lawmakers worry what might happen when they fall back into the minority. Unless they repeal the 60-vote rule and pass the GOP agenda, they will find out sooner rather than later.

Mr. Biggs, a Republican, represents Arizona's Fifth Congressional District.

BOOKSHELF | By Tunku Varadarajan

The View From Below

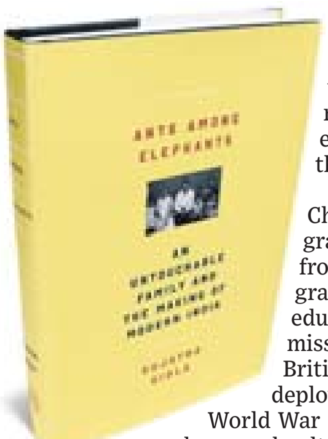
Ants Among Elephants

By Sujatha Gidla

(Farrar, Straus & Giroux, 306 pages, $28)

Before we turn to a remarkable family history, it may be worth highlighting a fact that the author chooses not to touch upon. Nowhere in "Ants Among Elephants," the story of an Untouchable family in India that spans most of the 20th century, does Sujatha Gidla explain that her first name means "woman of good caste" in Sanskrit. The omission is a tease, since she and her family are *mala*, among the lowliest in the caste system of Andhra Pradesh, a southern Indian state.

One suspects that Ms. Gidla's parents—her irrepressible mother in particular—called their daughter Sujatha as an act of defiance and subversion. How could it have been otherwise, given that the family's story is one of almost nonstop struggle against oppression by the "good castes"? Readers unfamiliar with the name's meaning might have found it enlightening to be told about this gesture of rebellion.



Ms. Gidla's family is Christian, her maternal great-grandfather having converted from Hinduism. Her maternal grandfather, we learn, was educated by Canadian Baptist missionaries. He joined the British Indian Army and was deployed in Mesopotamia during World War II, returning after the war to work as a schoolteacher in the family's native district—an impoverished, feudal and incorrigibly caste-ridden part of India. Ms. Gidla's distant ancestors, she tells us, had worked as bonded slaves for local landlords.

Only the castes that scavenge for carrion beef or collect people's excrement from dry latrines by hand are beneath the mala caste in this Hindu system—a hierarchy into which one is born and from which one can never quite escape, even after conversion to Christianity. But Ms. Gidla did break free. Having reached, improbably, the Madras campus of the Indian Institutes of Technology (India's equivalent of MIT), she traveled to America for graduate school at age 26. She is now 53 and is (perhaps dishearteningly) a conductor on the New York City subway system, having been laid off from a bank job in 2009.

By coming to America, Ms. Gidla says, she found her voice: "Only in talking to some friends I met here did I realize that my stories, my family's stories, are not stories of shame." Along with America's tolerance, she encountered its pickup lines. One time in a bar in Atlanta, she writes, "I told a guy I was untouchable, and he said, 'Oh, but you're so touchable.' "

The lowest members of the caste system are born into forms of misery and humiliation from which it is nearly impossible to escape.

Ms. Gidla's story is "subaltern" history, as academic theorists would call it: the story of a country told through the experience of its oppressed groups. Two narratives run through her tale. One, the more arresting—and frequently so painful that a reader has to pause for breath—is the account of her own kin, in which her grandfather, maternal uncle and mother are the main characters. The other is Ms. Gidla's version of political and historical events. This part of her narrative, it must be said, is often colored by her family's ideology, which spans the communist gamut from Leninist and Stalinist to Maoist and Naxalite (the Indian strain of armed revolution, which draws its name from the Bengali village of Naxalbari).

Ms. Gidla's grandfather Prasanna Rao was the font of the family's emancipation. She writes that, had he not "wanted too much for [the family's] own good," neither his children nor theirs would have been educated. He sent his three children to college, a feat unheard of among the mala of his generation. One of them, Ms. Gidla's mother, Manjula, became a university lecturer in political science. Another, Satyam, the author's uncle, eventually became a leader of the People's War Group, a Maoist-Naxalite terrorist outfit that wages an armed "liberation struggle" against the Indian state. (Ms. Gidla is careful, at the end of the book, to distance herself from his methods.) He was regarded by many as the Ho Chi Minh of India but was expelled from his party late in life because even its leaders couldn't abide his low caste. His upper-caste comrades "were known to leave small amounts of money in the bathroom to see if he would pocket it."

"Ants Among Elephants" may well be eye-opening not just for non-Indians—who will recoil in righteous horror from the intimate details of caste discrimination—but also for many Indians, for whom the lives of Untouchables take place out of sight. One reads of how Ms. Gidla's mother failed to get a first-class degree in history at the prestigious Banaras Hindu University only because a Brahmin professor, unable to stomach a highly intelligent Untouchable woman, gave her the lowest possible passing grade out of sheer casteist spite. She and her siblings, as children, could not enter the homes of their upper-caste classmates through front doors but had to be ushered in through the back; and when their playmates' fathers returned from work, the mala children were hustled out before they could be seen by adult eyes.

Debt, starvation, disease and wretched housing were constant factors in the lives that Ms. Gidla describes. Even when her grandfather was the only schoolteacher in a village, upper-caste residents wouldn't let him live in their midst. Students in high school and college, and even teachers, taunted both Satyam and Manjula for their origins. An upper-caste girl whom Satyam loved strung him along until, one day, she told him brusquely that they had no future together because of his caste. He did not sit in a car until he was a provincial party leader in his 30s. And even then "he felt too embarrassed to ride in the backseat. Instead he sat beside the driver . . . and pretended to be a repairman."

This is where Ms. Gidla's story is so precious—in its descriptions of how her family, and people like them, guarded their own humanity even as others denied it. The dignified Untouchable is a staple of progressive Indian literature, but in this book of nonfiction one reads of real people fighting real cruelty with real courage and grace.

Mr. Varadarajan is a fellow at Stanford University's Hoover Institution.

OPINION

REVIEW & OUTLOOK

The Morgan Whale That Got Away

Bankers haven't gone to jail because they haven't committed crimes.

Politicians and journalists have made careers of lamenting that too few bankers have been convicted of crimes. They overlook that, at least in America, to prove a crime you have to have enough evidence and that a mistake is not necessarily criminal. A case in point is the government's recent decision to drop all charges against two of J.P. Morgan Chase's former traders in the London Whale trading bust.

In 2012 J.P. Morgan's London-based Chief Investment Office ran up $6.2 billion in losses from bad derivatives bets. No customer funds were lost, and the bank posted a $5 billion profit in the second quarter of 2012. But the fiasco tarnished CEO Jamie Dimon's reputation and prompted outrage in Washington.

Senate Democrats issued a report accusing the bank of misleading regulators and investors. An internal bank analysis said management "failed to obtain robust, detailed reporting" and "appropriately monitor the traders' activity." Bank supervisors didn't perform due diligence, and Dodd-Frank's safeguards on risky behavior failed.

J.P. Morgan ultimately admitted to keeping some of its bad bets under wraps and paid $920 million to settle civil charges with banking regulators. Yet Justice continued to pursue a criminal investigation with the Financial Fraud Enforcement Task Force, a coalition of 20 federal agencies, 94 U.S. Attorneys and states that the Obama Administration formed to prosecute bankers. While Justice wrung billions of dollars out of banks to settle claims related to residential mortgage securities—J.P. Morgan paid $13 billion in 2013—progressives demanded scalps.

U.S. Attorney Preet Bharara struck a non-prosecution agreement with the former J.P. Morgan trader Bruno Iksil—the so-called London Whale who executed the bad bets—in return for his cooperation. Justice used Mr. Iksil's testimony to build a case against his colleagues Javier Martin-Artajo and Julien Grout, who were charged with conspiracy to falsify books and records, and wire fraud.

The traders' "lies misled investors, regulators, and the public, and they constituted federal crimes," Mr. Bharara said. "The difficulty inherent in precisely valuing certain kinds of financial positions does not give people a license to lie or mislead to cover up losses. . . . And that goes double for hand-somely-paid executives."

All of this made for nice political publicity, but it's not easy to prove that a company's employees "willfully and knowingly"—the standard for demonstrating criminal intent—misled investors. Especially when your chief witness has his own agenda. Earlier this year Mr. Iksil sent a letter to media outlets exalting himself as a whistleblower. He also announced a 400-page tell-all that essentially lays blame on everyone but himself, and he changed his story to blame Mr. Dimon and higher-ups without evidence to back it up.

In dismissing the charges against Messrs. Martin-Artajo and Grout, acting U.S. Attorney Joon Kim, who took over after Donald Trump fired Mr. Bharara in the spring, said that "based on a review of recent statements and writings made by Iksil, however, the government no longer believes that it can rely on the testimony of Iksil in prosecuting this case."

Prosecutors are often reluctant to walk back charges when presented with exculpatory or contradictory evidence, and Mr. Bharara was rebuked by federal judges for his Captain Ahab pursuit of Wall Street whales. So credit to Mr. Kim for pursing justice rather than headlines. Justice's failed prosecution underscores that most financial errors aren't crimes, not that progressives will admit it.

What Is Harvard Hiding?

Evidence of bias against Asian-Americans deserves legal scrutiny.

One microdrama last week came from a leaked document revealing that the Justice Department may staff up an investigation into "intentional race-based discrimination" in college admissions. The left is accusing Justice of dismantling racial preferences, though acceptance practices at elite universities deserve more scrutiny, particularly regarding Asian-American applicants.

In 2015 a coalition of more than 60 Asian-American groups filed a complaint with the Justice Department Civil Rights Division that alleges admissions discrimination at Harvard University, and the details are striking. In 1993 about 20% of Harvard students were Asian-American, and that figure has barely budged over two decades, even as the Asian-American share of the U.S. population has grown rapidly. Harvard's admitted class of 2021 is 22% Asian-American, according to data on the university's website, and the numbers are roughly consistent at Princeton, Yale and other Ivy League schools.

Compare that with California, where a 1990s referendum banned the state's public universities from considering race as an admissions factor. The share at University of California campuses at Berkeley and Los Angeles tops 30%, as the complaint notes. At the private California Institute of Technology, which by choice does not consider race as a factor, more than 40% of students were Asian-American in 2013, up from 26% in 1993.

Also notable is research on how much more competitive Asian-Americans must be to win entry into Harvard or other hallowed progressive halls. All else being equal, an Asian-American must score 140 points higher on the SAT than a white counterpart, 270 points higher than a Hispanic student and 450 points higher than a black applicant, according to 2009 research from Princeton sociologist Thomas Espenshade and co-author Alexandria Walton Radford.

Schools are allowed to consider race as a "plus" factor, and Supreme Court Justice Anthony Kennedy in recent years has muddied the legal standards, most recently in *Fisher v. University of Texas*. But the Asian-American disparities look like evidence of de facto admissions quotas that the High Court has explicitly declared illegal.

Harvard denies wrongdoing and has long said the university takes a "holistic" view of every applicant, which presumably includes whether an 18-year-old plays football or the piccolo. A lawsuit from the nonprofit Students for Fair Admissions makes similar allegations against Harvard, and discovery will be instructive.

The Justice Department has said its leaked document was merely seeking lawyers to consider the merits of the Asian-American complaint, and on all the available evidence the admissions books at Harvard and elsewhere are ripe for a closer look. If colleges are enforcing quotas on applicants merely because of their race or ethnicity, the term for that is familiar to progressive academics: institutional racism.

The United Auto Workers Lose Again

Nissan workers in Mississippi reject the union nearly 2 to 1.

The United Automobile Workers suffered another humiliation in the South last week as workers at a Nissan plant in Canton, Mississippi, voted in a landslide to reject union representation.

The nearly 2-to-1 defeat wasn't for lack of effort from the union, which spent years making the case to the workers in Canton. In 2011 then-president Bob King said that if the union failed to organize transnational auto makers like Nissan, "I don't think there's a long-term future for the UAW, I really don't." The union spent heavily and enlisted big-name supporters like Sen. Bernie Sanders, Democratic National Committee chair Tom Perez, and actor Danny Glover. It lost 2,244 to 1,307.

More than 80% of the workers at the Canton plant are black, and the UAW and its Democratic allies sought to exploit racial politics as much as economics. In an op-ed for the Guardian, Sen. Sanders claimed that union supporters were "connecting workers rights with civil rights," while Nissan was out to "exploit human misery and insecurity, and turn them into high profits." They claimed white supervisors favored white workers.

But the race-baiting fell flat in Canton, where for 14 years Nissan has provided solid blue-collar jobs, many of which require only a high-school education. One of the UAW's supporters told the New York Times last week that, before Nissan came to town, locals were stuck working in McDonald's for $7 an hour, so "this is the best thing that ever happened to them."

The plant's initial hires are now earning about $26 an hour, while newer recruits can earn up to $24. That's far more than the $16.70 average hourly production wage in central Mississippi. Nissan also offers retirement benefits comparable to other U.S. auto makers and up to 37 days a year of paid time off, including vacation and holidays. For the past two years workers have received a $4,000 annual bonus.

The Canton auto workers are also well aware of how escalating union demands and stifling work rules suffocated the Big Three U.S. car makers in Detroit. An indictment unsealed a week before the Canton vote alleges that the UAW's vice president teamed up with the top labor negotiator at Fiat-Chrysler to pilfer millions of dollars from a fund intended to train auto workers. That's not a good look when you're asking workers to hand over a chunk of their paychecks in union dues.

Trigger warning: Nissan didn't shrink from explaining to workers that unionization could strain the plant's global competitiveness. The UAW responded by accusing the company of threats and harassment, filing a ritual complaint with the National Labor Relations Board, which supervised the election. The NLRB could order a new election, but unions typically do worse the second time around.

The UAW's problem isn't unfair negotiating tactics. The reason the union hasn't been able to organize workers in the South, and the reason its ranks have shrunk by more than 75% in 35 years, is because most workers don't think a union has much to offer and will eventually put their jobs at risk.

LETTERS TO THE EDITOR

Trump Isn't the Cause of Democratic Woes

Regarding Ted Van Dyk's "The Democrats' Biggest Problem Is Cultural," this is only true because the programs they have advocated for decades are failing the people they claim to support and represent (op-ed, July 28). People are realizing the Democratic programs are antiquated and that their Democratic representatives are financially tied to the programs. Parents of children in failing schools witness their representatives, funded by the teachers unions, fighting desperately to resist charter schools or voucher programs (meanwhile demand for charter school seats in New York City is three times the available seats). Coal miners hear the Democratic Party leadership, beholden to the cult of environmentalism, bragging about eliminating their industry and their jobs.

Unfortunately, the Democrats blame their slogan rather than failing policies. Their new slogan "A Better Deal: Better Jobs, Better Wages, Better Future" is a nice message. However, until the Democrats can find policies that actually deliver on that slogan, they will continue to fail.

Glen Esnard
Newport Beach, Calif.

Nothing captures the mood of Trump supporters better than Mr. Van Dyk's statement that although "many probably sensed that chaos and fumbling would follow" they decided that "it was an acceptable price to pay to rid themselves of leaders who had forgotten them." Mr. Van Dyk could have added that chaos was the preferred choice of most Trump voters as they considered Washington culture and recognized that an orderly unwinding of the damage done by progressives and their leaders was not possible.

Trump supporters recognize that changing today's culture will take a generation of educational and patriotic attitude adjustments. The Trump vote was a choice between quick structural change and hoping that Washington elites, special interests, pompous politicians and Democratic coastal leaders one day return our nation to its rightful owners. The choice was easy.

Neil Wickersty
Ponte Vedra, Fla.

Mr. Van Dyk's commentary unfairly stereotypes today's Democrats based on the culture of the hippies 50 years ago. Specifically, he states that "Democrats must learn empathy for those who believe they are being mocked for working hard, going to church, serving in the military, and trying to instill moral standards in their children." Today's Democrats themselves work hard, many go to church or seek other spiritual outlets, serve in the military and try to instill moral standards in their children.

Rona Goodman
Quincy, Mass.

Blue-collar Democrats have fled the party since the 1960s for various reasons. Mr. Trump's unexpected election was the result of average people noticing the corruption of the Washington establishment and the media's participation in damaging the traditional institutions of family, church and the military. The media, in cahoots with left-wingers, have turned the once workingman's party of Truman and Kennedy into a politically correct party of "anything goes" social and cultural nihilists.

Yes, Mr. Trump might not be the long-term answer, but he isn't the reason for the Democratic Party's demise.

Joseph E Coffey
West Roxbury, Mass.

President Trump Was Elected to Clean House

It wasn't personalities, and it wasn't even policies that turned the 2016 election ("Capital Journal: Democrats Seek Openings in Trump Country," U.S. News, July 25). The result was a nonviolent revolt against the entrenched interests of the federal government. Voters are fed up with legislators who cannot pass any laws in the interest of the nation because they're owned by special interests, a judicial branch that makes up laws instead of interpreting them and bestows "rights" that are nowhere in the Constitution, and an executive branch that regulates the economy into oblivion.

Donald Trump won because he committed himself to take a baseball bat and clean house. Voters agreed to put up with his boorish, narcissistic personality because he promised to make drastic changes. Politicians and political observers are still clueless as to how much disgust there is over our dysfunctional government. I don't know what to expect if Mr. Trump doesn't deliver—but it won't be tamed by tweaking policies or nominating "likeable" candidates. Voters want change, which was Barack Obama's message, and when he didn't deliver, voters went to Mr. Trump.

Dennis Morrow
Bowie, Md.

Here's a suggestion: The Democrats should actually work with Republicans to pass realistic legislation for American citizens, stop the incessant anti-Trump rhetoric and pass health-care reform and tax cuts in a bipartisan manner. This would help restore our faith in Congress. Failure to do this will lead to calls for term limits and a fierce anti-incumbent vote in both parties.

Mike Fox
Sarasota, Fla.

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. 1). 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.

Class-Action Lawyers Win Big With Arbitration Rule

Ohio Sen. Sherrod Brown's Aug. 1 letter "The Arbitration Rule Saves Consumers From Big Banks" accuses Journal editorial writers of "carefully select[ing] statistics" to criticize the Consumer Financial Protection Bureau's recently finalized antiarbitration rule. But he's rather selective himself by failing to acknowledge that the new rule's biggest beneficiaries will not be allegedly cheated consumers but wealthy class-action lawyers who happen to comprise his party's most reliably generous campaign contributors.

More broadly, CFPB Director Richard Cordray and many other politicians insult all American consumers by suggesting we're incapable of managing our own affairs and instead need trial lawyers looking out for us.

Darren McKinney
Director of Communications
American Tort Reform Association
Washington

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Pepper ... And Salt

THE WALL STREET JOURNAL

"Behold the ten commandments of highly successful people."

OPINION

College Is Trade School for the Elite

By Allen Guelzo

Donald J. Trump has a degree from an Ivy League university—my alma mater, in fact—but he is not one of the Ivies' admirers. "We must embrace new and effective job-training approaches, including online courses, high school curricula, and private-sector investment that prepare people for trade, manufacturing, technology and other really well-paying jobs and careers," the president declared in March. "These kinds of options can be a positive alternative to a four-year degree."

Even education in the humanities has become vocationalized, though the transformation is subtle.

If ever an issue seemed assured of bipartisan support, you'd think it would be an initiative that helps connect workers with work. But up went the howls of injury anyway. "I'm worried that the idea of vocational education has become so popular," wrote David Leonhardt of the New York Times. "We shouldn't be promoting vocational education at the expense of general education." Instead, "expanding the number of four-year college graduates also deserves to be a national priority."

Maybe. Mr. Leonhardt is pitting vocational education against the ideals of higher education—independence of thought, breadth of knowledge and understanding. It's not hard to see how important these ideals are to a democracy, in which political sovereignty lies with the people at large. If the people are ignorant or fixed only on grubbing for a living, they may make awful—and irreversible—mistakes.

The problem is that so little of those ideals really operate in most of American higher education.

Judged by the catalogs, curricula and websites of American colleges and universities, American higher education already is vocational. The number of degrees in nursing, social work, education and the holy quartet of STEM—science, technology, engineering and mathematics—vastly outweighs those awarded in the humanities, which is where we're supposed to find the pure arts of thinking. One out of every five bachelor-level degrees is in business—which is to say, accounting, marketing, management and real estate—while one in 10 is in a health-related field.

Business and education lead the parade among master's-level degrees; the bulk of doctoral degrees are in medicine, law, biology and engineering. The highest-growth fields since 2008 have been homeland security, law enforcement, firefighting, parks, recreation, leisure and fitness studies.

Even education in the humanities has become vocationalized, although the transformation is subtle. Take almost any college or university literature department at random, and its faculty will be composed of people who have been trained in other college and university literature programs to be literature professors. History majors are, in department after department, seen—and taught—as future history professionals, whether in museums or colleges. Even in schools that still valiantly defend the virtue of a liberal arts education, much of it tends ineluctably toward professional formation, not breadth or understanding. Vocational training is what higher education has been doing without even realizing it.

PHIL FOSTER

I wonder if the real complaint about Mr. Trump's praise of vocational education is that his interest in the "wrong" vocations—"trade, manufacturing, technology"—and in the wrong places.

College-based vocationalism is still vocationalism; there's no intrinsic difference between peeling a spud and popping a vein. But it is a vocationalism of merit, defined by testing, credentials and cultural signaling. In this version of vocationalism, the four-year college experience becomes a path by which the talented and brainy are induced to abandon their neighborhoods, churches and families to become the next generation of staffers for multinational corporations and nonprofits. Either you arrive already equipped with merit (through your meritocratic parents and your meritocratic college-prep program) or you are cherry-picked to receive it, and thereafter spurn the base rungs by which you do ascend.

Why the meritocracy's college-based vocationalism should be considered superior to Mr. Trump's vocationalism has little to do with dollars and cents and a lot to do with the cultural imperialism of the meritocracy. Mike Rowe, creator of "Dirty Jobs" and "Somebody's Gotta Do It," was perplexed to find that even in the depths of the Great Recession small-business owners hung out "Help Wanted" signs in all 50 states, but couldn't find people to hire. Why? Because of "the stigmas and stereotypes that dissuaded people from exploring a career in the trades."

Everywhere, Mr. Rowe met with the blank convictions that "opportunity is dead" and "success can only occur if you purchase a four-year college degree." Tell that, he says, to the employers who have 5.6 million job openings that aren't in danger of being filled by robots.

Mr. Trump's determination to revive vocational education is a validation of varieties of work the meritocracy disdains. But meritocracy, as the cultural critic Christopher Lasch wrote, "is a parody of democracy." It promises advancement, but only for a few, and only at the expense of a common culture. By validating a real vocationalism, we might also arrive at a new revival of democracy, and even—who knows?—a true rediscovery of the humanities.

Mr. Guelzo is director of the Civil War Era Studies Program at Gettysburg College and a senior fellow of the Claremont Institute.

Europe's Taxes Aren't as Progressive as Its Leaders Like to Think

By Joseph C. Sternberg

The Germans specialize in devising pithy nicknames for tax problems. The "middle-class belly" describes the way in which Berlin's income-tax code applies steep marginal rates at lower incomes before leveling off—it looks like a protruding stomach on a graph. And now comes the "whale in the bathtub." It's the most serious problem of all, and an illustrative one for the rest of Europe.

Thanks to the VAT and 'insurance contributions,' the lower and middle classes pay and pay.

Europeans believe their tax codes are highly progressive, giving lower earners a break while levying significant proportions of the income of higher earners and corporations to fund generous social benefits. But that progressivity holds true only for direct taxes on personal and corporate income.

Indirect taxes, such as the value-added tax on consumption and social-security taxes (disguised as "contributions"), are a different matter. The VAT disproportionately affects lower earners, who spend a higher proportion of their incomes. And social taxes tend to kick in at lower income levels than income taxes, and extract a higher and more uniform proportion of income.

The result in Germany is a progressive system that isn't. If you looked only at the income tax, the headline rate varies by some 45 percentage points across incomes, from zero on incomes below €8,820 (about $10,500) to a high of 45% on incomes above €255,000 or so.

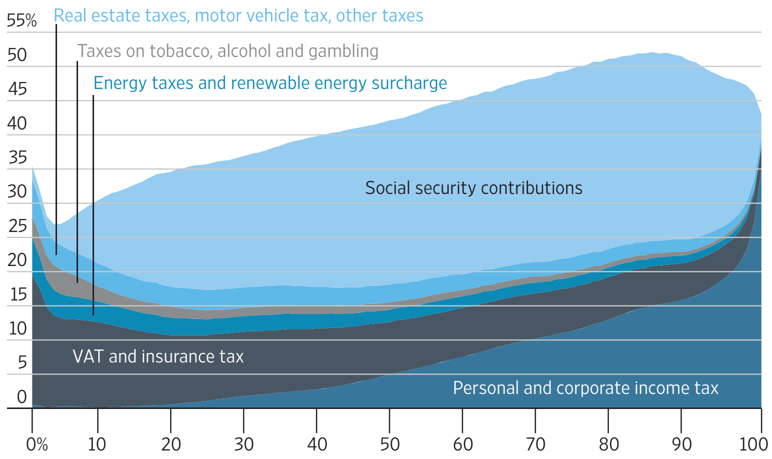
But if you look at the proportion of gross household income paid in all forms of tax, the rate varies by only 25 points. The lowest-earning 5% of households pay roughly 27% of their income in various taxes—mainly VAT—while a household in the 85th income percentile pays total taxes of around 52%, mostly in social-security taxes that amount to nearly double the income-tax bill.

Tax expert Stefan Bach at the German Institute for Economic Research has graphed this in a laborious process using survey data to estimate how the tax code affects households. The result is shown in the nearby chart. The striking feature is how irrelevant the personal income tax is, both in terms of the proportion of households that pay it and the proportion of household income it collects from those who do.

The real money is in the VAT and social taxes. The visual effect is very much like, well, a large marine mammal luxuriating in a bubble bath.

The German Whale in a Bathtub

Percentage of gross household income paid in tax, per income percentile



Source: German Institute for Economic Research (DIW)

THE WALL STREET JOURNAL.

Although this writer has yet to find similar graphs for other European countries, there's ample reason to believe Germany is not unique. The way German total revenues are split among income taxes, social taxes and the consumption tax is in line with the rest of Western Europe, as are its tax rates, according to OECD data. If other countries are more progressive than Germany, it's only because Germany applies its second-highest marginal income-tax rate of 42% at a lower level of income than most.

This amounts to further evidence that Europe is debating tax policy in the wrong way. Tax cuts have emerged as an issue ahead of Germany's national election next month, with both major parties promising various timid tinkers to the personal income-tax rate and exemptions. That's an important debate, since the income tax is often the vector for the sort of marginal change in incentives that affects household well-being and the tendency to work or invest more.

But it's not going to be enough if the goal is to use tax reform to create a significant change in either household consumption or saving. For that, you need to tackle indirect taxation. Mr. Bach, in a report published this week, argues that reducing Germany's top rate of VAT to 18% from 19% would deliver tax relief of €11 billion a year, mainly for households at the lower half of the income ladder.

Not gonna happen. The VAT and social taxes are too important to the modern welfare state. The great lie is that there are a) enough "rich people," b) who are rich enough, that c) taxing their incomes heavily enough can pay for generous health benefits and an old-age pension at 65. None of those propositions are true, and the third is especially wrong in an era of globally mobile capital and labor.

That leaves the lower and middle classes, and taxes concealed in price tags or dolled up as "insurance contributions" to obscure exactly how much voters are paying for the privilege of their welfare states. European politicians now generally understand the stimulative power of rate cuts on direct taxes. But reform of the indirect taxes that impose such a drag on European economies awaits a more serious discussion about the proper role of the state overall.

Until that debate happens, make room for the whale.

Mr. Sternberg is editorial page editor of The Wall Street Journal Europe.

An Obama Labor Ruling That Threatens Small Businesses

By Peter Schaumber

A top goal of President Obama's National Labor Relations Board was to make union organizing easier. With this objective in mind, the board subjected countless employers to unprecedented bargaining obligations and legal liabilities.

In 2015 the NLRB considered whether Browning-Ferris Industries, a recycling company, was an employer of workers provided by the staffing agency Leadpoint Business Services. Leadpoint hired and trained the workers, determined their wages, and retained direct and exclusive control over their supervision, discipline and termination. But if Browning-Ferris also was considered their employer, the company would have to bargain with the local Teamsters union and would become liable for Leadpoint's employment practices. The board ruled 3-2 that Browning-Ferris and Leadpoint were "joint employers."

According to a standard established in 1984, a joint employer had to have direct and immediate control over hiring, firing, supervising and directing employees. The NLRB found Browning-Ferris was a joint employer by changing the standard so that indirect control—mere influence over someone's employment—was enough. Such influence could manifest itself, for example, in provisions of the parties' staffing agreement that called for drug testing or performance standards.

Wrapping itself in the mantle of workers' rights, the NLRB claimed that complete bargaining would be impossible unless companies like Browning-Ferris were forced to the table. Never mind that Congress—undoubtedly aware of third-party business arrangements when it passed the National Labor Relations Act of 1935 and substantially amended it in 1947—defined an "employer" as a company that directly and immediately controls hiring and firing.

A principal target of the NLRB's decision is the franchise industry, with its nine million workers in 801,000 franchise operations, according to a September 2016 report from PricewaterhouseCoopers. A company sets operating standards for its franchisees to protect its brand, making them joint employers under the NLRB's new ruling. Instead of organizing franchise by franchise, unions will use a franchiser's newly minted liability for the unfair labor practices of its franchisees, engage in economic protest activity against it, and threaten similar skirmishes around the country, strong-arming the franchiser into agreeing to the unionization of all its franchises.

That's how the Service Employees International Union hopes to unionize McDonald's.

To avoid the risk of joint employer liability, companies will move away from using independent franchises to sell their products or engage in costly oversight of existing franchise operations. Buying a small franchise will become less attractive for entrepreneurs, and smaller companies that can't afford oversight costs will be driven out of business. A 2016 survey conducted by Frandata, a franchise-industry researcher, estimates that business failure, downsizing and the declining rate of new franchise business formation may result in the loss or failure to create as many as 600,000 jobs over two years.

The case rewrote decades-old law. It involved a contractor, but franchises may be even harder hit.

The NLRB's decision will be felt across the economy as companies like Browning-Ferris dispense with efficiency-boosting contractors. Small-parts manufacturers, security companies and janitorial agencies will find their services are no longer needed.

The Browning-Ferris decision is a carefully calculated effort to enhance union power, not a saintly attempt to help workers. Microsoft learned this firsthand. In 2015 a union representing one of its suppliers' employees filed a charge accusing the company of unlawfully refusing to bargain. The justification? Microsoft's social-responsibility initiative required large suppliers to provide 15 days paid annual leave to its employees. On the basis of the bare allegation that Microsoft was a joint employer, the NLRB's general counsel filed an intrusive discovery request on behalf of the union that the board refused to quash.

A challenge to the NLRB's decision is pending in the U.S. Court of Appeals for the District of Columbia Circuit. But the surest way to undo the Browning-Ferris decision is for Congress to pass the Protecting Local Business Opportunity Act, which reverts to the earlier standard of what constitutes a joint employer. President Trump's board could reverse the decision, but that would take time and could itself be reversed by another president's board.

A thriving economy needs the energy and job-creating capability of millions of franchises and other small businesses. When the NLRB's perceived constituency—the labor movement—controls the agenda, balance is thrown out the window, and a union's interests take priority over the nation's.

Mr. Schaumber, a former chairman of the NLRB, was appointed by President George W. Bush and served from 2002-10.

TECHNOLOGY: APPLE SMARTWATCH SLIPS LEASH OF IPHONE B4

Last Week: S&P 2476.83 ▲0.19% S&P FIN ▲1.76% S&P IT ▲0.40% DJ TRANS ▲0.55% WSJ $ IDX ▲0.25% LIBOR 3M 1.312 NIKKEI 19952.33 ▼0.04% See more at WSJMarkets.com

Value Loses Shine in Torrid Growth Era

Highfliers like Amazon are investor darlings as doubts mount over old investment style

By Steven Russolillo

Value investing is mired in one of its worst stretches on record, prompting concerns that the investment style favored by generations of fund managers is losing its effectiveness.

Value stocks, those that are cheaper than many peers relative to earnings or reported net worth and are typically purchased by fund managers anticipating long-term appreciation, have significantly lagged behind their growth-stock counterparts so far this year, compounding a gap that has persisted since the end of the financial crisis.

Instead, investors have gravitated toward companies with fast earnings or price growth, such as **Amazon.com** Inc., **Netflix** Inc. and **Tesla** Inc., and the market's price/earnings ratio has continued to rise—a trend that many value investors contend can't continue forever.

Stocks that look cheap relative to traditional fundamental metrics such as profit or cash flow have fallen so far out of favor that Goldman Sachs in June questioned whether the markets are witnessing the death of value investing. With value investments in Europe and Asia also struggling, value funds globally are on track to post their worst performance this year relative to growth funds since before the financial crisis.

The struggle for value stocks over such a prolonged period contradicts the popular investment approach coined by financial analyst Benjamin Graham, known as the father of value investing, and since popularized by Warren Buffett. The billionaire investor and **Berkshire Hathaway** Inc. chairman has attracted a legion of followers who remain confident that value investing will never go out of style.

From the Great Depression to the U.S. tech bubble to the global financial crisis, the notion that a new paradigm would replace value investing has repeatedly occurred. Those predictions have almost always ended poorly.

While value investing appears to have lost some luster now as the so-called FAANG stocks—**Facebook** Inc., Amazon, **Apple** Inc., Netflix and Google parent **Alphabet** Inc.—have surged in value, the most steadfast devotees to value-style investing are often the ones that benefit most in market downturns.

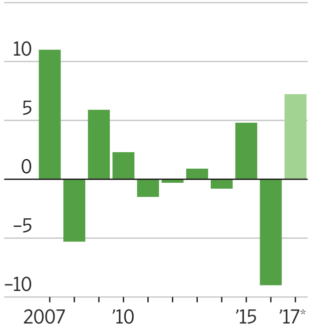
The market's attraction to highflying stocks punished value investors in a similar fashion in the late 1990s during the dot-com bubble. Growth stocks beat their value peers toward the end of two major bull markets that peaked in 2000 and 2007, before large market selloffs reversed the trend, putting value stocks ahead.

Some investors today worry that the longer growth stocks are viewed as nearly invincible, the worse the likely pullback will ultimately be. "The super-stocks that lead a bull market inevitably become priced for perfection," said Howard Marks, the co-founder of Oaktree Capital Management who correctly estimated

Please see VALUE page B2

Changed Landscape

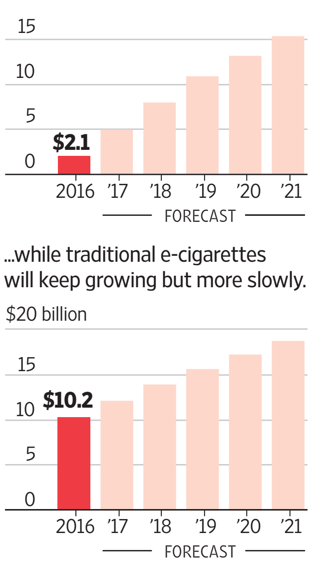
Spread each year between the median growth- and value-fund performance in U.S., Europe and Asia combined



*Through June 30 Source: eVestment
THE WALL STREET JOURNAL.

Lighting Up

Global sales for heat-not-burn devices are forecast to climb...



KIYOSHI OTA/BLOOMBERG

Source: Euromonitor
THE WALL STREET JOURNAL.

Japan Tobacco's Ploom Tech device, using tobacco capsules, is one of the latest cigarette alternatives.

Smokers Feel Heat but Not the Burn

By Saabira Chaudhuri

Big Tobacco is working on its next act, as cigarette sales decline around the world and once-breakneck growth from the first wave of e-cigarettes fades.

Three of the world's biggest tobacco firms are rolling out new, electronic tobacco-heating devices they say are healthier alternatives to traditional smoking, but feel more like puffing on a real cigarette. That is a sensation many smokers complain is missing from the wide array of electronic cigarettes currently on the market.

INDUSTRY FOCUS

None of the new heat-not-burn devices—which heat real tobacco instead of the nicotine concoction typical in most e-cigarettes—are available yet in the U.S., but that may be changing soon.

Last month, the Food and Drug Administration indicated it would take a friendlier approach to cigarette alternatives as a mechanism to help smokers shift to safer options.

"In just the last few years, we've seen the advent and adoption of new product categories that may be able to deliver nicotine without having to burn tobacco," said FDA Commissioner Scott Gottlieb.

Philip Morris International Ltd. is seeking FDA approval for a heat-not-burn device called IQOS. Through a partnership with Philip Morris, **Altria Group** Inc.—once part of the same company—hopes to sell IQOS under the Marlboro brand in the U.S., one of the industry's most profitable markets. It also hopes to market the product as safer than cigarettes—a health claim that must be approved by the FDA.

British American Tobacco PLC plans to apply next year for FDA approval to sell its tobacco-heating device, Glo.

Some early success overseas is raising hope among investors and analysts that the "heat-not-burn" category could give Philip Morris, BAT and others a fresh lease on life.

For years, cigarette makers have been able to raise prices to make up for falling volumes. But executives know that can't last forever, and big tobacco firms have been scrambling to come up with alternatives.

For Philip Morris, the stakes are high. Unlike rivals BAT and **Japan Tobacco** Inc., which have rolled out an array of cigarette alternatives, Philip Morris has directed most of its efforts at IQOS, opening dedicated stores in cities like London and Tokyo to sell the device.

Makers of heat-not-burn devices claim such products are healthier than cigarettes, but to a lesser extent than e-cigarettes. The e-cigarettes currently on the market typically heat a liquid to create a nicotine-laced, inhalable vapor. Tobacco firms have rolled out their own versions, including "cigalike" products that look like old-fashioned cigarettes. So have hundreds of smaller competitors, many of which have concentrated on

Please see HEAT page B2

MetLife's Former Insurance Unit Has Tough Task Ahead

By Leslie Scism

Shares of **Brighthouse Financial**, **MetLife** Inc.'s spun-off insurance operation, will begin trading on Monday in the industry's latest response to nearly a decade of ultralow rates.

Brighthouse is built around MetLife's historic core selling life insurance to U.S. households. In recent decades, the unit grew to be one of the nation's biggest sellers of retirement-income annuities to consumers. But the ultralow interest rates ushered in by the global financial crisis of 2008 have hurt the profitability of these products.

The concept behind the spinoff is simple: For MetLife, the goal is a higher share valuation once the company is freed of slower-growing operations and facing less pressure from low interest rates. For Brighthouse, the hope is that by "standing on its own two feet, being smaller, more nimble," the firm can perform better, said MetLife Chief Executive Steve Kandarian during an interview.

"We think MetLife has good risk-management, but now Brighthouse has to function on its own," said Deep Banerjee, a credit analyst with **S&P** Global Ratings. "How will it execute as an independent insurer?"

After the Brighthouse spinoff, roughly 40% of MetLife's business will be international life insurance, which is less affected by low rates than in the U.S. MetLife also will continue selling insurance and pension products to employers, and it is keeping an asset-management unit and some other operations.

Brighthouse must first win the confidence of independent brokerage firms, financial advisers and outside agent groups to sell its products, analysts said. In a move that reduced costs, MetLife last year sold its agent network to Massachusetts Mutual Life Insurance Co.

Brighthouse Chief Executive Eric Steigerwalt said the new company is in a good position to make sales.

"We've kept the vast majority of our distributor relationships" from the MetLife years, he said. Brighthouse also will sell annuities through MassMutual's enlarged sales force.

Low interest rates depress the income earned by insurers such as Brighthouse.

Mr. Steigerwalt's team is a mix of experienced MetLife managers and new hires. The company has agreements with MetLife for such things as call centers and investment management.

"Over the next couple years, we will transition off of the MetLife agreements," he said.

Brighthouse also will have a large segment of "runoff"

Please see SPINOFF page B2

INSIDE

GOOGLE SLAMS MEMO FOR GENDER BIAS

WORKPLACE, B3

HEDGE FUND SEES OPENING IN COMMODITIES

INVESTING, B9

KEYWORDS | By Christopher Mims

Electric-Car Hurdle: Not Enough Chargers

It's the dawn of the age of the electric vehicle. For real, this time. Probably.

The evidence: Tesla's delivery of its first "affordable" compact sedans, the Model 3, and the road maps of more or less every other auto maker on the planet promising widely available electric cars in the next three to five years.

Within a decade, electric cars will even have sticker prices similar to their gasoline competitors, says Stephen Zoepf, executive director of the Center for Automotive Research at Stanford. Some analyses say EVs are already cost-competitive, if you factor in savings on fuel and maintenance.

Aggressive pricing and sales projections are all part of the seemingly self-fulfilling prophecy of rapid EV adoption. To hit Chief Executive Elon Musk's targets, Tesla must sell 430,000 cars by the end of 2018 and continue to sell 10,000 a week after that.

But if Tesla and its competitors succeed, they face a new problem: Where are all those cars going to plug in?

At present, electric cars represent only about 1% of cars sold in the U.S., and 0.2% of our total automobile fleet. They aren't yet taxing our electrical grid or fighting each other for the roughly 44,000 public charging stations now available in the U.S. Yet, if anything like analysts' projections come to pass, they could rapidly dwarf that number.

Electric-car owners now overwhelmingly charge at home. What public stations exist are found in parking lots and at businesses in cities and wealthy suburbs where early adopters reside. But the current charging infrastructure offers little support for a larger pool of people who have both the income and the impetus to buy EVs: city

Please see MIMS page B4

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

BUSINESS & FINANCE


SCOTT EISEN/GETTY IMAGES

The 30-megawatt Block Island wind farm in Rhode Island cost $300 million to complete.

Offshore Winds Give Lift To Energy-Supply Firms

By Erin Ailworth

THE WEEK AHEAD

For more than three decades, **Gulf Island Fabrication** Inc. has built foundations to anchor offshore-oil platforms to the ocean floor. Now, as lower oil prices take a bite out of that business, it is trying to turn that expertise into an edge in a new business: offshore wind.

The Houston-based company—which recently built the foundations for the first U.S. offshore wind farm, near Rhode Island—is one of many oil-and-gas industry suppliers seeking to diversify into offshore wind, as 18 wind projects are proposed for the nation's waters.

Surveyors who take samples from the sea floor to find safe places for oil and natural-gas platforms are doing the same for future wind farms. Companies that furnish vessels to transport supplies to offshore drilling sites are retrofitting them to carry wind blades and other parts.

For energy-services companies, finding new revenue streams is crucial as oil and gas from onshore shale formations flood the market. Over the past three years, the number of rigs drilling for oil and gas in the U.S. Gulf of Mexico has dropped by roughly 75%, to 16 rigs on Friday from 63 in late August 2014.

The 30-megawatt Block Island wind farm in Rhode Island cost $300 million to complete. Many of the other projects proposed in the U.S. are larger and would require hundreds of millions to billions in investment.

The know-how needed to build offshore-wind farms is similar enough to putting up a drilling platform that conference organizer PennWell Corp. is bringing companies from the two industries together in Houston for a two-day confab starting Wednesday.

"We are one of the largest offshore foundation companies," said Roy Francis, a senior vice president of business development at Gulf Island, which employs 1,000 people. "If you look at this [wind] industry, they are calling for hundreds of foundations in the territorial waters of the U.S."

The development of a domestic supplier network is crucial to the build-out of offshore wind projects in the U.S., which are more expensive than similar projects in Europe, partly because they have to import important parts, such as turbine towers, from the other side of the Atlantic.

Offshore wind farms take years to complete, and all currently proposed in the U.S. are in the permitting and planning phases. Bay State Wind, a wind farm that developer **Dong Energy** A/S and New England utility **Eversource Energy** Co. are trying to build off the Massachusetts island of Martha's Vineyard, received federal approval in late June to deploy equipment to measure wave and wind speeds, for example, as it aims to deliver power in the early 2020s.

VALUE

Continued from the prior page

in January 2000 that tech and internet stocks were overheated and about to fall—two months before the dot-com bubble burst. "And in many cases, the companies' perfection turns out eventually to be either illusory or ephemeral."

The attraction to growth stocks, investors and analysts say, stems from the low interest rates, slow economic growth and mild inflation that have gripped the world. Central banks have been accommodative for so long that they have skewed conventional investor wisdom, analysts say, benefiting companies that can generate growth.

In the U.S., the Russell 1000 Growth Index beat its value-stock counterpart by 10 percentage points in the first half, the widest spread over that period since 2009. Over the past decade, the performance of U.S. growth stocks has been almost three times better than that of value stocks, contributing to what index fund giant State Street Global Advisors calls "the longest period of underperformance for value since the late 1940s."

Investors have pulled $116 billion from U.S. large-cap value funds over the past 10 years, according to Morningstar, with more than one-fourth of that outflow occurring over the past 12 months.

In Europe, the MSCI Europe Value index, which includes stocks with low valuations on metrics such as price/earnings and price-to-book ratios, gained 3% in the first six months of the year. The MSCI Europe Growth index gained 9% over the same period. The trend also holds true in Asia, where an MSCI regional value index underperformed its growth counterpart by 10 percentage points in the first half.

"In this low-inflation, low-growth world we've become accustomed to, investors are chasing anything that has growth tied to it," says Kelman Li, an analyst at Bernstein Research in Hong Kong. "When that happens, value suffers."

Many of the largest stocks in Asia with low price/earnings ratios have been among the worst performers this year, he said. Yet since 1990, value stocks have actually outperformed growth. Mr. Li calls this phenomenon a "historical paradox" for investors in Asia and emerging markets, who typically search for growth.

Goldman Sachs has questioned whether the death of value investing.

For now, "every market in Asia screens as overvalued," Mr. Li said. "The bias toward growth continues."

Value fund managers have felt the pinch. The median value fund around the world trailed the median growth fund by 7 percentage points in 2017's first half, on pace for the worst underperformance since 2007, according to eVestment. The data and analytics firm measured actively managed value and growth funds in the U.S., Europe and Asia—which collectively have $8.8 trillion in assets under management—and found that so far this year value funds have lagged behind growth in all three regions for the first time since 2010.

To be sure, much of value's underperformance could still be cyclical. "Sometimes value investing strategies will probably cease to work as investors flock to exploit them, yet it certainly does not follow that value investing as a whole will ever be out for good," Nobel Prize-winning economist Robert Shiller wrote in his book "Irrational Exuberance."

But for some who have practiced value investing throughout their careers, value stocks' time in the wilderness is starting to seem awfully long. "This time seems very, very different," longtime value investor Jeremy Grantham, the co-founder and chief investment strategist at Boston money manager GMO, wrote in a recent quarterly letter. In a follow-up note, he added that valuations have stayed richer for far longer than historical cycles have previously dictated. "As a value manager, I wish it were not so."

HEAT

Continued from the prior page

bigger, refillable vaporizers.

These devices have spread quickly, but once-torrid sales growth has cooled recently. In 2014, U.S. e-cigarette sales grew 130% year-over-year, according to Euromonitor International, a market-research firm. Last year, growth was 21%.

The slowdown is partly the natural consequence of a maturing market. But safety worries and regulatory hurdles, particularly in the U.S., have also curbed sales.

Another big impediment is customer satisfaction. Some users complain they aren't getting their blast of nicotine fast enough, or miss a real cigarette's "throat hit"—industry speak for what smokers say is the feeling of smoke traveling down the throat.

Philip Morris, BAT and Japan Tobacco are hoping they have solved the problem by going back to the tobacco leaf. Their devices heat—instead of burn—the ground leaf to deliver a nicotine vapor they say is safer than cigarettes. It also tastes and feels more like a real cigarette, these makers claim.

"The taste satisfaction is very important," said Philip Morris Chief Executive André Calantzopoulos. "The closer you are to this, the more chances you have to switch people."

BAT's Glo and Philip Morris's IQOS include a heating device for disposable, tobacco-packed "sticks" that look and feel like ordinary cigarettes. Japan Tobacco's Ploom Tech takes a more hybrid approach, using tobacco capsules through which vapor generated from liquid in a cartridge passes.

BAT's iFuse, another hybrid device, heats a nicotine-containing liquid into an inhalable vapor, which then passes through a tobacco section.

BAT's U.S. business, Reynolds American, briefly introduced in the 1980s a heat-not-burn product called Premier. In the 1990s, the company launched a similar product called Eclipse, which has been sold for years—but it hasn't gained traction and has very limited distribution.

Philip Morris is ahead of the pack. The company sells IQOS in over 25 countries. In Japan—where e-cigarette sales are heavily restricted—IQOS has lured enough smokers since launching nationwide last summer to account for about 10% of the overall cigarette market, according to the company.

"They absolutely have a first-mover advantage," said Euromonitor analyst Shane MacGuill. The new product is also expected to bolster the bottom line. Piper Jaffray analyst Michael Lavery estimates IQOS profit margins currently run about 30% to 50% higher than regular cigarettes. He says IQOS could contribute 15% of Philip Morris's profit by 2019.

Shareholders have taken notice. Philip Morris's stock has outperformed rival BAT, largely because of the success of IQOS.

Euromonitor expects the heat-not-burn sector to bring in $15.4 billion by 2021, and constitute 45% of the tobacco-alternatives market, up from 17% last year. E-cigarettes are expected to shrink from 83% of the current tobacco-alternative market to 55%.

But sales of cigarette alternatives still pale in comparison to cigarettes. Euromonitor expects tobacco heated products and e-cigarettes to make up just 3% and 4% of total cigarette market—excluding China—by 2021.

A question mark hangs over whether the products will get the green light in the U.S., while some are skeptical about safety. A May study by Swiss researchers found that IQOS released some of the same cancer-causing chemicals found in traditional cigarettes.

The authors called for more independent research to evaluate IQOS's health effects. In response, Philip Morris in June wrote a letter to top officials at the three Swiss institutions questioning the researchers' methodology.

—Jennifer Maloney contributed to this article.

Lighting Up

Tobacco companies are hoping to woo smokers with a new array of devices like IQOS that heat but don't burn tobacco.

Source: Philip Morris International Note: drawings are schematic THE WALL STREET JOURNAL.

SPINOFF

Continued from the prior page

business of contracts MetLife sold and Brighthouse is responsible for, but which aren't currently being marketed. Mostly, these are certain types of life-insurance policies.

U.S. life insurers' core business has long been under pressure. Sales of individual policies have been largely flat industrywide for nearly a decade, after falling more than 40% from the 1980s through 2008, according to industry-funded research group Limra.

Low interest rates depress the income insurers earn by investing customers' premiums until claims are paid. They also drive up the cost of hedging annuities' lifetime-income guarantees, and they make it tough to turn profits on products that guarantee specified annual interest.

MetLife isn't the only company taking action as low interest rates persist. In May, French insurance company AXA SA said it is planning an initial public offering of stock in its large U.S. operations. Manulife Financial Corp. is exploring a spinoff or IPO of its Boston-based John Hancock Financial Services unit, The Wall Street Journal reported last month.

But MetLife's decision is one of the starkest yet of life insurers grappling with low rates. Bankers, analysts and consultants say numerous other insurers are watching closely.

The spinoff is part of a "great restructuring of the global life-insurance industry," said Sean Dargan, director of life-insurance equity research at **Wells Fargo Securities**. "We expect other companies who focused on variable selling" these same products to explore divestitures, he added.

Buyers could be newer entrants backed by private-equity firms, he said.

In the short term, volatile trading is expected for Brighthouse as many MetLife shareholders sell their new shares because they won't be paying dividends.

The actual conversion took place late Friday, when MetLife common shareholders received one share of Brighthouse common stock for 11 MetLife shares. MetLife will initially hold on to about 20% of Brighthouse. In filings, it has said will dispose of the shares "as soon as practicable and within five years."

Janney Montgomery Scott analyst Larry Greenberg expects buyers to include investors who have been successful in buying shares of other spinoffs.

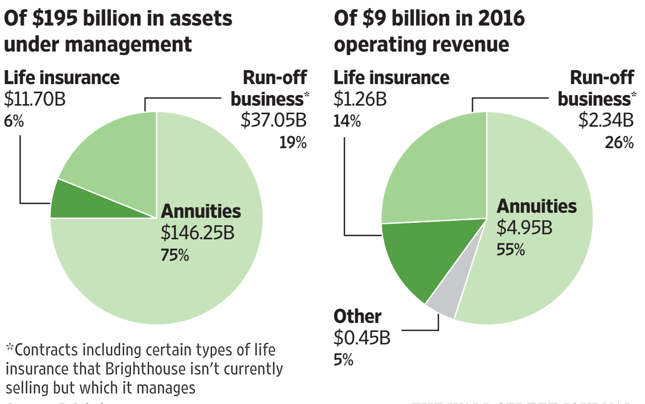
"Longer term, we think shares are most appropriate for value-oriented, patient accounts, or for investors who are looking to make a macro/capital markets call" on interest rates and the stock market's direction, he said. Many annuities are more profitable when markets are rallying.

Brighthouse has a book value—assets minus liabilities—of approximately $11 billion, depending on the calculation methodology. Some analysts expect it to trade at less than this book value, as is the case with rival Voya Financial Inc.

Brighthouse, which will be added to the S&P 500, is trading on the Nasdaq Stock Market. MetLife will continue on the New York Stock Exchange.

Bright Start

Brighthouse starts life with more than 2.7 million annuity contracts and life-insurance policies. Here's the breakdown of its business:



*Contracts including certain types of life insurance that Brighthouse isn't currently selling but which it manages

Source: Brighthouse THE WALL STREET JOURNAL.

Behind the Push for High-Price EpiPen

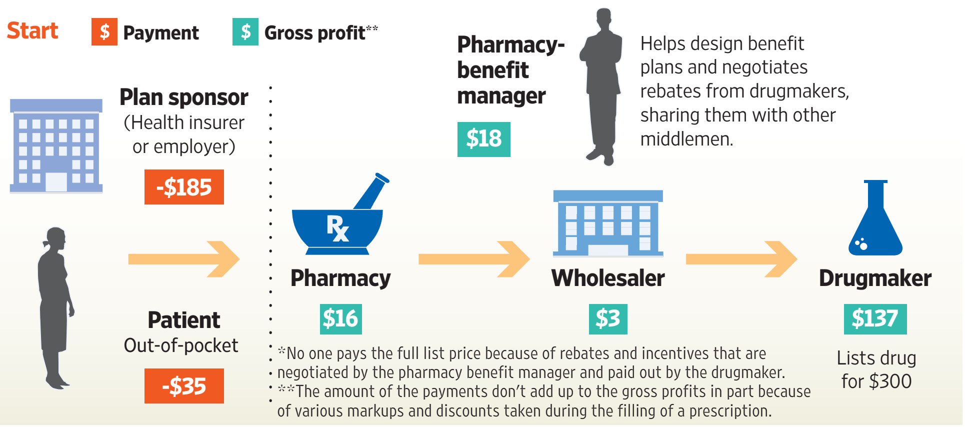
Middleman can profit from the sale of pricier medicines such as the branded allergy drug

By Jonathan D. Rockoff


MEGAN HALEY FOR THE WALL STREET JOURNAL
Alice Bers, right, got the branded EpiPen for son Michael, even though a doctor prescribed a generic.

Sharing the Wealth

Here is how profits are shared from a brand-name drug with a list price of $300*. Of the middlemen involved in the process, a pharmacy benefit manager gets the biggest gross profit of $18.



Sources: Pembroke Consulting; WSJ staff reports
THE WALL STREET JOURNAL.

Something strange happened when Alice Bers went to the pharmacy earlier this year to fill her son's EpiPen prescription: The doctor had prescribed the generic, but it would have cost her more out-of-pocket than the branded version.

So the pharmacy asked her son's doctor for a prescription for the brand-name EpiPen, and her health plan got a bill for $438.53, or $227.52 more than the generic would have cost it. Many EpiPen customers, from a range of different health plans, have wound up getting the more expensive brand.

"I couldn't believe how crazy our system is that it cost us less to get the brand name, while of course it cost our insurer more," Ms. Bers said.

The high cost of EpiPens was a red-hot controversy and target of congressional hearings last year, prompting the device's maker, **Mylan** NV, to introduce a lower-priced generic version of the emergency allergy treatment, and rivals to bring their own products to market.

But more than seven months after the introduction of the generic, the more expensive brand-name EpiPen still accounts for more than one-quarter of the market, according to Bernstein Research, even though a brand-name drug's sales usually shrink significantly after low-cost competition arrives.

One reason, according to multiple people familiar with the drug industry, is that a middleman can profit from the sale of pricier medicines, such as EpiPen. In the murky world of the U.S. drug-supply chain, higher prices can mean a bigger piece of the pie for middlemen such as pharmacy-benefit managers. There is no way to know exactly how much, however, because the amount a PBM makes is laid out in confidential contracts.

"The complexity in the system and lack of the right information available to buyers at the right time costs the country billions of dollars, unnecessarily," said Michael Rea, chief of executive of Rx Savings Solutions, which sells software to help patients and their employers choose the least-expensive medicines.

When Ms. Bers picked up an EpiPen two-pack in March, several companies beyond the drugmaker Mylan were involved in filling the prescription. These middlemen warehoused, shipped and handed over the drug. Overseeing it all was a pharmacy-benefit manager, or PBM.

Each was paid for their involvement. For a typical brand-name drug listing for $300, middlemen generally receive more than $37 in gross profit, according to Adam Fein, president of Pembroke Consulting, which advises drug companies on the drug-distribution business. A PBM gets the biggest share, $18.

PBMs have made a business, in part, out of keeping a lid on drug costs. The firms negotiate with drug companies on behalf of employers and health insurers to secure rebates and discounts meant to lower a drug's cost. And they help design benefit plans, including lists of preferred drugs known as formularies that can steer patients toward particular medicines via different levels of copays.

Yet it is unclear how much in savings the PBMs pass on to their customers or keep for themselves. PBMs typically don't reveal the rebates they negotiate even to their health insurer and employer clients.

Drugmakers and others in the industry also say that PBMs can profit from costlier drugs because that means bigger rebates. "Their incentives align more to a higher gross price and a higher discount than to truly reducing the cost to everyone involved, so there are questions whether they are actually driving lower cost," said Howard Deutsch, who advises drugmakers on working with companies involved in the drug-supply chain at ZS Associates.

Some PBM contracts prevent pharmacists from telling patients a drug's true cost or whether an alternative might be cheaper for them, said Kevin Schulman, a Duke University professor of medicine who has written about the intermediaries.

Pharmacy-benefit manager Express Scripts Holding Co. says PBMs don't benefit when prices are higher. "Rebates don't raise drug prices, drug companies raise drug prices," the company said.

Express Scripts says it does block use of the brand-name EpiPen in many health plans, but it covers both the brand and the generic in other plans to ensure there is enough supply. The company also says that plans like Ms. Bers's end up paying "very similar" sums for either product, after Mylan pays out all its rebates for the brand.

Express Scripts declined to reveal the sum of those rebates and how much it keeps for itself.

Consumers Point To Confusion Over Prescriptions

Several consumers, belonging to different health plans and with drug benefits administered by different pharmacy benefit managers, described refilling EpiPen prescriptions this year with the brand name even though a generic is available.

Consumers such as Alice Bers say a number of factors in the complicated health-care system seem to push them to the costliest version.

Ms. Bers's drug plan—administered by the PBM Express Scripts—has no incentive to favor the cheaper generic version of EpiPen over the brand name.

Her copay is the same either way: $30.

When she went to her local CVS pharmacy in March to replace a two-pack for her 17-year-old son that had expired, she wanted to use a coupon from Mylan to cover the copay. But the pharmacist said she couldn't use it for the generic, she says.

Ms. Bers says the pharmacy never told her that Mylan also offered copay help for its generic. That coupon would have covered only $25 of the $30 out-of-pocket cost for the generic, though—still incentivizing her to get the branded EpiPen. Drug companies routinely offer patients help with their copays. In Mylan's case, the company increased the assistance it provides after the furor over the EpiPen price.

Another consumer, Erin Morrow, also reports confusion over generic options. When Ms. Morrow, of Franconia, Pa., went to a local CVS pharmacy to pick up a prescription for her young son in April, she said she didn't know about the Mylan generic and the pharmacist didn't tell her one was available. Her plan paid $357.04 for the EpiPen Jr. two-pack. Later, a "health advocate" working for her employer told her that she could have gotten the generic, which would have cost her plan $81.54. Ms. Morrow said her health plan began limiting the coverage to Mylan's generic and a rival product, starting July 1.

CVS Health Corp. said it aims to make sure patients get a prescription costing them the least out-of-pocket expense, and almost 60% of its patients are using a generic alternative to EpiPen, which will save patients and health plans more than $250 million this year.

CVS said that its pharmacists "do not have information readily available" about how much a health plan will be charged for a prescription or an alternative.

Google's Diversity Chief Criticizes Employee's Memo

By Jack Nicas

Google's new diversity chief criticized the contents of an employee's memo that went viral inside the company for suggesting Google has fewer female engineers because men are better suited for the job.

Danielle Brown, Google's vice president for diversity and inclusion, sent a letter to employees Saturday saying the employee's memo "advanced incorrect assumptions about gender" and is "not a viewpoint that I or this company endorses, promotes or encourages," according to a copy of the statement published by Motherboard, which earlier reported on the employee's memo.

The Google employee argued company initiatives to increase diversity discriminate against some employees, and that a liberal bias among executives and many employees makes it difficult to discuss the issue at Google, a unit of **Alphabet** Inc., according to a copy of the memo published by Gizmodo.

Some Google employees denounced the memo on Twitter, and Motherboard reported it was being shared widely among staff. That backlash drew a response from Ms. Brown, who joined Google in late June.

The worker suggested Google has fewer female engineers because men are better suited for job.

"Given the heated debate we've seen over the past few days, I feel compelled to say a few words," she said in the statement. "Diversity and inclusion are a fundamental part of our values and the culture."

When reached for comment, a Google spokesman referred to Ms. Brown's statement and an additional statement posted online by Google engineering executive Ari Balogh, one of the managers of the employee who wrote the memo. Mr. Balogh wrote 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 controversy over the memo comes as the tech industry struggles with gender and diversity issues. Many tech companies have admitted a majority of their employees are white or Asian men, particularly in technical and leadership roles. Some tech companies and investors have faced a string of sexual-harassment scandals.

For its part, Google is pushing back against a Labor Department investigation into its pay practices that spilled into court recently.

The Labor Department in January sued Google for more compensation data as part of a routine audit into the company's pay practices, a probe that is possible because Google provides advertising and cloud services to the federal government. Last month a judge ruled Google had to turn over a narrower set of data than what the department sought, saying that the request was too broad and invaded Google employees' privacy.

During the case, a Labor Department official testified investigators found evidence that Google systematically pays women less than men.

Google has denied the accusations, 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.


NOAM GALAI/GETTY IMAGES FOR TECHCRUNCH
Danielle Brown called diversity and inclusion fundamental.

Auto Workers Reject Union in Mississippi


ROGELIO V. SOLIS/ASSOCIATED PRESS
'NO' VOTE: Reaction to a vote at a Nissan plant in Canton, Miss., that rejected forming a union. Nissan and UAW representatives said that 2,244 workers, or 62%, cast ballots against the UAW.

New Apple Watch Frees It From iPhone

BY TRIPP MICKLE AND RYAN KNUTSON

Apple Inc. is planning to introduce a smartwatch this year capable of connecting to cellular networks, according to people familiar with the matter, marking the first step in liberating the device and possibly consumers from their iPhone dependency.

The new Apple Watch would have LTE capabilities similar to the data connection on a phone, which could allow it to access data, send and receive texts and make phone calls, the people said. Currently, the Apple Watch must be paired with an iPhone and use Bluetooth or Wi-Fi to transmit data and texts.

The cellular-enabled Apple Watch expected later this year would be available from all major U.S. carriers, the people said. It would likely be rolled into existing wireless plans for an additional monthly charge, similar to how data connections for tablets are sold today.

An Apple spokeswoman declined to comment. Bloomberg first reported the new watch on Friday.

The new Apple Watch is part of Apple's plan to begin introducing a new smartwatch every other year, just as it does with the iPhone, one of the people familiar with the matter said. This fall would be the first iteration of the watch under the new release schedule. The first Apple Watch was released two years ago.

Apple Chief Operating Officer Jeff Williams has been pushing for cellular connection on the Apple Watch since before its launch, the person said. However, its development has been challenged by issues related to the quality of cellular reception and other complications that come with such a small device.

"They're going to have to increase the battery significantly, and it's going to get bigger to provide more power," said Patrick Moorhead, a technology analyst with Moor Insights & Strategy. "It's a very hard thing to do because it's so small."

An LTE connection in the Apple Watch is good news for carriers, as the new connections could help pad subscriber counts and bring in new revenue. Carriers relied on tablets in past years to juice subscriber numbers, but many consumers canceled their tablet cellular connections after their contracts expired, resulting in customer losses. A connection on an Apple Watch may prove more useful, however, and therefore less likely to result in cancellations.

The new watch could help Apple regain its lead in the so-called wearables category. The iPhone maker shipped 2.8 million smartwatches world-wide in the second quarter but ceded top place to Xiaomi Corp., which shipped 3.7 million fitness trackers during the period, according to Strategy Analytics, a market research firm.

The Apple Watch has increased sales since it added a GPS chip last year that allows owners to track their runs, swims and other fitness activity without needing a phone. The LTE functionality would likely add more momentum to sales and could allow people to leave their phones behind, relying exclusively on the Apple Watch and the company's wireless headphones, AirPods, that were introduced last fall, said Mr. Moorhead.

The company said Apple Watch sales rose 50% in the quarter ended in June. However, it hasn't broken out sales of the product. In May, Chief Executive Tim Cook said watch and headphone sales combined for the year ending in March would equal about $5 billion.


ANDREY RUDAKOW/BLOOMBERG NEWS

A cellular-enabled version of the watch is expected later this year.

DANIA MAXWELL/BLOOMBERG NEWS

Public charging stations that exist are in parking lots and at businesses in cities where early adopters live.

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BANKRUPTCIES

IN THE UNITED STATES BANKRUPTCY COURT FOR THE SOUTHERN DISTRICT OF TEXAS HOUSTON DIVISION

In re:	)	Chapter 11
GENON ENERGY, INC., et al.,[1]	)	Case No. 17-33695 (DRJ)
Debtors.	)	(Jointly Administered)

NOTICE OF DEADLINES FOR THE FILING OF PROOFS OF CLAIM, INCLUDING REQUESTS FOR PAYMENTS UNDER SECTION 503(B)(9) OF THE BANKRUPTCY CODE

THE CLAIMS BAR DATE IS SEPTEMBER 15, 2017
THE GOVERNMENTAL CLAIMS BAR DATE IS DECEMBER 12, 2017

PLEASE TAKE NOTICE OF THE FOLLOWING:

Deadlines for Filing Proofs of Claim. On June 15, 2017, the United States Bankruptcy Court for the Southern District of Texas (the "Court") entered an order (the "Initial Bar Date Order" and together with the Agreed Bar Date Order (as defined herein), the "Bar Date Orders") establishing certain deadlines for the filing of proofs of claim, including requests for payment under section 503(b)(9) of the Bankruptcy Code, in the chapter 11 cases of the following debtors and debtors in possession (together, the "Debtors"). On August 2, 2017 the Court entered an order (the "Agreed Bar Date Order") affirming the dates established by the Initial Bar Date Order: The following provides the Debtor name and Case number: GenOn Energy, Inc., 17-33695 (DRJ); GenOn Americas Generation, LLC, 17-33696 (DRJ); GenOn Americas Procurement, Inc., 17-33694 (DRJ); GenOn Asset Management, LLC, 17-33697 (DRJ); GenOn Capital Inc., 17-33698 (DRJ); GenOn Energy Holdings, Inc., 17-33699 (DRJ); GenOn Energy Management, LLC, 17-33700 (DRJ); GenOn Energy Services, LLC, 17-33701 (DRJ); GenOn Fund 2001 LLC, 17-33702 (DRJ); GenOn Mid-Atlantic Development, LLC, 17-33703 (DRJ); GenOn Power Operating Services MidWest, Inc., 17-33704 (DRJ); GenOn Special Procurement, Inc., 17-33705 (DRJ); Hudson Valley Gas Corporation, 17-33706 (DRJ); Mirant Asia-Pacific Ventures, LLC, 17-33707 (DRJ); Mirant Intellectual Asset Management and Marketing, LLC, 17-33708 (DRJ); Mirant International Investments, Inc., 17-33709 (DRJ); Mirant New York Services, LLC, 17-33710 (DRJ); Mirant Power Purchase, LLC, 17-33711 (DRJ); Mirant Wrightsville Investments, Inc., 17-33712 (DRJ); Mirant Wrightsville Management, Inc., 17-33713 (DRJ); MNA Finance Corp., 17-33714 (DRJ); NRG Americas, Inc., 17-33715 (DRJ); NRG Bowline LLC, 17-33716 (DRJ); NRG California North LLC, 17-33717 (DRJ); NRG California South GP LLC, 17-33718 (DRJ); NRG California South LP, 17-33719 (DRJ), NRG Canal LLC, 17-33720 (DRJ); NRG Delta LLC, 17-33721 (DRJ); NRG Florida GP, LLC, 17-33722 (DRJ); NRG Florida LP, 7-33723 (DRJ); NRG Lovett Development I LLC, 17-33724 (DRJ); NRG Lovett LLC, 17-33725 (DRJ); NRG New York LLC, 17-33726 (DRJ); NRG North America LLC, 17-33727 (DRJ); NRG Northeast Generation, Inc., 17-33728 (DRJ); NRG Northeast Holdings, Inc., 17-33759 (DRJ); NRG Potrero LLC, 17-33729 (DRJ); NRG Power Generation Assets LLC, 17-33730 (DRJ); NRG Power Generation LLC, 17-33731 (DRJ); NRG Power Midwest GP LLC, 17-33732 (DRJ); NRG Power Midwest LP, 7-33733 (DRJ); NRG Sabine (Delaware), Inc., 17-33734 (DRJ); NRG Sabine (Texas), Inc., 17-33735 (DRJ); NRG San Gabriel Power Generation LLC, 17-33736 (DRJ); NRG Tank Farm LLC, 17-33737 (DRJ), NRG Wholesale Generation GP LLC, 17-33738 (DRJ); NRG Wholesale Generation LP, 17-33739 (DRJ); NRG Willow Pass LLC, 17-33740 (DRJ); Orion Power New York GP, Inc., 17-33741 (DRJ); Orion Power New York LP, LLC, 17-33742 (DRJ); Orion Power New York, L.P., 17-33743 (DRJ); RRI Energy Broadband, Inc., 17-33744 (DRJ); RRI Energy Channelview (Delaware) LLC, 17-33745 (DRJ); RRI Energy Channelview (Texas) LLC, 17-33746 (DRJ); RRI Energy Channelview LP, 17-33747 (DRJ); RRI Energy Communications, Inc., 17-33793 (DRJ); RRI Energy Services Channelview LLC, 17-33748 (DRJ); RRI Energy Services Desert Basin, LLC, 17-33749 (DRJ); RRI Energy Services, LLC, 17-33750 (DRJ); RRI Energy Solutions East, LLC, 17-33751 (DRJ); RRI Energy Trading Exchange, Inc., 17-33752 (DRJ); RRI Energy Ventures, Inc., 17-33753 (DRJ).

The Bar Dates. Pursuant to the Bar Date Orders, **all** entities (except governmental units), including individuals, partnerships, estates, and trusts who have a claim or potential claim against the Debtors that arose prior to June 14, 2017, no matter how remote or contingent such right to payment or equitable remedy may be, **including** requests for payment under section 503(b)(9) of the Bankruptcy Code, MUST FILE A PROOF OF CLAIM on or before **September 15, 2017, at 5:00 p.m., prevailing Central Time** (the "Claims Bar Date"). Governmental entities who have a claim or potential claim against the Debtors that arose prior to June 14, 2017, no matter how remote or contingent such right to payment or equitable remedy may be, MUST FILE A PROOF OF CLAIM on or before **December 12, 2017, at 5:00 p.m., prevailing Central Time** (the "Governmental Bar Date").

ANY PERSON OR ENTITY WHO FAILS TO FILE A PROOF OF CLAIM, INCLUDING ANY REQUEST FOR PAYMENT UNDER SECTION 503(B)(9) OF THE BANKRUPTCY CODE ON OR BEFORE THE CLAIMS BAR DATE OR GOVERNMENTAL BAR DATE, AS APPLICABLE, SHALL NOT BE TREATED AS A CREDITOR WITH RESPECT TO SUCH CLAIM FOR THE PURPOSES OF VOTING AND DISTRIBUTION ON ANY CHAPTER 11 PLAN.

Filing a Proof of Claim. Each Proof of Claim must be filed, including supporting documentation, by electronic submission through PACER (Public Access to Court Electronic Records at https://ecf.txsb.uscourts.gov), or if submitted through non-electronic means by U.S. Mail or other hand delivery system, so as to be **actually received** by the Clerk of the Court on or before the Claims Bar Date or the Governmental Bar Date at the following address: Clerk of the Court, United States Bankruptcy Court, 515 Rusk Street, Houston, Texas 77002.

PROOFS OF CLAIM SUBMITTED BY FACSIMILE OR ELECTRONIC MAIL WILL NOT BE ACCEPTED.

Contents of Proofs of Claim. Each proof of claim must: (i) be written in English; (ii) include a claim amount denominated in United States dollars; (iii) clearly identify the Debtor against which the claim is asserted; (iv) conform substantially with the Proof of Claim Form provided by the Debtors or Official Form 410; (v) be signed by the claimant or by an authorized agent or legal representative of the claimant on behalf of the claimant, whether such signature is an electronic signature or is ink; and (vi) include as attachments any and all supporting documentation on which the claim is based. **Please note** that each proof of claim (except as expressly provided in the Bar Date Orders) must state a claim against only one Debtor and clearly indicate the specific Debtor against which the claim is asserted. To the extent more than one Debtor is listed on the proof of claim, a proof of claim is treated as if filed only against GenOn Energy, Inc., or if a proof of claim is otherwise filed without identifying a specific Debtor, the proof of claim may be deemed as filed only against GenOn Energy, Inc.

Electronic Signatures Permitted. Proofs of claim signed electronically by the claimant or an authorized agent or legal representative of the claimant may be deemed acceptable for purposes of claims administration. Copies of proofs of claim or proofs of claim sent by facsimile or electronic mail will not be accepted.

Section 503(b)(9) Requests for Payment. Any proof of claim and/or priority asserting a claim arising under section 503(b)(9) of the Bankruptcy Code must also (i) include the value of the goods delivered to and received by the Debtors in the 20 days prior to the Petition Date; (ii) attach any documentation identifying the particular invoices for which such 503(b)(9) claim is being asserted; and (iii) attach documentation of any reclamation demand made to the Debtors under section 546(c) of the Bankruptcy Code (if applicable).

Additional Information. If you have any questions regarding the claims process and/or you wish to obtain a copy of the Bar Date Notice, a proof of claim form or related documents you may do so by: **(i) calling the Debtors' restructuring hotline at (888) 729-1597 (toll free) or (503) 597-5606 (international); and/or (ii) visiting the Debtors' restructuring website at: https:// dm.epiq11.com/genon.**

Dated: August 2, 2017 Houston, Texas /s/ Zack A. Clement, Zack A. Clement (Texas Bar No. 04361550), **ZACK A. CLEMENT PLLC**, 3753 Drummond Street, Houston, Texas 77025, Telephone: (832) 274-7629, Email: zack.clement@icloud.com -and- James H.M. Sprayregen, P.C. (admitted pro hac vice), David R. Seligman, P.C. (admitted pro hac vice), Steven N. Serajeddini (admitted pro hac vice), W. Benjamin Winger (admitted pro hac vice). Christopher M. Hayes (admitted pro hac vice), **KIRKLAND & ELLIS LLP, KIRKLAND & ELLIS INTERNATIONAL LLP**, 300 North LaSalle, Chicago, Illinois 60654, Telephone: (312) 862-2000, Facsimile: (312) 862-2200, Email: james.sprayregen@kirkland.com, david.seligman@kirkland.com, steven.serajeddini@kirkland.com, benjamin.winger@kirkland.com, christopher.hayes@kirkland.com -and- AnnElyse Scarlett Gibbons (admitted pro hac vice), **KIRKLAND & ELLIS LLP, KIRKLAND & ELLIS INTERNATIONAL LLP**, 601 Lexington Avenue, New York, New York 10022, Telephone: (212) 446-4800, Facsimile: (212) 446-4900, Email: annelyse.gibbons@kirkland.com. Co-Counsel to the Debtors and Debtors in Possession

[1]The Debtors in these chapter 11 cases, along with the last four digits of each debtor's federal tax identification number, are: GenOn Energy, Inc. (5566); GenOn Americas Generation, LLC (0520); GenOn Americas Procurement, Inc. (8980); GenOn Asset Management, LLC (1966); GenOn Capital Inc. (0053); GenOn Energy Holdings, Inc. (8156); GenOn Energy Management, LLC (1163); GenOn Energy Services, LLC (8220); GenOn Fund 2001 LLC (0936); GenOn Mid-Atlantic Development, LLC (9458); GenOn Power Operating Services MidWest, Inc. (3718); GenOn Special Procurement, Inc. (8316); Hudson Valley Gas Corporation (3279); Mirant Asia-Pacific Ventures, LLC (1770); Mirant Intellectual Asset Management and Marketing, LLC (3248); Mirant International Investments, Inc. (1577); Mirant New York Services, LLC (N/A); Mirant Power Purchase, LLC (8747); Mirant Wrightsville Investments, Inc. (5073); Mirant Wrightsville Management, Inc. (5102); MNA Finance Corp. (8481); NRG Americas, Inc. (2323); NRG Bowline LLC (9347); NRG California North LLC (9965); NRG California South GP LLC (6730); NRG California South LP (7014); NRG Canal LLC (5569); NRG Delta LLC (1669); NRG Florida GP, LLC (6639); NRG Florida LP (1711); NRG Lovett Development I LLC (6327); NRG Lovett LLC (9345); NRG New York LLC (0144); NRG North America LLC (4609); NRG Northeast Generation, Inc. (9817); NRG Northeast Holdings, Inc. (9148); NRG Potrero LLC (1671); NRG Power Generation Assets LLC (6390); NRG Power Generation LLC (6207); NRG Power Midwest GP LLC (6833); NRG Power Midwest LP (1498); NRG Sabine (Delaware), Inc. (7701); NRG Sabine (Texas), Inc. (5452); NRG San Gabriel Power Generation LLC (0370); NRG Tank Farm LLC (5302); NRG Wholesale Generation GP LLC (6495); NRG Wholesale Generation LP (3947); NRG Willow Pass LLC (1987); Orion Power New York GP, Inc. (4975); Orion Power New York LP, LLC (4976); Orion Power New York, L.P. (9521); RRI Energy Broadband, Inc. (5569); RRI Energy Channelview (Delaware) LLC (9717); RRI Energy Channelview (Texas) LLC (5622); RRI Energy Channelview LP (5623); RRI Energy Communications, Inc. (6444); RRI Energy Services Channelview LLC (5620); RRI Energy Services Desert Basin, LLC (5991); RRI Energy Services, LLC (3055); RRI Energy Solutions East, LLC (1978); RRI Energy Trading Exchange, Inc. (2320); and RRI Energy Ventures, Inc. (7091). The Debtors' service address is: 804 Carnegie Center, Princeton, New Jersey 08540.

NOTICE OF SALE

NOTICE OF PUBLIC AUCTION

Reference is hereby made to that certain Indenture, dated as of March 7, 2001 (as the same has been amended and supplemented from time to time, the "**Indenture**"), by and among Crest 2001-1, Ltd. as Issuer, Crest 2001-1 Corp. as Co-Issuer, Deutsche Bank Trust Company Americas (formerly known as Bankers Trust Company), as Trustee (when acting in such capacity, the "**Trustee**"), Paying Agent, Calculation Agent, Transfer Agent, Custodial Securities Intermediary and Notes Registrar thereunder. In accordance with the applicable provisions of the Indenture and the Uniform Commercial Code as in effect in the State of New York, the following assets will be sold (individually or on a portfolio basis) to the highest qualified bidder(s) at a Public Auction to be held on the dates and times set forth below*:

Bid Deadline: August 22, 2017 at 10:00 a.m. (prevailing Eastern time)				
No.	**CUSIP**	**Type of Asset**	**Security**	**Original Principal Amount ($)**
1	20046PAK4	CMBS	COMM 2000-C1 H	$6,734,000
2	337367AG1	CMBS	FULBA 1998-C2 IO	$250,000,000
3	42332QBE2	Zero Factor- CMBS	HFCMC 2000-PH1 J	$9,570,000
4	52108HBU7	Zero Factor- CMBS	LBUBS 2000-C4 K	$7,493,000
5	61910DFT4	Zero Factor- CMBS	MCF1 1998-MC3 H	$6,811,000
6	79548KX86	Zero Factor- CMBS	SBM7 2000-NL1 G	$10,861,000
7	52108HBT0	Zero Factor- CMBS	LBUBS 2000-C4J	$12,488,000

Additional Information. All bids must be submitted by the applicable above-noted Bid Deadline in accordance with the terms and conditions set forth in a bid package (the "**Bid Package**") relating to this Public Auction. In addition, please be advised that the sale of the above-noted assets (individually or on a portfolio basis) will be made only to the highest qualified bidder(s) and may be subject to a reserve level. For additional information regarding this Public Auction, and to obtain a Bid Package, please contact Dock Street Capital Management LLC, Attn: David Crowle, Managing Partner, Telephone No. (212) 457-8258, E-mail: liquidations@dockstreetcap.com; and Jeffrey Holtman, Managing Partner, Telephone No.: (212) 457-8255, E-mail: liquidations@dockstreetcap.com. The Public Auction will be a public disposition (within the meaning of Section 9-610 of the UCC).

Disclaimer. The Trustee is authorized at this Public Auction, if the Trustee deems it necessary or otherwise advisable or is required by applicable law to do so: (a) to restrict the prospective bidders on, or purchasers of, any of the above-noted assets to be sold to those persons who (i) represent and warrant that they are a "qualified institutional buyer," as such term is defined in Rule 144A(a)(i) promulgated by the SEC under the Securities Act of 1933, as amended (the "**Act**"), and a "qualified purchaser" for purposes of Section 3(c)(7) of the United States Investment Company Act of 1940, as amended; and (ii) agree that they will not resell such assets without compliance with the registration requirements of the Act and applicable state securities laws or pursuant to valid exemptions therefrom and (b) to impose such other limitations or conditions in connection with this Public Auction as the Trustee deems necessary or advisable in order to comply with the Act or any other applicable law.

* All of the information contained herein is made to the best of the knowledge of the Trustee as of the close of business on August 6, 2017.

DEA

LEGAL NOTICE

The U.S. Dept. of Justice, Drug Enforcement Administration (DEA) New York gives notice that the property listed below has been abandoned to the custody of the United States and has remained unclaimed. The property shall be held for 30 days from the date of initial publication of notice. Upon expiration of this 30 day period title to the property will vest in the United States. Any person desiring to claim this property must file with the DEA within 30 days. Claims may be filed at the following address: 99 Tenth Ave., New York, NY 10011. **Last date to file: 08/07/2017.**

Group D-21, C1-99-0339. Property one (1) Smith and Wesson Model 64, .38 caliber revolver, Serial # BVN0077. Date seized: 01/20/2000. Location: 1921 Haring Street, Brooklyn, NY.

Group D-21, C1-99-0339. Property one (1) black Mossburg 12 gauge shotgun with a sawed off barrel, Serial # J111912. Date seized: 01/20/2000. Location: 1361 72nd Street, Brooklyn, NY.

Group D-21, C1-99-0339. Property one (1) Glock 19, Serial # AAV882US. Date seized: 01/20/2000. Location: 432 Fanning Street, Staten Island, NY.

Group D-21, C1-04-0173. Property one (1) silver Lorcin model L380 .380 caliber semi-automatic, Serial# 462096. Date seized: 07/08/2004. Location: 43 Sheffield Avenue, Apt. 1-3, Brooklyn, NY.

Group T-33, CT-04-0083. Property one (1) Glock 17 9mm semi-automatic pistol, Serial # ALT598US. Date seized: 04/01/2004. Location: Dyckman Piers, New York, NY.

Group D-35, C1-96-0026. Property one (1) Glock model 22 .40 caliber pistol, Serial # AKR458US. Date seized: 03/07/1996. Location: 168th Street and Jerome Avenue, Bronx, NY.

Group D-43, C1-10-0195. Property one (1) Smith and Wesson .38 SPL, Serial # J876886. Date seized: 04/27/2011. Location: 8 Addalia Lane, Edison, NJ.

LEGAL NOTICE

The U.S. Dept. of Justice, Drug Enforcement Administration (DEA) New York gives notice that the property listed below has been abandoned to the custody of the United States and has remained unclaimed. The property shall be held for 30 days from the date of initial publication of notice. Upon expiration of this 30 day period title to the property will vest in the United States. Any person desiring to claim this property must file with the DEA within 30 days. Claims may be filed at the following address: 99 Tenth Ave., New York, NY 10011. **Last date to file: 08/14/2017.**

Group T-23, CT-09-0029. Property one (1) Mossberg 12 gauge shotgun, Serial # L883152. Date seized: 10/26/2010. Location: 90-42 84th Street, Queens, NY.

Group T-23, CT-09-0029. Property one (1) Winchester 12 gauge shotgun, Serial # L2797447. Date seized: 10/26/2010. Location: 90-42 84th Street, Queens, NY.

Group T-23, CT-09-0029. Property one (1) Brown 30/30 shotgun, Serial # 98496. Date seized: 10/26/2010. Location: 90-42 84th Street, Queens, NY.

Group D-21, C1-11-0195. Property one (1) HI-POINT Model 995 9mmx19 rifle, Serial# E48760. Date seized: 08/09/2011. Location: 544 Bellmore Street, West Islip, NY.

Group D-21, C1-11-0195. Property one (1) Marlin Model 336CS Cal. 30/30 with scope, Serial# 12075789. Date seized: 08/09/2011. Location: 544 Bellmore Street, West Islip, NY.

Group D-21, C1-02-0043. Property one (1) black Glock model 23 .40 caliber handgun, Serial # AWN027US. Date seized: 2/26/02. Location: 4804 S. 13th Street, Omaha, NE

Group D-22, C1-14-0019. Property one (1) Colt m1991a1 .45 acp pistol, Serial# CO06640. Date seized: 06/03/2015. Location: 2683 Wilson Ave., Bellmore, NY.

INTERNATIONAL NOTICES

Record No. 2017 No. 252 COS

THE HIGH COURT
COMMERCIAL
IN THE MATTER OF NEXVET BIOPHARMA PUBLIC LIMITED COMPANY
AND
IN THE MATTER OF THE COMPANIES ACT 2014
AND
IN THE MATTER OF SECTIONS 449 TO 454 OF THE COMPANIES ACT 2014
AND
IN THE MATTER OF SECTIONS 84 TO 86 OF THE COMPANIES ACT 2014
AND
IN THE MATTER OF THE IRISH TAKEOVER PANEL ACT 1997
NOTICE

NOTICE is hereby given that on 31 July 2017:

(i) the Order of the Irish High Court made on 28 July 2017 confirming the reduction of the capital of Nexvet Biopharma public limited company (the "Company") (pursuant to special resolutions passed by the shareholders of the Company at an extraordinary general meeting held on 10 July 2017) by the cancellation and extinguishment of all the Cancellation Shares (as defined in the scheme of arrangement between the Company and the Scheme Shareholders (as defined therein) (the "Scheme")) and the Euro Deferred Shares (as defined in the Scheme); and

(ii) the Minute approved by the Irish High Court showing the share capital of the Company as altered by the said Order,

were registered by the Registrar of Companies pursuant to Section 86(1) of the Companies Act 2014.

MATHESON
Solicitors for the Company
70 Sir John Rogerson's Quay
Dublin 2
1 August 2017

THE HIGH COURT OF IRELAND
COMMERCIAL
Record No. 2017/244 COS
IN THE MATTER OF BANK OF IRELAND GROUP PLC
AND IN THE MATTER OF THE COMPANIES ACT 2014
AND IN THE MATTER OF A PROPOSED REDUCTION OF CAPITAL PURSUANT TO SECTIONS 84 TO 86 OF THE COMPANIES ACT 2014

NOTICE IS HEREBY GIVEN that an Order of the High Court of Ireland (the "**Court**") made on 27 July 2017 (the "**Order**") confirming a reduction of the company capital of Bank of Ireland Group plc (the "**Company**"), by way of a reduction in the undenominated capital account of the Company in the sum of €5,394,142,155.20, and a reduction in the share premium account of the Company in the sum of €105,857,844.80, together with the minute approved by the Court, were registered by the Registrar of Companies on 28 July 2017. This notice is given in compliance with the Order.

7 August 2017

ARTHUR COX
Solicitors for the Company
Ten Earlsfort Terrace
Dublin 2
D02 T380
Ireland

MIMS

Continued from page B1

dwellers who lack garages.

"You see models that say, 'We'll sell a million EVs this year, then two, then four and so on,' but I have concerns about the practicalities of this transition," says Francis O'Sullivan, director of research for the MIT Energy Initiative.

"All things cannot be sorted before the industry starts," says Pasquale Romano, chief executive of ChargePoint, which controls the largest U.S. network of charging stations.

Charging infrastructure is adequate to meet current demand, and there is no reason to believe it won't continue to scale in line with future demand, he argues. ChargePoint makes and sells charging stations to businesses, individuals and governments, charging monthly to maintain the stations and accepting payments for the electricity they provide.

ChargePoint was part of an initiative in Los Angeles to put charging stations in existing lampposts, says Matt Petersen, until recently L.A.'s chief sustainability officer. (The city has installed 82 so far.)

That makes sense because a good chunk of a new charging station's cost—which can hit $5,000—is installing it and wiring it up, ChargePoint's Mr. Romano says.

German firm Ubitricity is pioneering relatively low-cost, low-power plugs that go directly into lampposts, and can be accessed with an internet-connected "smart" power cable that handles all metering and billing.

Kieran Fitsall, head of service improvement and transformation for the Westminster City Council of central London, says it has installed 20 Ubitricity plugs in street lamps. The plan is to increase that to 100 by March 2018.

One of Ubitricity's advantages is the plugs don't require the council to designate EV-only parking spots, which are unpopular with people who don't drive EVs, Mr. Fitsall says. Ubitricity has no U.S. presence but is seeking investment to expand, says company co-founder Knut Hechtfischer.

While these efforts may show where the technology is headed, it isn't clear that it is rolling out at anywhere close to the pace auto makers anticipate they will sell vehicles.

The biggest challenge for those building out charging infrastructure is that no one can predict the demand for charging as EVs become commonplace, says MIT's Dr. O'Sullivan. In fact, he calls some of the behavioral factors needed to make such predictions "exceptionally opaque." These include the time of day people will choose to charge, how responsive they will be to price incentives on electricity designed to encourage them to charge at the "right" time, and how often they will use "superchargers" versus lower-power outlets for overnight charging.

This brings us to another issue: America's power grids won't be able to handle a large influx of demand without careful management. This generally won't be a problem if cars charge at night, when the power grid is underused. But as EVs proliferate, drivers who can't charge them at home will want to charge them at work, during the day. They will also seek superchargers, which typically are installed along highways and designed for fast charging and long-distance travel.

"Superchargers are enormous power draws," says Jesse Jenkins, a researcher at the MIT Energy Initiative. "Chargers in parking garages or superchargers at rest stops are not a solution for charging EVs en masse unless we are OK with significant costs to upgrade distribution grids."

Even the regular charger found in homes and businesses could present a problem when cars charge during demand peaks. Anything that increases peak demand could increase the cost, says Stanford's Dr. Zoepf.

If Elon Musk and his competitors sell as many vehicles as they project, keeping them all full of electricity will be a long, hugely expensive undertaking. It could also be quite lucrative for the people who figure it out.

Fox News Suspends Anchor Bolling

By Joe Flint

Fox News suspended anchor Eric Bolling on Saturday while the network conducts an investigation into allegations that he sent inappropriate photographs to female coworkers.

In a written statement, the network said Mr. Bolling "has been suspended pending the results of an investigation, which is currently under way."

The decision to suspend Mr. Bolling, who appears on both the Fox News Channel and the Fox Business Network, came after HuffPost reported Friday that he allegedly had sent pictures of male genitalia to co-workers.

"The anonymous, uncorroborated claims are untrue and terribly unfair," Mark Bowe, Mr. Bolling's attorney, said in a written statement. "We intend to fully cooperate with the investigation so that it can be concluded and Eric can return to work as quickly as possible," he added.

Mr. Bolling is co-host of the Fox News afternoon show "The Specialists" and hosts "Cashin' In" for the Fox Business Network.

Fox News parent **21st Century Fox** and Wall Street Journal parent **News Corp** share common ownership.

Over the past year, Fox News has been hit with numerous complaints of harassment and inappropriate behavior by both executives and on-air talent. Most recently, Fox Business Network anchor Charles Payne was suspended after being accused of harassment. Mr. Payne has denied any wrongdoing.

Roger Ailes, the network's founding chief executive, resigned last year after a sexual harassment suit was filed against him.

Mr. Ailes denied the allegations and died in May.


RICHARD DREW/ASSOCIATED PRESS

Fox News anchor Eric Bolling

Fantasy Sports Confronts Reality

DraftKings, FanDuel face test of whether daily model is viable; bids for casual players

By Chris Kirkham


CARLO ALLEGRI/REUTERS

Daily-fantasy-sports supporters demonstrated outside the office of New York state Attorney General Eric Schneiderman in 2015.

After scrapping plans to merge, rivals **DraftKings** Inc. and **FanDuel** Inc. must now separately determine whether daily fantasy sports is a viable business—and one that can sustain two major competitors, at that.

The coming National Football League season presents an important test for the once highflying startups, which are working to court casual players—not just pros—amid scrutiny over whether their games constitute illegal gambling.

The websites allow players to assemble virtual teams and compete for cash based on gameday statistics. But they face a fundamental challenge: preventing new customers from being discouraged by a small group of highly skilled, high-frequency professional players who rake in much of the winnings.

DraftKings and FanDuel dominated television airwaves during a marketing blitz in 2015 and appeared headed toward initial public offerings of stock. Backed by prominent investors and professional sports leagues, they clinched billion-dollar valuations.

Since then, analysts have cut industry growth projections over uncertainty about the legal status of daily fantasy sports and concerns about subdued player interest. The rivals said in 2016 that they would merge, but abandoned those plans last month after they faced opposition from antitrust regulators. Several smaller competitors, including DraftOps and Fantasy Aces, have folded over the past year.

Research firm Eilers & Krejcik Gaming projects the industry will generate about $500 million in revenue by 2020, down from previous forecasts of about $1.8 billion two years ago. Revenue represents about 10% of industry entry fees, which the research group expects will reach $4.8 billion by 2020. Estimated revenue last year was $350 million.

The regulatory challenges have diminished in recent months. Over a dozen states, including New York and Massachusetts, have enacted laws explicitly allowing daily fantasy sports. But the legal landscape in many large states, including California, Florida and Texas, remains uncertain.

A more pressing challenge for the companies is their business model. Daily fantasy players make deposits to play, the companies take a cut and those deposits are distributed to the eventual winners as prizes that range from less than a dollar to $1 million. But to maintain growth, the companies must continue to attract and retain new players while also encouraging the cash flow from high-volume competitors.

The problem, analysts say, is that a few professional players account for the bulk of activity—and of winnings—on the sites, making it unattractive for casual players to come back. "It's just a pure value decision for the customer," said Chris Grove, managing director at Eilers & Krejcik Gaming. "If you went to a movie and paid 20 bucks and it lasted 15 minutes, you might decide not to go to that movie theater again."

DraftKings and FanDuel said in interviews that they have developed products over the past year designed to appeal more to casual players. Both companies say those players are winning more frequently as a result. For instance, DraftKings' "Leagues" and FanDuel's "Friends Mode" allow groups to create private contests only open to those who are invited.

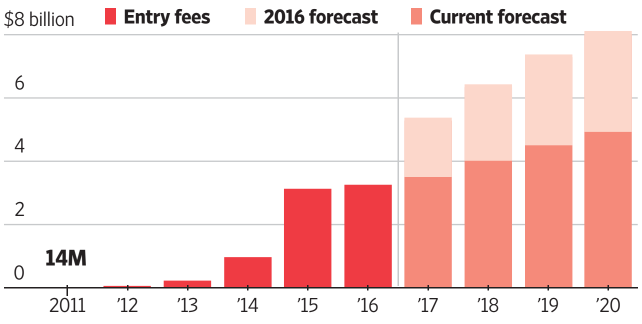
"That's going to be a very dominant and popular way for people to play going forward," said DraftKings Chief Executive Jason Robins. "We need to create a product integrated with social media, and ultimately make it really easy and fun to play with your friends."

FanDuel Chief Executive Nigel Eccles said his company has seen a significant increase in users who are playing with friends: Only about 5% of players were playing in social leagues in 2015, and now the share is above 50%. He added that the revamped products allow new users to enter contests that are "more in line with their skill level."

DraftKings recently announced several changes limiting where and how often high-volume players can compete. Other new products at both companies create tournaments exclusively for players who have entered 50 or fewer contests on the sites, effectively protecting newcomers from more experienced opponents.

Tempered Dreams

Regulatory scrutiny and muted player interest have lowered growth expectations for daily fantasy-sports revenue, which amounts to about 10% of entry fees.



Source: Eilers & Krejcik Gaming

THE WALL STREET JOURNAL.

Clear Player Tiers Develop at Sites

Research group Eilers & Krejcik Gaming has estimated that 1% of players account for 60% of all entry fees for competitions on major daily fantasy-sports websites. A similarly disproportionate share of the winnings go to a small cadre of players, other research has shown.

As part of a settlement agreement last year with New York state Attorney General Eric Schneiderman, **DraftKings** Inc. and **FanDuel** Inc. agreed to disclose on their websites the percentage of the winnings taken in by top tiers of players. The top 1% took in 42% of winnings at DraftKings and 46% of winnings at FanDuel over the past six months, according to their websites.

Both companies are introducing products to reach out to casual players. FanDuel Chief Executive Nigel Eccles said his company aims to appeal to both high-volume players and friends looking for an alternative to their season-long fantasy sports leagues.

—Chris Kirkham

GroupM North America CEO Heads to AT&T

By Alexandra Bruell

GroupM North America Chief Executive Brian Lesser is leaving the **WPP**-owned concern to join **AT&T** Inc.

Kelly Clark, GroupM's global CEO, will take on the North America duties while the company searches for a successor, the company said.

The media-agency group supported AT&T as a client for many years, but last year lost the business to competitor **Omnicom**.

GroupM is the WPP unit that houses media agencies Mindshare, MEC, MediaCom, Maxus and Essence. WPP recently announced plans to combine MEC and Maxus.

Mr. Lesser was elevated to the GroupM role two years ago from his role as CEO of digital media group Xaxis.

AT&T is tapping the digital-media pioneer as marketers seek more control over a business that has grown in complexity with the advent of new technologies.

Mr. Lesser is tasked with building an advertising and analytics business using the company's customer data and content assets.

He will be CEO of the business and report to AT&T Chairman and CEO Randall Stephenson, the company said.

"Brian is a terrific executive and one of the best there is in harnessing technology and data to create targeted advertising," said Mr. Stephenson. "Once we complete our acquisition of **Time Warner** Inc., we believe there is an opportunity to build an automated advertising platform that can do for premium video and TV advertising what the search and social-media companies have done for digital advertising."

'Tower' Tops Box Office

Associated Press

After a decade of development and several postponements, the long-awaited Stephen King adaptation "The Dark Tower" made its debut with an estimated $19.5 million in North American ticket sales, narrowly edging out the two-week leader "Dunkirk."

The so-so result for "The Dark Tower," starring Idris Elba and Matthew McConaughey, was in line with expectations heading into the weekend but well shy of initial hopes for a possible franchise-starter.

J.J. Abrams and Ron Howard are among the directors who previously tried to tackle Mr. King's magnum opus, an eight-book series that melds science fiction with horror and other genres.

The battle to make "The Dark Tower" ended with poor reviews. Still, the movie was made for a relatively modest amount: about $60 million, or half of what many other summer movies cost. Distributor Sony Pictures also split costs with Media Rights Capital.

"It was always an ambitious and bold undertaking but it was made at the right price," said Adrian Smith, president of domestic distribution for Sony Pictures.

By comparison, the recent flop "Valerian and the City of a Thousand Planets," which opened with $17 million, cost at least $180 million to make.

Christopher Nolan's World War II epic "Dunkirk" slid to second with $17.6 million in its third week. It has now made $133.6 million domestically. Other holdovers followed, including "The Emoji Movie" ($12.4 million in its second week) and "Girls Trip" ($11.4 million in its third week).

Another long-delayed film also made its debut. The Halle Berry thriller "Kidnap" opened with $10.2 million. The film, styled after the Liam Neeson "Taken" series, was released by the new distributor **Aviron Pictures** after it bought the North American rights from Relativity. Before entering bankruptcy, Relativity had scheduled the film's release for 2015.

The week's other new wide release was the Kathryn Bigelow-directed docudrama "Detroit," also the first release for an upstart distributor.

The film, the first release distributed by Megan Ellison's Annapurna Pictures, made its debut with a disappointing $7.3 million after a limited release last week.

"Detroit," the third collaboration between Ms. Bigelow and screenwriter Mark Boal ("The Hurt Locker," "Zero Dark Thirty"), reimagines the terror-filled events around the Algiers Motel incident during the 1967 Detroit riots.

"We wish more people had showed up this weekend, but we are really, really proud of the movie," said Erik Lomis, Annapurna's distribution chief.

Though hard-hitting, auteur-driven films are typically autumn material, Annapurna timed the release of "Detroit" to the 50th anniversary of the riots. Mr. Lomis said the intention was to bring the film to as broad an audience as possible. "We believe that smart audiences actually want and will see great movies all year round," he said.

Estimated Box-Office Figures, Through Sunday

FILM	DISTRIBUTOR	SALES, IN MILLIONS WEEKEND*	CUMULATIVE	% CHANGE
1. The Dark Tower	Sony	$19.5	$19.5	—
2. Dunkirk	Warner Bros.	$17.6	$133.6	-34
3. The Emoji Movie	Sony	$12.4	$49.5	-50
4. Girls Trip	Universal	$11.4	$85.4	-42
5. Kidnap	Aviron	$10.2	$10.2	—

*Friday, Saturday and Sunday Source: comScore

THE WALL STREET JOURNAL.

GLOBAL FOOD FORUM

OCTOBER 10, 2017 | PARK HYATT NEW YORK

Explore Opportunities in the Evolving Business of Food

This fall, the editors of The Wall Street Journal will focus on the intersection of food and technology—how tech and innovation are transforming the agricultural economy and food sector.

Carlos J. Barroso
SVP, Global R&D and Quality
Campbell Soup Company

Dick Boer
President, CEO and Chairman Management Board
and Executive Committee, Ahold Delhaize

Ethan Brown
Founder and CEO
Beyond Meat

Jennifer Carr-Smith
President and GM
Peapod

James C. Collins, Jr.
EVP
Dupont

Dave Gebhardt
Global Director of Strategic Partnerships
GEOSYS Intl, Inc.

Hugh Grant
Chairman and CEO
Monsanto Company

Ed Harwood
Chief Science Officer
AeroFarms

John Haugen
VP and General Manager, 301 Inc.
General Mills, Inc.

Tom Hayes
President and CEO
Tyson Foods, Inc.

A.G. Kawamura
Owner, Orange County Produce
Secretary (2003-2010), California Department
of Food and Agriculture

Mehmood Khan
Vice Chairman and Chief Scientific Officer
Global R&D, PepsiCo, Inc.

Juan R. Luciano
Chairman, President and CEO
Archer Daniels Midland Company

Amy Novogratz
Co-Founder and Managing Partner
Aqua-Spark

Nancy E. Pfund
Founder and Managing Partner
DBL Partners

Mark Post, M.D.
Professor, Maastricht University
Founder, Mosa Meat

Irene Rosenfeld
Chairman and CEO
Mondelēz International

Joe Stone
Chief Risk Officer
Cargill, Incorporated

Tj Tate
Director, Sustainable Seafood Program
National Aquarium

Uma Valeti, M.D.
CEO and Co-Founder
Memphis Meats

Mark Young
CTO
The Climate Corporation

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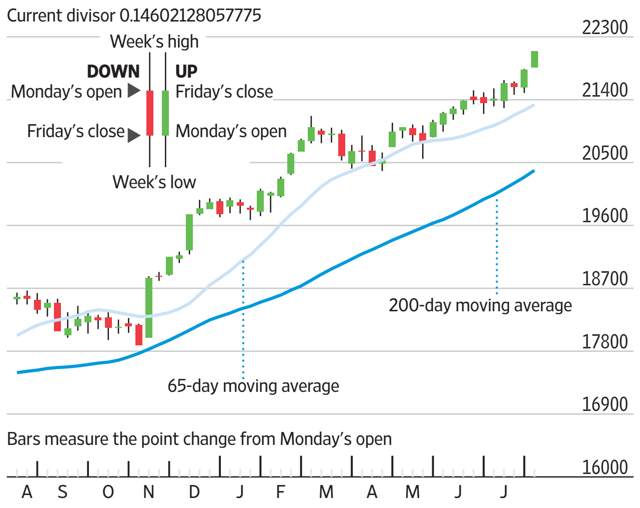
MARKETS DIGEST

Dow Jones Industrial Average

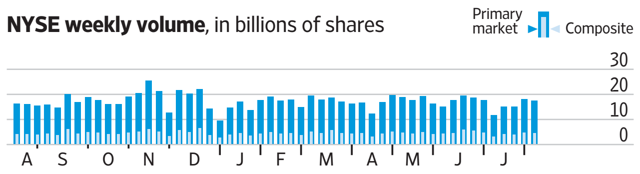
22092.81 ▲262.50, or 1.20% last week

High, low, open and close for each of the past 52 weeks

	Last	Year ago
Trailing P/E ratio	20.01	20.15
P/E estimate *	18.61	17.95
Dividend yield	2.27	2.53
All-time high	22092.81, 08/04/17	



NYSE weekly volume, in billions of shares



Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2476.83 ▲4.73, or 0.19% last week

High, low, open and close for each of the past 52 weeks

	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:	2477.83, 07/26/17	

Financial Flashback

The Wall Street Journal, August 7, 1997

Steve Jobs scored a surprise coup, persuading his onetime archrival Bill Gates to invest $150 million of Microsoft Corp. money in Apple Computer Inc.

Major U.S. Stock-Market Indexes

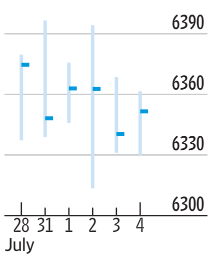
	Latest Week High	Low	Close	Net chg	% chg	52-Week Low	Close (●)	High	% chg	% chg YTD	3-yr. ann.
Dow Jones											
Industrial Average	22092.81	21861.71	**22092.81**	262.50	**1.20**	17888.28		22092.81	**19.1**	11.8	**10.1**
Transportation Avg	9289.92	9111.45	**9277.63**	50.56	**0.55**	7755.40		9742.76	**17.9**	2.6	**4.4**
Utility Average	734.17	722.29	**731.87**	7.81	**1.08**	625.44		737.51	**5.9**	11.0	**10.8**
Total Stock Market	25662.92	25495.89	**25609.90**	14.38	**0.06**	21514.15		25692.25	**13.6**	10.0	**8.2**
Barron's 400	656.06	647.19	**649.39**	-3.02	**-0.46**	521.59		661.93	**18.0**	7.9	**7.6**
Nasdaq Stock Market											
Nasdaq Composite	6396.59	6313.43	**6351.56**	-23.11	**-0.36**	5046.37		6422.75	**21.7**	18.0	**13.2**
Nasdaq 100	5936.15	5859.62	**5899.91**	-9.01	**-0.15**	4660.46		5950.73	**23.1**	21.3	**14.7**
Standard & Poor's											
500 Index	2480.38	2466.48	**2476.83**	4.73	**0.19**	2085.18		2477.83	**13.5**	10.6	**8.5**
MidCap 400	1769.09	1743.91	**1751.48**	-10.86	**-0.62**	1476.68		1791.93	**12.1**	5.5	**8.4**
SmallCap 600	867.56	849.39	**854.60**	-10.40	**-1.20**	703.64		876.06	**14.5**	2.0	**9.6**
Other Indexes											
Russell 2000	1432.46	1402.39	**1412.32**	-16.94	**-1.19**	1156.89		1450.39	**14.7**	4.1	**7.9**
NYSE Composite	12012.65	11938.90	**11984.89**	30.20	**0.25**	10289.35		12000.02	**11.1**	8.4	**3.6**
Value Line	529.79	521.22	**523.62**	-5.04	**-0.95**	455.65		533.62	**8.5**	3.4	**2.6**
NYSE Arca Biotech	3984.03	3866.22	**3948.24**	-40.01	**-1.00**	2834.14		4075.95	**14.2**	28.4	**12.5**
NYSE Arca Pharma	534.35	525.07	**525.90**	-5.64	**-1.06**	463.78		549.2	**-3.4**	9.2	**1.0**
KBW Bank	97.98	95.47	**97.22**	1.99	**2.09**	69.05		99.33	**38.9**	5.9	**11.9**
PHLX§ Gold/Silver	86.08	81.99	**82.04**	-3.52	**-4.11**	73.03		112.73	**-25.2**	4.0	**-5.9**
PHLX§ Oil Service	136.47	130.82	**133.64**	-1.24	**-0.92**	126.75		192.66	**-17.2**	-27.3	**-22.9**
PHLX§ Semiconductor	1099.95	1073.74	**1079.45**	-13.55	**-1.24**	768.37		1138.25	**39.5**	19.1	**20.8**
CBOE Volatility	10.84	9.68	**10.03**	-0.26	**-2.53**	9.36		22.51	**-11.9**	-28.6	**-12.8**

§Philadelphia Stock Exchange

Sources: SIX Financial Information; WSJ Market Data Group

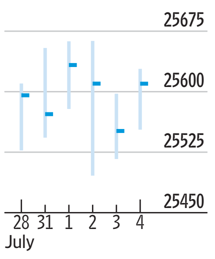
Nasdaq Composite

▼ 23.11, or -0.36% last week



DJ US TSM

▲ 14.37, or 0.06% last week



International Stock Indexes

Region/Country	Index	Latest Week Close	% chg	52-Week Range Low	Close	High	YTD % chg
World	**The Global Dow**	2870.04	**0.77**	2390.11		2870.04	13.4
	DJ Global Index	370.26	**0.37**	311.55		370.82	13.6
	DJ Global ex U.S.	250.25	**0.61**	206.73		250.92	17.0
Americas	**DJ Americas**	595.89	**0.09**	503.67		596.96	10.3
Brazil	**Sao Paulo Bovespa**	66897.99	**2.14**	56820.77		69052.03	11.1
Canada	**S&P/TSX Comp**	15257.97	**0.85**	14349.10		15922.37	−0.2
Mexico	**S&P/BMV IPC**	51328.29	**0.22**	44364.17		51713.38	12.5
Chile	**Santiago IPSA**	3879.67	**0.60**	3127.54		3879.67	20.4
EMEA	**Stoxx Europe 600**	382.53	**1.11**	328.80		396.45	5.8
	Stoxx Europe 50	3122.32	**1.15**	2730.05		3276.11	3.7
Eurozone	**Euro Stoxx**	380.28	**1.21**	317.93		392.06	8.6
	Euro Stoxx 50	3507.41	**1.14**	2935.25		3658.79	6.6
Austria	**ATX**	3259.66	**0.62**	2229.87		3259.66	24.5
Belgium	**Bel-20**	3969.99	**0.64**	3426.21		4041.03	10.1
France	**CAC 40**	5203.44	**1.40**	4332.45		5432.40	7.0
Germany	**DAX**	12297.72	**1.11**	10259.13		12888.95	7.1
Greece	**Athex Composite**	829.50	**1.16**	551.93		858.08	28.9
Israel	**Tel Aviv**	1417.24	**−2.36**	1378.66		1478.96	−3.6
Italy	**FTSE MIB**	21935.79	**2.36**	16135		21936	14.0
Netherlands	**AEX**	529.09	**0.68**	439.07		536.26	9.5
Portugal	**PSI 20**	5253.33	**1.56**	4370.84		5330.60	12.3
Russia	**RTS Index**	1026.73	**1.21**	935.46		1195.61	−10.9
South Africa	**FTSE/JSE All-Share**	55944.83	**1.93**	48935.90		55944.83	10.4
Spain	**IBEX 35**	10658.40	**1.16**	8450.6		11135.4	14.0
Sweden	**SX All Share**	568.35	**1.18**	494.98		596.72	6.3
Switzerland	**Swiss Market**	9176.99	**1.75**	7593.20		9176.99	11.6
U.K.	**FTSE 100**	7511.71	**1.95**	6665.63		7547.63	5.2
Asia-Pacific							
Australia	**S&P/ASX 200**	5720.60	**0.31**	5156.6		5956.5	1.0
China	**Shanghai Composite**	3262.08	**0.27**	2976.70		3292.64	5.1
Hong Kong	**Hang Seng**	27562.68	**2.16**	21574.76		27607.38	25.3
India	**S&P BSE Sensex**	32325.41	**0.05**	25765.14		32575.17	21.4
Japan	**Nikkei Stock Avg**	19952.33	**−0.04**	16251.54		20230.41	4.4
Malaysia	**FTSE Bursa Malaysia KLCI**	1774.53	**0.42**	1616.64		1792.35	8.1
Singapore	**Straits Times**	3326.52	**−0.13**	2787.27		3354.71	15.5
South Korea	**Kospi**	2395.45	**−0.23**	1958.38		2451.53	18.2
Taiwan	**Weighted**	10506.56	**0.80**	8902.30		10519.27	13.5

Source: SIX Financial Information;WSJ Market Data Group

Commodities and Currencies

	Last Week Close	Net chg	% Chg	YTD % chg
DJ Commodity	**567.29**	-7.38	**-1.28**	0.01
TR/CC CRB Index	**180.68**	-1.44	**-0.79**	-6.14
Crude oil, $ per barrel	**49.58**	-0.13	**-0.26**	-7.71
Natural gas, $/MMBtu	**2.774**	-0.167	**-5.68**	-25.51
Gold, $ per troy oz.	**1258.30**	-10.10	**-0.80**	9.42
U.S. Dollar Index	**93.49**	0.23	**0.25**	-8.53
WSJ Dollar Index	**86.32**	0.21	**0.25**	-7.12
Euro, per dollar	**0.8494**	-0.0017	**-0.20**	-10.65
Yen, per dollar	**110.69**	-0.001	**-0.0009**	-5.40
U.K. pound, in dollars	**1.30**	-0.01	**-0.74**	5.62

	52-Week Low	Close (●)	High	% Chg
DJ Commodity	508.27		589.81	**10.30**
TR/CC CRB Index	166.50		195.14	**-0.61**
Crude oil, $ per barrel	41.71		54.45	**18.61**
Natural gas, $/MMBtu	2.55		3.93	**0.07**
Gold, $ per troy oz.	1127.80		1351.20	**-5.84**
U.S. Dollar Index	92.84		103.25	**-2.85**
WSJ Dollar Index	85.20		93.56	**-0.62**
Euro, per dollar	0.84		0.96	**-5.83**
Yen, per dollar	99.88		118.18	**8.71**
U.K. pound, in dollars	1.20		1.34	**-0.24**

New to the Market

Public Offerings of Stock

IPOs in the U.S. Market

Initial public offerings of stock expected this week; might include some offerings, U.S. and foreign, open to institutional investors only via the Rule 144a market; deal amounts are for the U.S. market only

Expected pricing date	Filed	Issuer/business	Symbol/ primary exchange	Shares (mil.)	Pricing Range($) Low/High	Bookrunner(s)
8/9	5/8	Contura Energy Coal mining company.	**CTRA** N	**6.0**	23.00/ 27.00	Citi, Jefferies, Credit Suisse, UBS, Barclays, BMO Cptl Mkts
8/10	5/22	Ranger Energy Services Downstream energy company and provider of oilfield services.	**RNGR** N	**5.0**	16.00/ 18.00	Credit Suisse, Piper Jaffray, WFS, Barclays, Evercore Partnrs

Lockup Expirations

Below, companies whose officers and other insiders will become eligible to sell shares in their newly public companies for the first time. Such sales can move the stock's price.

Lockup expiration	Issue date	Issuer	Symbol	Offer price($)	Offer amt ($ mil.)	Through Friday (%)	Lockup provision
Aug. 8	Feb. 9, '17	Foundation Building Materials	**FBM**	14.00	206.1	**–15.2**	180 days
Aug. 9	Feb. 10, '17	Clipper Realty	**CLPR**	13.50	87.8	**–21.9**	180 days

Sources: Dealogic; WSJ Market Data Group

IPO Scorecard

Performance of IPOs, most-recent listed first

Company **SYMBOL** IPO date/Offer price	Friday's close ($)	% Chg From Offer price	1st-day close	Company **SYMBOL** IPO date/Offer price	Friday's close ($)	% Chg From Offer price	1st-day close
Venator Materials **VNTR** Aug. 3/$20.00	20.63	**3.2**	−0.1	PetIQ **PETQ** July 21/$16.00	22.69	**41.8**	−2.7
Clementia Pharmaceuticals **CMTA** Aug. 2/$15.00	16.10	**7.3**	−1.5	Calyxt **CLXT** July 20/$8.00	11.25	**40.6**	...
Redfin **RDFN** July 28/$15.00	25.84	**72.3**	19.1	Kala Pharmaceuticals **KALA** July 20/$15.00	20.05	**33.7**	8.4
Sienna Biopharmaceutic **SNNA** July 27/$15.00	18.86	**25.7**	−2.0	TPG RE Finance Trust **TRTX** July 20/$20.00	19.98	**−0.1**	2.0
RBB Bancorp **RBB** July 26/$23.00	23.00	**...**	−1.5	Federal Street Acquisition **FSACU** July 19/$10.00	10.15	**1.5**	0.5

Sources: WSJ Market Data Group; FactSet Research Systems

Other Stock Offerings

Secondaries and follow-ons expected this week in the U.S. market

Expected	Issuer/Business	Symbol/ Primary exchange	Amount ($mil.)	Friday's price ($)	Bookrunner(s)
Aug. 1	**Eastside Distilling** Food & Beverage	**ESDI** Nq	7.6	n.a.	Roth Cptl Ptnrs, Aegis Cptl
Aug. 8	**Zealand Pharma** Healthcare	**ZLND** Nq	80.0	n.a.	MS, GS

Off the Shelf

"Shelf registrations" allow a company to prepare a stock or bond for sale, without selling the whole issue at once. Corporations sell as conditions become favorable. Here are the shelf sales, or takedowns, over the last week:

Issuer/Industry	Takedown date/ Registration date	Deal value ($ mil.)	Registration (mil.)	Bookrunner(s)
Spark Therapeutics Healthcare	Aug. 3 June 13,'16	**$350.0**	...	JPM, GS, Cowen & Co
Agile Therapeutics Healthcare	Aug. 3 June 19,'15	**$20.0**	$150.0	W. Blair LLC, RBC Cptl Mkts, Cantor Fitzgerald & Co
First BanCorp (Puerto Rico) Finance	Aug. 2 Feb. 12,'16	**$114.0**	$206.1	GS
Veritex Holdings Finance	Aug. 2 Nov. 10,'15	**$60.0**	$150.0	Stephens
TransUnion Professional Services	July 31 Sept. 8,'16	**$1,185.9**	...	JPM, BofA ML, MS

Public and Private Borrowing

Treasurys

Monday, August 7
Auction of 13 week bill;
announced on August 3; settles on August 10

Auction of 26 week bill;
announced on August 3; settles on August 10

Tuesday, August 8
Auction of 4 week bill;
announced on August 7; settles on August 10

Auction of 3 year note;
announced on August 2; settles on August 15

Wednesday, August 9
Auction of 10 year note;
announced on August 2; settles on August 15

Thursday, August 10
Auction of 30 year bond;
announced on August 2; settles on August 15

Public and Municipal Finance

Deals of $150 million or more expected this week

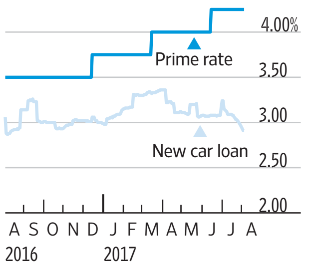
Sale	Final maturity	Issuer	Total ($mil.)	Rating Fitch	Moody's	S&P	Bookrunner/ Bond Counsel(s)
Aug. 8	May 15, 2048	Louisville-Jefferson Metro Swr Dt	175.0	N.R.	Aa3	N.R.	Preliminary/ Dinsmore & Shohl
Aug. 8	Aug. 1, 2032	NYC Transitional Finance Auth	350.0	N.R.	N.R.	N.R.	Preliminary/ Norton Rose Fulbright
Aug. 8	Aug. 1, 2024	NYC Transitional Finance Auth	1,000.0	N.R.	N.R.	N.R.	Preliminary/ Norton Rose Fulbright
Aug. 11	prelim.	California Statewide CDA (CSCDA)	155.1	N.R.	N.R.	N.R.	Barclays/—
Aug. 11	prelim.	Hays CISD	250.0	N.R.	N.R.	N.R.	Raymond James/—
Aug. 11	prelim.	Ohio Higher Ed Fac Commission	160.0	N.R.	Aa2	AA	J P Morgan Securities LLC/—
Aug. 11	prelim.	Ohio Higher Ed Fac Commission	840.0	N.R.	Aa2	AA	J P Morgan Securities LLC/—
Aug. 11	prelim.	Ohio Water Development Authority	250.0	N.R.	N.R.	N.R.	BoA Merrill/—
Aug. 11	prelim.	San Antonio City-Texas	195.0	N.R.	N.R.	N.R.	Siebert Cisneros Shank & Co/—
Aug. 11	prelim.	St Paul Housing & Redev Auth	197.0	N.R.	A2	N.R.	Citi/—

Source:Thomson Reuters/Ipreo

Consumer Rates and Returns to Investor

U.S. consumer rates

A consumer rate against its benchmark over the past year



Selected rates

New car loan

Bankrate.com avg†:	**2.91%**
Think Mutual Bank	**1.89%**
Rochester, MN	800-288-3425
Chase Bank	**1.97%**
Detroit, MI	800-CHA-SE24
UniBank for Savings	**2.24%**
Whitinsville, MA	800-578-4270
TrustCo Bank	**2.37%**
Albany, NY	518-436-9043
First Citizens Bank	**2.49%**
Raleigh, NC	800-367-0995

Interest rate	Yield/Rate (%) Last (●)	Week ago	52-Week Range (%) Low	High	3-yr chg (pct pts)
Federal-funds rate target	**1.00-1.25**	1.00-1.25	0.25	1.25	**1.00**
Prime rate*	**4.25**	4.25	3.50	4.25	**1.00**
Libor, 3-month	**1.31**	1.31	0.79	1.32	**1.07**
Money market, annual yield	**0.29**	0.33	0.23	0.36	**-0.11**
Five-year CD, annual yield	**1.45**	1.44	1.17	1.45	**0.06**
30-year mortgage, fixed†	**3.93**	3.95	3.44	4.33	**-0.36**
15-year mortgage, fixed†	**3.12**	3.13	2.70	3.50	**-0.29**
Jumbo mortgages, $424,100-plus†	**4.33**	4.33	4.02	4.88	**-0.57**
Five-year adj mortgage (ARM)†	**3.29**	3.30	3.07	4.03	**-0.36**
New-car loan, 48-month	**2.91**	3.00	2.87	3.36	**-0.24**
HELOC, $30,000	**5.13**	5.21	4.57	5.22	**0.61**

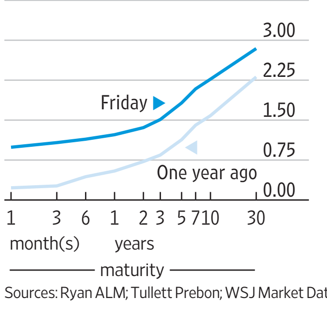
Bankrate.com rates based on survey of over 4,800 online banks. *Base rate posted by 70% of the nation's largest banks.† Excludes closing costs.

Sources: SIX Financial Information; WSJ Market Data Group; Bankrate.com

Benchmark Yields and Rates

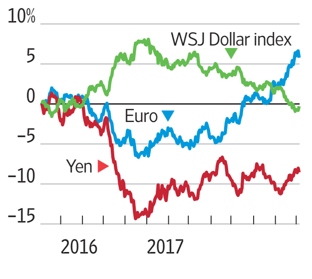
Treasury yield curve

Yield to maturity of current bills, notes and bonds



Forex Race

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



Sources: Ryan ALM; Tullett Prebon; WSJ Market Data Group

Corporate Borrowing Rates and Yields

Bond total return index	Yield (%) Last	Wk ago	Spread +/- Treasurys, in basis pts, 52-wk Range Last	Low	High	Total Return 52-wk	3-yr
10-yr Treasury, Ryan ALM	**2.269**	2.291				-4.10	2.67
DJ Corporate	**2.950**	2.945				1.78	4.09
Aggregate, Barclays Capital	**2.500**	2.510	40	40	51	-0.16	2.67
High Yield 100, Merrill Lynch	**5.020**	5.031	319	309	490	9.477	4.075
Fixed-Rate MBS, Barclays	**2.800**	2.830	28	10	34	0.32	2.45
Muni Master, Merrill	**1.833**	1.866	13	-5	18	0.674	3.067
EMBI Global, J.P. Morgan	**5.490**	5.549	321	315	407	4.584	5.176

Sources: J.P. Morgan; Ryan ALM; S&P Dow Jones Indices; Barclays Capital; Merrill Lynch

The Dow Moves at a Snail's Pace

By Ben Eisen

For all the records the major stock benchmarks are setting, they are moving at a snail's pace.

The Dow Jones Industrial Average rose 67 points, or 0.3%, on Friday after a labor market report showed strong hiring in July.

On Thursday, the blue-chip index rose 10 points, or 0.04%. On Wednesday, it climbed 52 points, or 0.2%. And on and on.

The index hasn't even had a move of more than 1% in either direction since the days of mid-May.

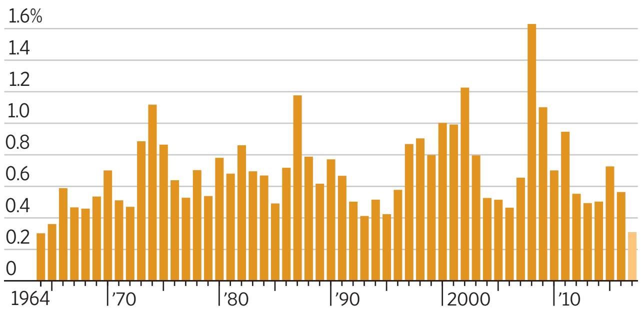
Stocks, of course, have mostly risen all year, propelling the Dow past 22000 for the first time ever last week. But the market's march higher has been characterized by slow, plodding moves.

The Dow's average daily move in either direction this year through Thursday is 0.31%, the smallest since 1964, when it hit a record-low 0.30%, according to analysis by The Wall Street Journal's Market Data Group.

During the index's move to 22000 last week from its first close above 21000 in March, the index had only four days on which it moved by more than 1%.

Inching Higher

The Dow's daily moves are on average the smallest since 1964.



Note: Average absolute daily percentage change. All figures are for full years except 2017, which is year through Aug. 3.
Source: WSJ Market Data Group
THE WALL STREET JOURNAL.

Fewer swings often mean less volatility.

The CBOE Volatility Index, an options-based measure of implied stock market swings, has hovered near its lowest levels on record.

That has unnerved some investors, who fear the markets are in a period of calm before a storm.

The lack of movement has become more evident throughout the year.

Last month, the average daily up-or-down move in the Dow over the previous 252 days (the typical number of trading sessions in a year) fell to its lowest levels since June 1965, and remains near those levels, according to the analysis.

That moving average for the index has been trending downward broadly since a spike during the financial crisis, but it recently marked a new leg lower.

Still, the Dow has climbed to 34 records this year. It is just taking a longer time to rack up gains.

While the benchmark has had nine straight days of gains through Friday, it has climbed just 2.7% during that period, well below the 3.9% rise during a seven-day streak in December and a 5.8% jump during a same-length streak in November.

Treasurys Pull Back Following Jobs Report

By Sam Goldfarb

U.S. government bonds pulled back Friday after a solid jobs report ended a stretch of lackluster economic data.

The yield on the 10-year Treasury note settled at 2.269%, up from 2.230% Thursday, though still below 2.291% the previous Friday. Yields rise when bond prices fall.

Traders sold Treasurys after the Labor Department said that average hourly earnings climbed 2.5% in July from a year earlier.

That was unchanged from the previous three months but better than many analysts had expected and an improvement on other data this week that, among other things, had shown a sharp decline in auto sales.

At a time of low unemployment, investors have been waiting for wage gains to accelerate.

That, in turn, could spur broader inflation, which is a main threat to government bonds because it erodes the purchasing power of their fixed returns and can lead the Federal Reserve to raise short-term interest rates.

"The data came in stronger than expected, and markets have reacted accordingly," said John Canavan, market analyst at Stone and McCarthy Research Associates. "The strength of the data keeps the potential for Fed rate hikes on the table."

The Fed has raised interest rates twice this year, double the number from last year. Even so, the yield on the 10-year Treasury note has fallen from 2.446% at the end of last year, reflecting in part a run of soft inflation readings and lowered expectations for fiscal stimulus out of Washington.

Closed-End Funds | WSJ.com/funds

Listed are the 300 largest closed-end funds as measured by assets.
Closed-end funds sell a limited number of shares and invest the proceeds in securities. Unlike open-end funds, closed-ends generally do not buy their shares back from investors who wish to cash in their holdings. Instead, fund shares trade on a stock exchange. **a**-The NAV and market price are ex dividend. **b**-The NAV is fully diluted. **c**-NAV is as of Thursday's close. **d**-NAV is as of Wednesday's close. **e**-NAV assumes rights offering is fully subscribed. **f**-Rights offering in process. **g**-Rights offering announced. **h**-Lipper data has been adjusted for rights offering. **j**-Rights offering has expired, but Lipper data not yet adjusted. **l**-NAV as of previous day. o-Tender offer in process. **v**-NAV is converted at the commercial Rand rate. **w**-Convertible Note-NAV (not market) conversion value. **y**-NAV and market price are in Canadian dollars. NA signifies that the information is not available or not applicable. NS signifies fund not in existence of entire period.
12 month yield is computed by dividing income dividends paid (during the previous twelve months for periods ending at month-end or during the previous fifty-two weeks for periods ending at any time other than month-end) by the latest month-end market price adjusted for capital gains distributions.

Source: Lipper

Friday, August 4, 2017

Fund (SYM)	NAV	Close	Prem /Disc	52 wk Ttl Ret
General Equity Funds				
Adams Divers Equity Fd **ADX**	17.30	14.85	-14.1	21.3
Boulder Growth & Income **BIF**	11.98	9.98	-16.7	23.0
Central Securities **CET**	30.22	25.24	-16.5	28.3
CohSteer Opprtnty Fd **FOF**	13.98	13.12	-6.2	20.2
Cornerstone Strategic **CLM**	13.33	14.76	+10.7	1.3
EtnVnc TaxAdvDiv **EVT**	22.57	22.10	-2.1	16.2
Gabelli Dividend & Incm **GDV**	23.79	22.40	-5.8	20.5
Gabelli Equity Trust **GAB**	6.39	6.32	-1.1	22.6
Genl American Investors **GAM**	41.29	35.00	-15.2	18.3
Guggenheim Enh Fd **GPM**	8.74	8.44	-3.4	18.8
HnckJohn TxAdv **HTD**	26.47	25.61	-3.2	13.3
Liberty All-Star Equity **USA**	6.54	5.76	-11.9	22.3
Royce Micro-Cap **RMT**	9.66	8.60	-11.0	19.5
Royce Value Trust **RVT**	16.30	14.79	-9.3	25.1
Source Capital **SOR**	43.97	39.62	-9.9	10.5
Tri-Continental **TY**	28.24	24.95	-11.7	22.1
Specialized Equity Funds				
Adams Natural Rscs Fd **PEO**	21.69	18.85	-13.1	1.3
AllnzGI NFJ Div Interest **NFJ**	14.57	13.32	-8.6	15.3
AlpnGlblPrProp **AWP**	7.32	6.56	-10.4	30.0
ASA Gold & Prec Metals **ASA**	13.04	11.59	-11.1	-28.5
BlkRk Enh Cap Inco **CII**	16.13	15.38	-4.6	19.3
BlkRk Engy Res Tr **BGR**	14.28	13.10	-8.3	1.2
BlackRock Enh Eq Div Tr **BDJ**	9.62	8.96	-6.9	18.9
BlackRock Enh Gl Div Tr **BOE**	14.39	13.39	-6.9	18.4
BlkRk Intl Grwth&Inco **BGY**	6.89	6.42	-6.8	17.4
BlkRk Health Sci **BME**	35.05	36.53	+4.2	11.3
BlackRck Rscs Comm Str Tr **BCX**	9.61	8.57	-10.9	15.4
BlackRock Science & Tech **BST**	25.22	23.91	-5.2	42.4
BlackRock Utility & Infr **BUI**	21.36	21.21	-0.7	14.0
CBREClarionGlblRlEstIncm **IGR**	8.90	7.92	-11.0	1.6
Central Fund of Canada **CEF**	13.35	12.30	-7.9	-13.3
ClearBridge Amer Engy **CBA**	9.52	8.90	-6.5	11.8
ClearBridge Engy MLP Fd **CEM**	15.79	15.58	-1.3	8.2
Clearbridge Engy MLP Opp **EMO**	13.10	12.31	-6.0	4.7
Clearbridge Engy MLP TR **CTR**	13.37	12.63	-5.5	7.7
Cohen & Steers Infr Fd **UTF**	25.76	23.28	-9.6	21.6
C&S MLP Incm & Engy Opp **MIE**	11.51	10.55	-8.3	12.4
Cohen & Steers Qual Inc **RQI**	13.63	13.09	-4.0	2.1
CohnStrsPfdInco **RNP**	22.91	20.99	-8.4	8.0
Cohen & Steers TR **RFI**	13.51	12.70	-6.0	-2.4
CLSeligmn Prem Tech Gr Fd **STK**	20.41	22.24	+9.0	37.4
Divers Real Asset Incm Fd **DRA**	19.74	17.99	-8.9	12.5
Duff & Phelps **DNP**	10.07	11.32	+12.4	16.5
Duff&PhelpsGblUtilIncFd **DPG**	18.57	16.67	-10.2	6.0
Eaton Vance Eqty Inco Fd **EOI**	14.39	13.79	-4.2	12.7
Eaton Vance Eqty Inco II **EOS**	15.20	15.21	+0.1	21.8
EtnVncRskMngd **ETJ**	10.01	9.48	-5.3	7.8
Etn Vnc Tax Mgd Buy-Write **ETB**	16.19	16.67	+3.0	11.9
Eaton Vance BuyWrite Opp **ETV**	14.59	15.45	+5.9	14.9
Eaton Vance Tax-Mng Div **ETY**	11.87	11.50	-3.1	17.4
Eaton Vance Tax-Mngd Opp **ETW**	11.52	11.82	+2.6	20.8
EtnVncTxMngGlDvEqInc **EXG**	9.46	9.42	-0.4	19.0
Fiduciary/Clymr Opp Fd **FMO**	13.56	14.15	+4.4	9.1
FT Energy Inc & Growth Fd **FEN**	24.48	25.31	+3.4	10.6
FstTrEnhEqtIncFd **FFA**	16.21	15.06	-7.1	20.8
First Tr Engy Infr Fd **FIF**	19.56	18.48	-5.5	12.5
First Tr MLP & Engy Incm **FEI**	15.07	15.68	+4.0	11.1
Gabelli Hlthcr & Well **GRX**	11.77	10.45	-11.2	0.4
Gabelli Utility Tr **GUT**	5.61	7.10	+26.6	19.9
GAMCOGlblGoldNatRscs&Inc **GGN**	5.52	5.52	0.0	-0.9
Goldman Sachs MLP Inc Opp **GMZ**	NA	9.60	NA	8.9
Goldman Sachs MLP Energy **GER**	NA	7.17	NA	7.9
John Hancock Finl Opps Fd **BTO**	34.83	35.68	+2.4	39.1
Macquarie Glbl Infrstrctr **MGU**	28.60	25.76	-9.9	26.6
Neuberger Berman MLP Incm **NML**	10.40	9.70	-6.7	23.4
Neubrgr Brm Rl Est Sec Fd **NRO**	5.92	5.53	-6.6	2.5
Nuveen Dow 30 Dynamic **DIAX**	17.87	16.89	-5.5	21.4
Nuveen Core Eq Alpha **JCE**	15.71	15.39	-2.0	14.1
Nuveen Diversified Div **JDD**	12.98	13.05	+0.5	17.4
Nuveen Engy MLP Fd **JMF**	12.01	12.50	+4.1	14.7
Nuv NASDAQ 100 Dyn Over **QQQX**	21.86	22.05	+0.9	27.0
Nuveen Real Est Incm Fd **JRS**	11.46	11.38	-0.7	3.7
Nuv S&P 500 Dyn Overwrite **SPXX**	NA	15.49	NA	18.2
Nuveen S&P 500 Buy-Write **BXMX**	14.15	14.07	-0.6	14.8
Reaves Utility Fund **UTG**	35.32	35.51	+0.5	22.9
Tekla Hlthcr Investors **HQH**	25.80	25.19	-2.4	2.6
Tekla Healthcare Opps Fd **THQ**	19.85	18.34	-7.6	10.1
Tekla Life Sciences **HQL**	21.26	21.32	+0.3	17.0
Tekla World Hlthcr Fd **THW**	15.18	14.47	-4.7	4.6
Tortoise Energy **TYG**	28.02	30.13	+7.5	4.8
Tortoise MLP Fund **NTG**	18.52	18.99	+2.5	9.5
Voya Gl Equity Div **IGD**	8.26	7.67	-7.1	21.4
Income Preferred Stock Funds				
Calamos Strat Fd **CSQ**	12.52	12.05	-3.8	25.6
Cohen & Steers Dur Pfd **LDP**	27.48	27.00	-1.7	15.6
Cohen & Strs Sel Prf Inco **PSF**	28.16	28.75	+2.1	13.3
FT Interm Duration Pfd **FPF**	25.06	24.91	-0.6	14.9
Flaherty & Crumrine Dyn **DFP**	26.80	26.41	-1.5	14.7
Flaherty & Crumrine Pfd **FFC**	20.61	20.96	+1.7	4.5
John Hancock Pfd Income **HPI**	21.87	22.41	+2.5	4.6
John Hancock Pfd II **HPF**	21.60	22.45	+3.9	6.6
John Hancock Pfd Inc III **HPS**	19.27	19.23	-0.2	4.7
JHancock Pr Div **PDT**	16.13	17.21	+6.7	9.0
LMP Cap & Inco Fd **SCD**	15.53	14.47	-6.8	15.6
Nuveen Preferred & Incm **JPI**	26.03	25.24	-3.0	10.8
Nuveen Pfd Incm Opps Fd **JPC**	10.88	10.72	-1.5	11.3
Nuveen Pfd Secs Incm Fd **JPS**	10.43	10.40	-0.3	16.5
TCW Strategic Income Fund **TSI**	NA	5.61	NA	9.5
Virtus Global Dividend **ZTR**	12.89	13.27	+2.9	24.7
Convertible Sec's. Funds				
AdvntClymrFd **AVK**	17.48	16.42	-6.1	20.9
AllianzGI Conv & Incm **NCV**	6.73	7.23	+7.4	20.4
AllianzGI Conv & Incm II **NCZ**	6.04	6.42	+6.3	24.6
AllianzGI Div Incm **ACV**	22.30	21.86	-2.0	26.3
AllianzGI Equity & Conv **NIE**	22.11	20.15	-8.9	14.4
Calamos Conv Hi Inco Fd **CHY**	11.84	11.97	+1.1	18.0
Calamos **CHI**	11.23	11.53	+2.7	23.4
World Equity Funds				
Alpine Tot Dyn Div **AOD**	9.82	8.86	-9.8	26.9
Calamos Global Tot Ret Fd **CGO**	13.11	NA	NA	NA
Cdn Genl Inv **CGI**	29.43	21.10	-28.3	16.5
China Fund **CHN**	21.88	19.77	-9.6	33.5
Clough Global Opp Fd **GLO**	12.06	11.22	-7.0	28.9
EtnVncTxAdvGblDiv **ETG**	18.05	17.38	-3.7	24.6
EatonVance TxAdv Opport **ETO**	24.34	24.01	-1.4	18.1
First Trust Dynamic Eur **FDEU**	NA	18.99	NA	28.4
Gabelli Glbl Multimedia **GGT**	9.55	9.40	-1.6	39.1
GDL Fund **GDL**	11.76	10.31	-12.3	13.3
India Fund **IFN**	31.85	28.73	-9.8	20.0
Japan Sml Cap **JOF**	13.79	12.37	-10.3	33.6
Korea Fund **KF**	45.13	40.67	-9.9	18.5
Mexico Fund **MXF**	20.16	17.89	-11.3	11.3
Morgan-Stanley Asia-Pac **APF**	19.65	17.20	-12.5	19.0
MS China a Shr Fd **CAF**	25.44	21.45	-15.7	21.9
MS Emerging Fund **MSF**	19.07	17.02	-10.7	20.9
MS India Invest **IIF**	39.52	35.54	-10.1	30.0
New Germany Fund **GF**	19.46	17.60	-9.6	34.7
Swiss Helvetia Fund **SWZ**	14.07	12.76	-9.3	24.5
Templeton Dragon **TDF**	23.73	21.21	-10.6	27.7
Templeton Emerging **EMF**	17.89	16.06	-10.2	33.5
Virtus Total Return Fund **ZF**	13.51	12.71	-5.9	20.3
Voya Infr Indls & Matls **IDE**	16.21	15.58	-3.9	37.5
Wells Fargo Gl Div Opp **EOD**	NA	6.34	NA	16.7

Fund (SYM)	NAV	Close	Prem /Disc	12 Mo Yld
U.S. Mortgage Bond Funds				
BlackRock Income Trust **BKT**	6.74	6.39	-5.2	5.0
Nuveen Mtg Opp Term Fd **JLS**	26.60	25.65	-3.6	5.2
Investment Grade Bond Funds				
Blackrock Core Bond Tr **BHK**	14.94	14.16	-5.2	5.5
BlkRk Credit Alloc Incm **BTZ**	14.93	13.53	-9.4	6.3
John Hancock Income Secs **JHS**	15.61	14.75	-5.5	5.5
MFS Inc Tr **MIN**	4.55	4.30	-5.5	9.0
WstAstClymr InflLnkd Fd **WIW**	12.65	11.21	-11.4	3.4
WstAssetClymr InflLnk Sec **WIA**	12.93	11.46	-11.4	3.0
Loan Participation Funds				
Apollo Sr Fltg Rate Fd **AFT**	18.19	16.91	-7.0	7.2
BlackRock FR Incm Strat **FRA**	15.05	14.15	-6.0	5.6
Blkrk FltRt InTr **BGT**	14.53	13.95	-4.0	5.4
BlackstoneGSO Strat Cred **BGB**	17.17	16.09	-6.3	8.3
Blackstone GSO Sr Float **BSL**	17.78	17.87	+0.5	6.5
Eagle Point Credit **ECC**	NA	21.04	NA	8.7
Eaton Vance FR Incm Tr **EFT**	15.56	15.11	-2.9	5.6
EatonVnc SrFltRate **EFR**	15.22	14.83	-2.6	6.0
Eaton Vance Sr Incm Tr **EVF**	7.18	6.69	-6.8	5.7
First Trust Sr FR Fd II **FCT**	14.23	13.38	-6.0	6.0
FT Sr Floating Rate 2022 **FIV**	9.87	9.98	+1.1	NS
Invesco Credit Opps Fund **VTA**	13.06	11.98	-8.3	7.1
Invesco Senior Income Tr **VVR**	4.90	4.55	-7.1	6.0
Nuveen Credit Strt Inc Fd **JQC**	9.33	8.61	-7.7	7.2
NuvFloatRteInco Fd **JFR**	11.77	11.89	+1.0	6.7
Nuv Float Rte Opp Fd **JRO**	11.71	11.85	+1.2	6.9
Nuveen Senior Income Fund **NSL**	6.98	6.74	-3.4	6.8
Pioneer Floating Rate Tr **PHD**	12.58	11.98	-4.8	6.1
Voya Prime Rate Trust **PPR**	5.72	5.30	-7.3	5.9
High Yield Bond Funds				
AllianceBernstein Glbl **AWF**	14.03	13.07	-6.8	6.9
Barings Glbl Short Dur HY **BGH**	21.43	20.35	-5.0	9.0
BlackRock Corp Hi Yd Fd **HYT**	12.34	11.33	-8.2	7.8
BlkRk Debt Strat Fd **DSU**	12.80	11.75	-8.2	6.7
BlackRockDurInco Tr **BLW**	17.10	15.95	-6.7	8.0
Brookfield Real Assets **RA**	25.55	NA	NA	NS
Credit Suisse High Yld **DHY**	2.80	2.86	+2.1	9.5
DoubleLine Incm Solutions **DSL**	NA	21.15	NA	8.4
Dreyfus Hi Yd Strat Fd **DHF**	3.61	3.56	-1.4	8.9
Fst Tr Hi Inc Lg/Shrt Fd **FSD**	18.21	17.15	-5.8	7.4
Guggenheim Strat Opps Fd **GOF**	19.85	21.26	+7.1	10.3
Ivy High Income Opps Fund **IVH**	16.51	15.72	-4.8	9.3
Neuberger Berman HYS **NHS**	13.50	12.13	-10.1	7.7
NexPoint Credit Strat Fd **NHF**	NA	22.35	NA	11.4
Nuveen Credit Opps 2022 **JCO**	9.97	10.17	+2.0	NS
Nuveen Gl Hi Incm Fd **JGH**	18.63	17.28	-7.2	8.3
Nuveen High Incm Dec18 **JHA**	10.15	10.06	-0.9	5.6
Nuveen High Incm Dec19 **JHD**	10.33	10.29	-0.4	5.8
Nuveen Hi Incm Nov 2021 **JHB**	10.22	10.16	-0.6	NS
Pioneer High Income Trust **PHT**	10.84	9.99	-7.8	8.7
Prud Gl Shrt Dur Hi Yd **GHY**	16.59	15.16	-8.6	7.8
Prudentl Sh Dur Hi Yd Fd **ISD**	16.80	15.37	-8.5	7.9
Wells Fargo Incm Opps Fd **EAD**	9.37	8.74	-6.7	8.8
Wstrn Asset Glbl Hi Inco **EHI**	NA	10.36	NA	9.5
Wstrn Asset High Inco II **HIX**	7.80	7.31	-6.3	8.8
Wstrn Asset Opp Fd **HIO**	NA	5.21	NA	7.4
West Asst HY Def Opp Fd **HYI**	NA	15.74	NA	7.9
Other Domestic Taxable Bond Funds				
Apollo Tactical Incm Fd **AIF**	17.57	16.41	-6.6	8.8
Ares Dynamic Credit Alloc **ARDC**	NA	16.42	NA	7.5
Barings Corp Investors **MCI**	NA	15.60	NA	3.9
BlackRock Multi-Sector IT **BIT**	19.81	18.39	-7.2	9.5
BlackRock Taxable Mun Bd **BBN**	23.74	23.42	-1.3	6.7
Doubleline Oppor Credit **DBL**	NA	24.77	NA	8.1
Duff & Phelps Utl & Cp Bd **DUC**	9.86	9.26	-6.1	6.4
EtnVncLtdFd **EVV**	15.24	14.27	-6.4	7.2
Franklin Ltd Duration IT **FTF**	NA	11.87	NA	10.3
Guggenheim Taxable Muni **GBAB**	23.35	22.82	-2.3	6.6
Invesco High Incm 2023 **IHIT**	10.13	10.14	+0.1	NS
John Hancock Investors **JHI**	18.86	18.12	-3.9	7.1
KKR Income Opps Fund **KIO**	NA	NA	NA	9.0
MFS Charter **MCR**	9.41	8.67	-7.9	8.6
MFS Multimkt **MMT**	6.74	6.22	-7.7	8.6
Nuveen Build Am Bd Fd **NBB**	22.22	21.39	-3.7	5.9
PIMCO Corporate & Incm **PTY**	NA	17.10	NA	10.2
PIMCO Corporate & Incm **PCN**	NA	17.64	NA	9.8
PIMCO HiInco **PHK**	NA	8.75	NA	12.6
PIMCO Inco Str Fd **PFL**	NA	12.37	NA	8.8
PIMCO Incm Strategy Fd II **PFN**	NA	10.81	NA	8.9
Putnam Mas Inco **PIM**	5.04	4.74	-6.0	6.6
Putnam Premier Income Tr **PPT**	5.57	5.40	-3.1	5.7
Wells Fargo Multi-Sector **ERC**	14.57	13.53	-7.1	8.7
World Income Funds				
Abeerden Asia-Pacific **FAX**	5.59	5.19	-7.2	7.7
Etn Vnc Short Dur Fd **EVG**	NA	14.29	NA	7.2
Legg Mason BW Glbl Incm **BWG**	15.47	13.69	-11.5	5.9
MS EmMktDomDebt **EDD**	9.03	8.24	-8.7	8.2
PIMCO Dynamic Credit **PCI**	NA	23.08	NA	11.3
PIMCO Dynamic Income Fund **PDI**	NA	30.96	NA	13.2
PIMCO Income Opportunity **PKO**	NA	26.77	NA	9.7
PIMCO Strat Income Fund **RCS**	NA	10.49	NA	8.7
Templeton Emerging **TEI**	12.93	11.52	-10.9	5.3
Templeton Global **GIM**	7.44	6.71	-9.8	6.5
Wstrn Asset Emerg Mkts **EMD**	17.69	NA	NA	NA
Wstrn Asset Gl Def Opp Fd **GDO**	19.31	18.27	-5.4	7.5
National Muni Bond Funds				
AllianceBrnstn NtlMun **AFB**	14.96	14.04	-6.1	4.6
Blackrock Invest **BKN**	15.93	15.50	-2.7	5.2
BlackRock Mun 2030 Target **BTT**	23.95	23.10	-3.5	4.1
BlackRock Municipal Trust **BFK**	14.51	14.49	-0.1	5.6
BlackRockMuni **BLE**	15.14	15.76	+4.1	5.6
BlackRockMuni Tr **BYM**	15.26	14.53	-4.8	5.3
BlkRk MuniAssets Fd **MUA**	14.23	15.25	+7.2	4.5
BlkRk Munienhanced **MEN**	12.01	12.39	+3.2	5.5
BlkRk MuniHldgs Inv **MFL**	14.89	15.16	+1.8	5.6
BlkRk MuniHldgs Qlty II **MUE**	14.22	14.16	-0.4	5.4
BlkRk MuniVest **MVF**	9.73	9.92	+2.0	5.8
BlkRk MuniVest II **MVT**	15.37	15.92	+3.6	5.7
BlkRk MuniYield **MYD**	14.95	15.52	+3.8	5.5
BlkRk MuniYld Quality **MQY**	15.91	15.88	-0.2	5.4
BlkRk MuniYld Qlty II **MQT**	13.97	13.65	-2.3	5.4
BlRkMunyldQltyIII **MYI**	14.53	14.64	+0.8	5.5
Deutsche Mun Income Tr **KTF**	12.74	13.22	+3.8	6.2
Dreyfus Mun Bd Infr Fd **DMB**	14.19	13.41	-5.5	4.9
Dreyfus Strat Muni Bond **DSM**	8.47	8.79	+3.8	5.6
Dreyfus Strategic Munis **LEO**	8.68	9.07	+4.5	5.6
Eaton Vance Mun Bd Fd **EIM**	13.85	12.87	-7.1	5.0
Eaton Vance Mun Income **EVN**	13.48	13.09	-2.9	5.3
EV National Municipal Opp **EOT**	21.96	22.45	+2.2	4.5
Invesco Adv Mun Incm II **VKI**	12.26	11.69	-4.6	5.6
Invesco Mun Incm Opps Tr **OIA**	7.59	7.89	+4.0	5.1
Invesco Mun Opportunity **VMO**	13.64	13.24	-2.9	6.0
Invesco Municipal Trust **VKQ**	13.62	12.93	-5.1	5.7
Invesco Qlty Mun Inco **IQI**	13.73	12.90	-6.0	5.5
Invesco Inv Grade Muni **VGM**	14.11	13.53	-4.1	5.6
Invesco Value Mun Incm Tr **IIM**	16.38	15.38	-6.1	4.9
MainStay DefinedTerm **MMD**	20.24	20.05	-0.9	5.3
MFS Munl Inco **MFM**	7.39	7.33	-0.8	5.2
Nuveen AMT-Free Quality **NEA**	15.09	13.91	-7.8	5.4
Nuveen AMT-Free Mun **NVG**	16.31	15.41	-5.5	5.7
Nuveen Mun Credit Incm Fd **NZF**	15.93	15.25	-4.3	5.8
Nuveen Enhncd Mun Val Fd **NEV**	15.12	14.62	-3.3	5.7
Nuveen Intermed Dur Mun **NID**	13.77	13.53	-1.7	4.8
NuveenMuniIncoOpp Fd **NMZ**	13.41	13.57	+1.2	6.1
Nuveen Muni Value Fund **NUV**	10.30	10.17	-1.3	3.8
Nuveen Qual Mun Incm Fd **NAD**	15.44	14.31	-7.3	5.6
Nuveen Sel Tax Free **NXP**	15.38	14.66	-4.7	3.7
Nuveen Sel TF **NXQ**	14.83	13.96	-5.9	3.6
PIMCO MuniFd **PMF**	NA	14.00	NA	6.1
Pimco Muni Inc II **PML**	NA	13.46	NA	5.8
PIMCO Muni Inc III **PMX**	NA	12.03	NA	5.9
Pioneer Mun Hi Inc Adv Tr **MAV**	12.02	11.60	-3.5	5.6
Pioneer Mun Hi Incm Tr **MHI**	12.86	12.03	-6.5	5.1
Putnam Tr **PMM**	7.91	7.58	-4.2	5.4
Putnam Muni Opportunities **PMO**	13.21	12.62	-4.5	5.2
Wstrn Asset Mngd Muni **MMU**	14.01	14.15	+1.0	5.3
Western Asset Mun Tr Fund **MTT**	21.47	22.78	+6.1	4.7
Single State Muni Bond				
BlackRock CA Municipal Tr **BFZ**	15.39	14.64	-4.9	5.2
BlkRk MuniHldgs CA Qlty **MUC**	15.59	14.85	-4.7	5.0
Blkrck MunHI NJ Qlty **MUJ**	15.62	14.78	-5.4	5.4
BlRk MuHldg NY Qlty **MHN**	14.90	14.23	-4.5	4.9
BlkRk MuniYld CA Fd **MYC**	15.67	15.58	-0.6	5.1
BlkRk MuniYld CA Quality **MCA**	15.79	15.31	-3.0	5.1
BlkRk MuniYld MI Qlty **MIY**	15.53	14.16	-8.8	5.4
BlRk Muyld NY Qlty **MYN**	14.30	13.29	-7.1	4.9
Eaton Vance CA Mun Bd **EVM**	12.58	11.98	-4.8	5.0
Invesco CA Value Mun Incm **VCV**	13.58	12.95	-4.6	5.0
Invesco PA Value Mun Incm **VPV**	14.16	12.58	-11.2	5.0
Invesco Inv Grade NY Muni **VTN**	14.72	13.92	-5.4	5.0
Nuveen CA AMT-Free Qual **NKX**	15.87	15.99	+0.8	5.0
Nuveen CA Muni Value **NCA**	10.43	10.49	+0.6	4.0
Nuveen CA Quality Muni **NAC**	15.73	15.41	-2.0	5.3
Nuveen MD Qual Muni **NMY**	14.64	13.13	-10.3	4.9
Nuveen MI Qual Muni **NUM**	15.51	13.88	-10.5	4.8
Nuveen NJ Qual Muni **NXJ**	15.75	13.89	-11.8	5.1
Nuveen NY AMT-Free **NRK**	14.60	13.34	-8.7	4.9
Nuveen NY Qual Muni **NAN**	15.21	14.35	-5.7	5.0
Nuveen OH Qual Muni **NUO**	16.74	15.29	-8.7	4.6
Nuveen PA Qual Muni **NQP**	15.30	13.71	-10.4	5.2
Nuveen VA Qual Muni **NPV**	14.52	13.31	-8.3	4.3
PIMCO California Muni **PCQ**	NA	17.16	NA	5.4
PIMCO California Mun II **PCK**	NA	10.35	NA	5.4

Fund (SYM)	NAV	Close	Prem /Disc	52 wk Ttl Ret
General Equity Funds				
Specialized Equity Funds				
Griffin Inst Access RE:A	26.76	NA	NA	5.1
Griffin Inst Access RE:C	26.38	NA	NA	4.3
Griffin Inst Access RE:I	26.89	NA	NA	5.3
Griffin Inst Access RE:L	26.76	NA	NA	NS
Griffin Inst Access RE:M	26.66	NA	NA	NS
Resource RE Div Inc:L	NA	NA	NA	NS
SharesPost 100	25.58	NA	NA	-2.4
Tot Inc+ RE:A	29.37	NA	NA	6.4
Tot Inc+ RE:C	28.66	NA	NA	5.6
Tot Inc+ RE:I	29.68	NA	NA	6.7
Versus Cap MMgr RE Inc:F	27.42	NA	NA	4.4
Versus Cap MMgr RE Inc:I	27.48	NA	NA	4.8
Wildermuth Endwmnt Str	12.42	NA	NA	9.8
Wildermuth Endwmnt S:C	12.28	NA	NA	8.9
Wildermuth Endwmnt S:I	12.42	NA	NA	NS
Income Preferred Stock Funds				
The Relative Value:CIA **VFLEX**	25.26	NA	NA	NS
Convertible Sec's. Funds				
Calmos Dyn Conv and Inc **CCD**	20.72	20.30	-2.0	12.6
World Equity Funds				
BMO LGM Front ME	10.21	NA	NA	15.1

Fund (SYM)	NAV	Close	Prem /Disc	12 Mo Yld
U.S. Mortgage Bond Funds				
Vertical Capital Income	12.55	NA	NA	3.1
Loan Participation Funds				
504 Fund	9.84	NA	NA	3.5
FedProj&TrFinanceTender	10.05	NA	NA	NS
FS Global Crdt Opptys D	NA	NA	NA	2.5
Invesco Sr Loan A	6.67	NA	NA	4.4
Invesco Sr Loan B	6.67	NA	NA	4.4
Invesco Sr Loan C	6.68	NA	NA	3.7
Invesco Sr Loan IB	6.67	NA	NA	4.7
Invesco Sr Loan IC	6.67	NA	NA	4.5
Invesco Sr Loan Y	6.67	NA	NA	4.7
RiverNorth MP Lending **RMPLX**	25.21	NA	NA	NS
Sierra Total Return:T **SRNTX**	25.04	NA	NA	NS
Voya Senior Income:A	12.66	NA	NA	5.4
Voya Senior Income:C	12.63	NA	NA	4.9
Voya Senior Income:I	12.62	NA	NA	5.7
Voya Senior Income:W	12.66	NA	NA	5.7
High Yield Bond Funds				
Griffin Inst Access Cd:A	NA	NA	NA	NS
Griffin Inst Access Cd:C	NA	NA	NA	NS
Griffin Inst Access Cd:I	NA	NA	NA	NS
PIMCO Flexible Cr I;Inst	NA	NA	NA	NS
PionrILSInterval	10.61	NA	NA	9.5
WA Middle Mkt Dbt	NA	NA	NA	11.4
WA Middle Mkt Inc **WMF**	NA	NA	NA	11.3
Other Domestic Taxable Bond Funds				
Capstone Church Capital	11.67	NA	NA	1.2
CION Ares Dvsfd Crdt;A	NA	NA	NA	NS
CION Ares Dvsfd Crdt;C	NA	NA	NA	NS
CION Ares Dvsfd Crdt;I	NA	NA	NA	NS
CNR Select Strategies	10.02	NA	NA	NS
GL Beyond Income	3.87	NA	NA	NE
Palmer Square Opp Income	19.29	NA	NA	6.0
Resource Credit Inc:A	NA	NA	NA	6.4
Resource Credit Inc:C	NA	NA	NA	5.6
Resource Credit Inc:I	NA	NA	NA	6.6
Resource Credit Inc:W	NA	NA	NA	6.1

Insider-Trading Spotlight

Trading by 'insiders' of a corporation, such as a company's CEO, vice president or director, potentially conveys new information about the prospects of a company. Insiders are required to report large trades to the SEC within two business days. Here's a look at the biggest individual trades by insiders, based on data received by Thomson Financial on August 4, and year-to-date stock performance of the company

KEY: B: beneficial owner of more than 10% of a security class **CB:** chairman **CEO:** chief executive officer **CFO:** chief financial officer **CO:** chief operating officer **D:** director **DO:** director and beneficial owner **GC:** general counsel **H:** officer, director and beneficial owner **I:** indirect transaction filed through a trust, insider spouse, minor child or other **O:** officer **OD:** officer and director **P:** president **UT:** unknown **VP:** vice president Excludes pure options transactions

Biggest weekly individual trades

Based on reports filed with regulators this past week

Date(s)	Company	Symbol	Insider	Title	No. of shrs in trans (000s)	Price range ($) in transaction	$ Value (000s)	Close ($)	Ytd (%)
Buyers									
July 26	Anixter International	AXE	S. Zell	DOI	526	81.34	42,806	77.50	-4.4
Aug. 1-3	Pulse Biosciences	PLSE	R. Duggan	B	277	20.20-25.12	6,419	24.34	274.5
July 28	Cable One	CABO	D. Graham	B	8	742.52	6,079	761.36	22.5
July 28	Crown Castle International	CCI	L. Martin	D	30*	100.50-100.66	3,019	102.02	17.6
July 27	Sarepta Therapeutics	SRPT	D. Ingram	CEO	47	42.50	2,000	38.51	40.4
July 31	Teradata	TDC	V. Lund	CEOI	31	31.95	999	31.91	17.4
Aug. 2	Oramed Pharmaceuticals	ORMP	X. Li	D	90	8.50	762	8.04	31.4
Aug. 1	NuVasive	NUVA	P. Leddy	O	8	63.74-64.44	501	65.79	-2.3
July 31	Hilltop Holdings	HTH	C. Robinson	D	20	24.97	499	25.85	-13.3
Aug. 1	General Motors	GM	T. Schoewe	D	14	34.75-34.77	499	35.27	1.2
Aug. 1			P. Russo	D	10	34.73	347		
Aug. 1	Discovery Communications	DISCK	G. Wiedenfels	CFO	20	23.01	460	22.60	-15.6
Aug. 3	Public Storage	PSA	R. Spogli	DI	2	200.59	401	201.49	-9.8
Aug. 2	Bristol-Myers Squibb	BMY	T. Samuels	D	6	55.94	336	55.95	-4.3
July 28-31	SmartFinancial	SMBK	W. Welborn	CB	13*	24.07-25.25	326	24.58	32.4
July 31	AbbVie	ABBV	E. Rapp	D	4	70.45	282	70.99	13.4
July 31	Boyd Gaming	BYD	J. Bailey	DI	10	25.33	253	26.02	29.0
Sellers									
July 31	Acadia Healthcare Company	ACHC	C. Gordon	DI	2,454	51.65	126,737	52.58	58.9
July 28-31			R. Waud	DI	1,240	51.65-53.63	64,128		
Aug. 1	Tivity Health	TVTY	C. Laughlin	DI	1,750	37.90	66,325	38.78	70.4
July 26	Anixter International	AXE	S. Zell	DOI	526	81.34	42,806	77.50	-4.4
July 12-13	Facebook	FB	M. Zuckerberg	CEOI	268	156.97-159.61	42,499	169.62	47.4
Aug. 1	IHS Markit	INFO	L. Uggla	P	846	47.00	39,745	46.39	31.0
July 28-31	Hasbro	HAS	A. Hassenfeld	DOI	281	105.64-105.72	29,686	103.49	33.0
Aug. 1-2			A. Hassenfeld	DOI	217	106.03-106.08	23,002		
July 28-31			B. Goldner	CEO	206	105.57-105.83	21,736		
Aug. 1-2	ServiceNow	NOW	F. Slootman	D	252	106.54-111.28	27,538	109.71	47.6
Aug. 2	Royal Caribbean Cruises	RCL	R. Fain	CEOI	211	115.83	24,406	119.69	45.9
July 27	Caterpillar	CAT	B. Halverson	CFO	183	114.03-114.37	20,828	114.35	23.3
Aug. 3	Southern Copper	SCCO	G. Larrea Mota Velasco	CB	505	39.51	19,944	38.72	21.2
July 28-31	Dupont Fabros Technology	DFT	L. Du Pont	CB	296	61.05-61.69	18,209	62.56	42.4
July 27	Intuitive Surgical	ISRG	G. Guthart	CEO	18	922.50-943.50	16,849	931.07	46.8
Aug. 1	Charles Schwab	SCHW	C. Schwab	CBI	350	43.10	15,086	43.11	9.2
Aug. 1	TE Connectivity	TEL	T. Lynch	OD	186	79.64-80.36	14,837	80.38	16.0
July 31-Aug. 2	Brink's	BCO	P. Feld	DI	186	78.02-78.25	14,506	75.20	82.3

* Half the transactions were indirect ** Two day transaction
p - Pink Sheets

Buying and selling by sector

Based on actual transaction dates in reports received this past week

Sector	Buying	Selling	Sector	Buying	Selling
Basic Industries	1,269,244	45,451,143	Finance	2,460,964	190,387,115
Business services	184,086	25,913,774	Health care	3,267,495	56,709,507
Capital goods	0	0	Industrial	199,848	100,769,777
Consumer durables	176,925	5,552,925	Media	0	4,647,605
Consumer nondurables	296,042	69,018,064	Technology	4,427,219	207,923,385
Consumer services	302,332	64,440,920	Transportation	90,476	21,430,023
Energy	572,110	13,503,201	Utilities	13,024	12,469,029

Sources: Thomson Financial; WSJ Market Data Group

Borrowing Benchmarks | WSJ.com/bonds

Money Rates

August 4, 2017

Key annual interest rates paid to borrow or lend money in U.S. and international markets. Rates below are a guide to general levels but don't always represent actual transactions.

Inflation

	June index level	Chg From (%) May '17	Chg From (%) June '16
U.S. consumer price index			
All items	244.955	0.09	1.6
Core	252.014	0.07	1.7

International rates

	Latest	Week ago	52-Week High	52-Week Low
Prime rates				
U.S.	4.25	4.25	4.25	3.50
Canada	2.95	2.95	2.95	2.70
Japan	1.475	1.475	1.475	1.475
Policy Rates				
Euro zone	0.00	0.00	0.00	0.00
Switzerland	0.50	0.50	0.50	0.50
Britain	0.25	0.25	0.25	0.25
Australia	1.50	1.50	1.50	1.50
Overnight repurchase				
U.S.	1.02	1.13	1.38	0.15

U.S. government rates

	Latest	Week ago	52-Week High	52-Week Low
Discount				
	1.75	1.75	1.75	1.00
Federal funds				
Effective rate	1.1700	1.1800	1.2000	0.3300
High	1.3125	1.3125	1.3125	0.5625
Low	1.0900	0.9700	1.1600	0.2000
Bid	1.1600	1.1600	1.1700	0.2800
Offer	1.1700	1.1700	1.1900	0.3000
Treasury bill auction				
4 weeks	0.990	0.980	0.990	0.160
13 weeks	1.070	1.180	1.180	0.250
26 weeks	1.130	1.130	1.130	0.395

Secondary market

	Latest	Week ago	52-Week High	52-Week Low
Fannie Mae				
30-year mortgage yields				
30 days	3.438	3.543	3.865	2.808
60 days	3.465	3.575	3.899	2.837

Other short-term rates

	Latest	Week ago	52-Week high	52-Week low
Call money				
	3.00	3.00	3.00	2.25
Commercial paper (AA financial)				
90 days	1.28	1.25	1.28	0.62
Libor				
One month	1.22889	1.23167	1.23389	0.50390
Three month	1.31194	1.31056	1.31667	0.79235
Six month	1.44944	1.45500	1.46544	1.16070
One year	1.72289	1.72900	1.82761	1.47510
Euro Libor				
One month	-0.401	-0.398	-0.370	-0.405
Three month	-0.373	-0.377	-0.316	-0.378
Six month	-0.300	-0.299	-0.194	-0.308
One year	-0.190	-0.187	-0.069	-0.190
Euro interbank offered rate (Euribor)				
One month	-0.372	-0.371	-0.366	-0.375
Three month	-0.329	-0.329	-0.297	-0.332
Six month	-0.271	-0.272	-0.185	-0.274
One year	-0.151	-0.152	-0.046	-0.163

	Latest	Value Traded	52-Week High	52-Week Low
DTCC GCF Repo Index				
Treasury	1.060	28.400	1.366	0.244
MBS	1.064	85.958	1.506	0.257

	Settle	Change	Open Interest	Implied Rate
DTCC GCF Repo Index Futures				
Treasury Aug	98.910	0.005	3665	1.090
Treasury Sep	98.885	0.005	1906	1.115
Treasury Oct	98.815	unch.	1741	1.185

Notes on data:
U.S. prime rate is the base rate on corporate loans posted by at least 70% of the 10 largest U.S. banks, and is effective June 15, 2017. **Other prime rates** aren't directly comparable; lending practices vary widely by location; **Discount rate** is effective March 16, 2017. **DTCC GCF Repo Index** is Depository Trust & Clearing Corp.'s weighted average for overnight trades in applicable CUSIPs. Value traded is in billions of U.S. dollars. **Federal-funds rates** are Tullett Prebon rates as of 5:30 p.m. ET. **Futures on the DTCC GCF Repo Index** are traded on NYSE Liffe US.

Sources: Federal Reserve; Bureau of Labor Statistics; DTCC; SIX Financial Information; General Electric Capital Corp.; Tullett Prebon Information, Ltd.

Italian Corporate Bonds Get Support From Solid Results

By Tasos Vossos

Despite political risk and economic stagnation, Italy is now the place to be for European corporate bond investors. The reason: Italian companies are consistently beating analyst expectations this earnings season.

CREDIT MARKETS

Italian firms have delivered the second-highest number of positive earnings surprises in the eurozone during the current reporting period, behind only the Netherlands on a net basis, according to data by UBS.

Better earnings mean better credit fundamentals. And the latter will become even more important for corporate bond investors as the European Central Bank looks poised to exit its massive bond-buying program.

Better fundamentals will become more important as the ECB exits bond buying.

"We are very constructive on Italian corporates due to fundamentals, especially utilities," said Thomas Neuhold, credit portfolio manager at Austrian asset management firm Gutmann.

Italian corporate bonds, both investment-grade and speculative-grade, included in the iBoxx indexes amount to more than €150 billion ($176.6 billion).

Solid capital figures from the country's banks and good corporate earnings are helping push asset-swap spreads on Italian corporate bonds lower, Mr. Neuhold said. Those spreads stand at their tightest level since the financial crisis, based on Bloomberg Barclays indexes.

The stock market has taken notice, putting the FTSE MIB index on track for its highest close since December 2015.

And improving fundamentals are bound to lead to upgrades. Take **Telecom Italia**, for example, the largest issuer in the iShares euro high-yield exchange-traded fund. The telecom's revenue and operating earnings look set to grow so much this year that they will put it "comfortably in investment grade-like territory," according to Commerzbank credit analyst Patrick Kohlmann.

Elsewhere, **Ferrari**'s net income jumped nearly 40% in the second quarter year over year, utility **Italgas** boosted operating profits by 22% and reduced debt leverage and insurer **Generali** posted better-than-expected first-half net income.

Meanwhile, Italy's banking sector, long dogged by nonperforming loans, is also looking up. Shares of **UniCredit**, the country's largest bank by assets, jumped close to 8% last week as results beat analysts' expectations.

And **Intesa Sanpaolo**, which bought the good parts of troubled lenders **Banca Popolare di Vicenza** and **Veneto Banca**, beat net profit estimates and boosted its core capital ratio.

But Italian companies aren't out of the woods yet. An eventual move by the ECB to slow bond purchases could have a big negative impact, as Italy is the third most-tapped market in the central bank's corporate sector purchase program, based on UniCredit analysts' calculations. And Italian general elections, due to be held by May 2018, could add political risk to bond raters' calculations.

OLIVER BUNIC/BLOOMBERG NEWS

Raptor Commodities Fund will be Arion Investment Management's first commodities hedge fund. Here, a copper facility in Serbia.

New Metals Fund to Start

By Stephanie Yang

Even as some heavyweights leave the world of commodities trading, one fund sees opportunity in trying to spot inefficiencies in the market.

COMMODITIES

Arion Investment Management, based in London, in October plans to launch its first commodities hedge fund to trade base and precious metals.

The Raptor Commodities Fund would be focused on arbitrage trading, or taking advantage of mispriced and diverging values within metals markets.

Started by Gerardo Tarricone, who previously worked at **Morgan Stanley**, the Raptor fund comes at a time when many commodity traders are struggling.

A gauge that tracks aggregate returns at major commodity hedge funds—the Bridge Alternatives Commodity Hedge Fund equally-weighted index—has fallen 4.9% through June. Last month, **Goldman Sachs Group** Inc. reported its worst-ever quarter for commodities trading.

But Arion, an investment firm founded in January 2016, is hoping that as large banks and hedge funds leave the space, smaller entrants will be able to take advantage of mismatches between futures contracts in metals like copper.

"Banks, institutions, market makers are leaving the space. What they are doing is drawing liquidity and risk taking," said James Purdie, head of investor relations at Arion. "We're in a position to take advantage of that side of it."

Much of the difficulties funds have faced this year stemmed from falling energy prices.

Oil prices defied many analysts' and investors' expectations and slumped into bear market in June.

Low oil prices tend to weigh on investor interest in commodities broadly.

"Right now if you're looking to start up, it's far more difficult than five or six years ago," said Ryan Duncan, managing partner at Bridge Alternatives, a boutique advisory and brokerage firm. "In general the performance hasn't been there to warrant a broad interest in the commodity hedge fund space" in 2017.

Many funds that have launched over the past few years are managing smaller amounts of money than the billion-dollar hedge funds that operated during the commodity boom, Mr. Duncan said.

Now, "some investors are wary that when you get to a certain size, you're forced to have a position in the commodity market," he said.

In the past year, some metals traders have benefited from gains in copper and other base metals, as growth expectations for China have stabilized.

Copper prices rallied after the U.S. election in November and surged to two-year highs in July.

The Raptor Commodities Fund would look for some directional trades but would mainly engage in trying to profit from differences between market contracts, such as betting that prices for the Comex copper futures contract and the London Metal Exchange contract would eventually converge.

"It's still an extremely difficult place to be like a stock picker" and try to predict where commodity prices are headed, Mr. Purdie said. "We're not doing that, and we don't aim to do that."

The fund has $10 million in committed funds and aims to keep assets under management under $500 million

12%

Percentage of companies that discussed President Donald Trump and his administration's policies in second-quarter earnings calls, versus 49% at this point in the fourth-quarter reporting season

Trump Talk Dies Down

The president's policies don't command the attention they used to among corporate executives and Wall Street analysts.

MONEYBEAT

Just 12% of earnings calls for the 374 S&P 500 companies that reported second-quarter results through Wednesday have mentioned Donald Trump and his administration. For the same period during the fourth-quarter earnings season, 49% of companies brought up the president, according to FactSet Earnings Analyst John Butters.

A new president's agenda will often stir much discussion, and it isn't surprising that it dies down over time. But the declining mentions of Mr. Trump suggest that Washington hasn't turned out to be the key driver of the economic and business outlook that some thought it might right after the election.

Six months ago, executives were focused on the administration's efforts to cut taxes, lower regulation, and spend on infrastructure. But with those agenda items stalled or delayed, the focus has shifted.

Among executives who did discuss Mr. Trump, some said they hadn't built enactment of the administration's policies into their forecasts.

"While we were positively biased on what Trump may or may not accomplish, we did not actually factor that in," said Joseph Douglas Fisher, the chief financial officer at real-estate investment trust **UDR** Inc., on an earnings call last month.

Some focused on policy uncertainty and the prospects for those policies coming through.

"The simple things that they said they were going to focus on and the difficult things they said that they were going to focus on haven't really materialized," said **Omnicom Group** Inc. Chief Executive John Wren on the marketing firm's July earnings call.

Among the 44 corporate executives that discussed Mr. Trump and his administration's policies, 16 brought up tax policy, 15 brought up regulation, and 13 brought up trade. Mentions of health care, infrastructure and energy were also sprinkled in.

—*Ben Eisen*

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Currencies

U.S.-dollar foreign-exchange rates in late New York trading

Country/currency	Fri in US$	Fri per US$	US$ vs, YTD chg (%)
Americas			
Argentina peso	.0566	17.6625	11.3
Brazil real	.3193	3.1317	–3.8
Canada dollar	.7905	1.2651	–5.9
Chile peso	.001537	650.80	–2.8
Colombia peso	.0003361	2974.97	–0.9
Ecuador US dollar	1	1	unch
Mexico peso	.0559	17.8973	–13.7
Peru new sol	.3081	3.246	–3.2
Uruguay peso	.03527	28.3500	–3.4
Venezuela b. fuerte	.100150	9.9851	–0.1
Asia-Pacific			
Australian dollar	.7929	1.2612	–9.2
China yuan	.1486	6.7305	–3.1
Hong Kong dollar	.1279	7.8194	0.8
India rupee	.01570	63.675	–6.3
Indonesia rupiah	.0000751	13316	–1.5
Japan yen	.009034	110.69	–5.4
Kazakhstan tenge	.003011	332.14	–0.5
Macau pataca	.1247	8.0211	1.3
Malaysia ringgit	.2337	4.2795	–4.6
New Zealand dollar	.7415	1.3486	–6.6
Pakistan rupee	.00949	105.330	0.9
Philippines peso	.0199	50.342	1.5
Singapore dollar	.7349	1.3608	–6.0
South Korea won	.0008859	1128.78	–6.6
Sri Lanka rupee	.0065176	153.43	3.4
Taiwan dollar	.03310	30.212	–6.9
Thailand baht	.03005	33.280	–7.1
Vietnam dong	.00004399	22735	–0.2
Europe			
Czech Rep. koruna	.04509	22.179	–13.7
Denmark krone	.1582	6.3192	–10.6
Euro area euro	1.1774	.8494	–10.7
Hungary forint	.003864	258.79	–12.1
Iceland krona	.009510	105.15	–6.9
Norway krone	.1258	7.9475	–8.1
Poland zloty	.2774	3.6053	–13.9
Russia ruble	.01667	59.970	–2.1
Sweden krona	.1228	8.1459	–10.6
Switzerland franc	1.0280	.9728	–4.5
Turkey lira	.2835	3.5279	0.1
Ukraine hryvnia	.0387	25.8350	–4.6
UK pound	1.3039	.7669	–5.3
Middle East/Africa			
Bahrain dinar	2.6522	.3770	–0.03
Egypt pound	.0563	17.7690	–2.0
Israel shekel	.2755	3.6300	–5.7
Kuwait dinar	3.3109	.3020	–1.2
Oman sul rial	2.5966	.3851	0.04
Qatar rial	.2728	3.665	0.7
Saudi Arabia riyal	.2666	3.7503	–0.01
South Africa rand	.0745	13.4234	–2.0

	Close	Net Chg	% Chg	YTD % Chg
WSJ Dollar Index	86.32	0.46	0.53	–7.12

Sources: Tullett Prebon, WSJ Market Data Group

BENOIT TESSIER/REUTERS

Analysts expect media company and theme-park operator Walt Disney Co. to log quarterly earnings of $1.55 a share Tuesday.

THE TICKER Market events coming this week

Monday

Consumer credit
May, prev. up $18.4 bil.
June, exp. up $14.0 bil.

Earnings expected*

	Estimate/Year Ago($)
Albemarle	**1.11**/0.93
CBS	**0.97**/0.93
First Data	**0.40**/0.35
Liberty Global	**(0.03)**/0.23
Marriott	**1.02**/1.03
Tyson Foods	**1.19**/1.21

Tuesday

Earnings expected*

	Estimate/Year Ago($)
CVS Health	**1.31**/1.32
Liberty Interactive QVC	**0.24**/0.27
Monster Bev.	**0.40**/0.33
Priceline	**14.20**/13.93
Walt Disney	**1.55**/1.62
Zoetis	**0.53**/0.49

Wednesday

Short-selling reports
Ratio, days of trading volume of current position, at Jul 14
NYSE 5.7
Nasdaq 4.8

Mort. bankers indexes
Purch., previous down 2%
Refinan., prev. down 4%

EIA status report
Previous change in stocks in millions of barrels
Crude oil down 1.5
Gasoline down 2.5
Distillates down 0.2

Productivity
1st qtr., prev. 0.0%
2nd qtr., prelim., exp. up 0.8%

Unit labor costs
1st qtr., prev. up 2.2%
2nd qtr., prelim., exp. up 1.1%

Wholesale inventories
May, previous up 0.4%
June, expected up 0.6%

Earnings expected*

	Estimate/Year Ago($)
Amerco	**7.37**/7.51
Dentsply	**0.65**/0.76
Liberty Broadband	**0.10**/6.28
Mylan	**1.17**/1.16
Twenty-First Century Fox	**0.35**/0.45

Thursday

Initial jobless claims
Previous 240,000
Expected 240,000

EIA report: natural gas
Previous change in stocks in billions of cubic feet
up 20

Producer price index
All items, June up 0.1%
July, expected up 0.2%
Core, June up 0.1%
July, expected up 0.2%

Earnings expected*

	Estimate/Year Ago($)
Broadridge Financial	**1.69**/1.45
News Corp	**0.12**/0.10
Nordstrom	**0.63**/0.67
Nvidia	**0.70**/0.40
Perrigo	**0.92**/1.93
Wheaton Precious Metals	**0.18**/0.19

Friday

Consumer price index
All items, June 0.0%
July, expected up 0.2%
Core, June up 0.1%
July, expected up 0.2%

* FACTSET ESTIMATES EARNINGS-PER-SHARE ESTIMATES DON'T INCLUDE EXTRAORDINARY ITEMS (LOSSES IN PARENTHESES) ◆ ADJUSTED FOR STOCK SPLITNOTE: FORECASTS ARE FROM DOW JONES WEEKLY SURVEY OF ECONOMISTS

MARKETS

THE DAILY SHOT | By Lev Borodovsky and Ira Iosebashvili

The Infrastructure Rally Crumbles

Construction shares soared after Donald Trump's election victory on expectations of infrastructure stimulus, but many of the stocks have been drifting lower since. With details of Trump's rebuilding plan slow to materialize and impasses in other areas of his agenda, confidence seems to be waning that federal funding for big projects will make it through Congress.

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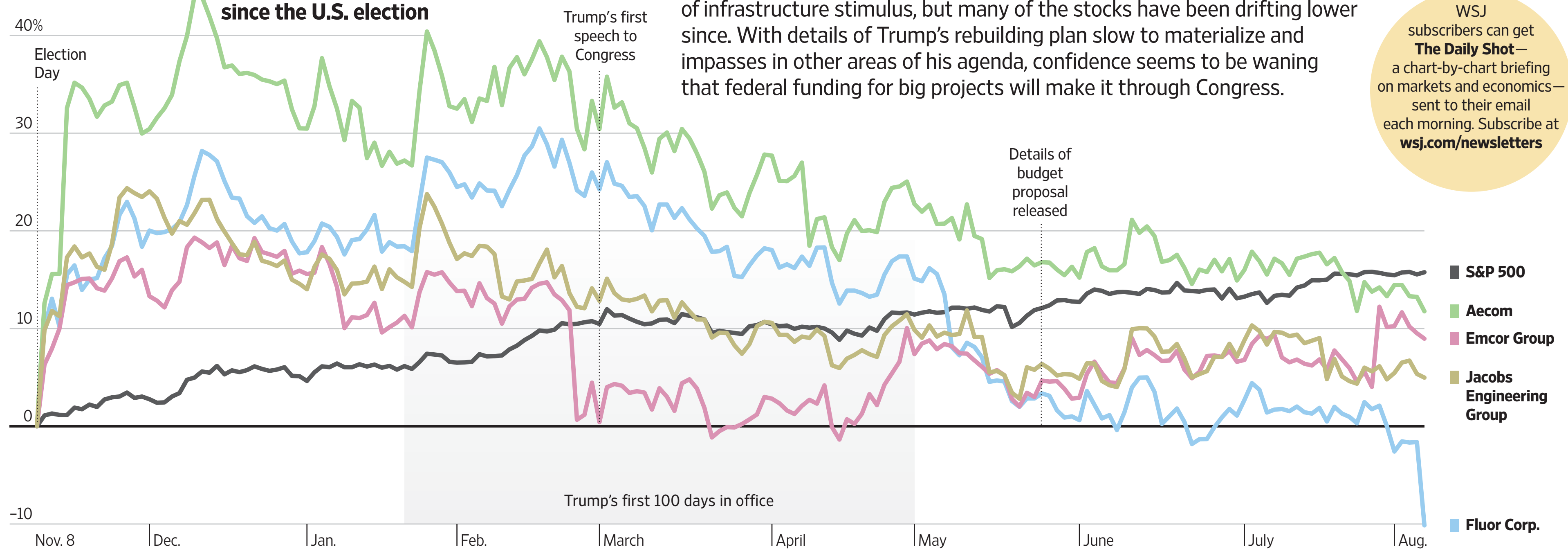
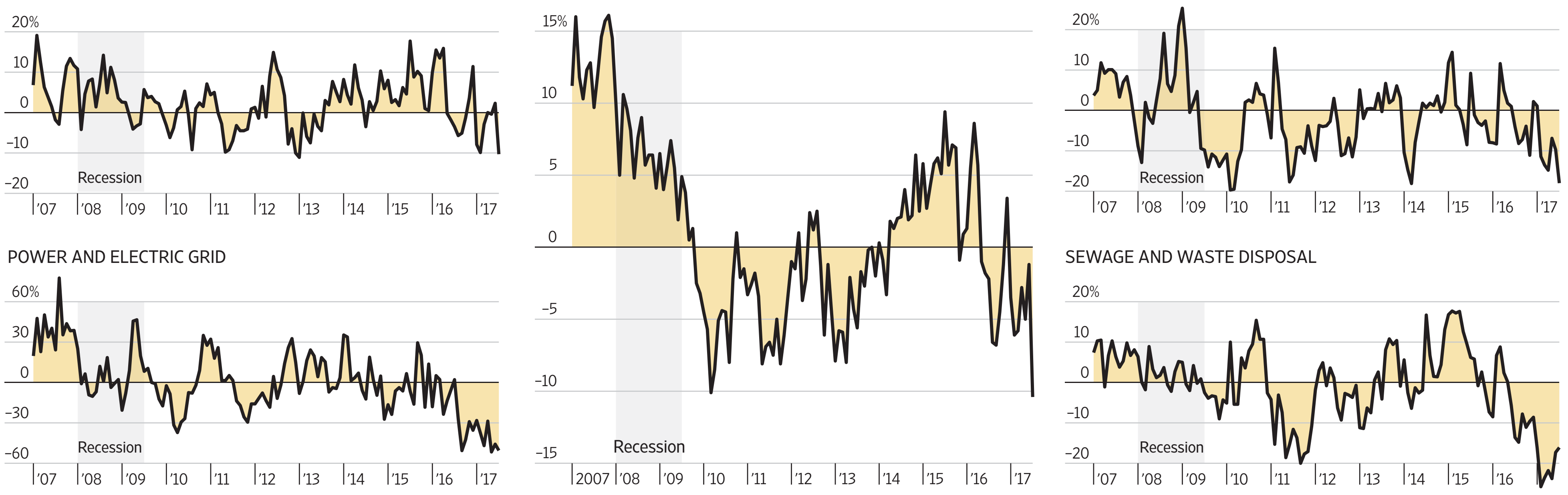
Share and index performance since the U.S. election



Total public construction spending
Percentage change from a year earlier

U.S. nonresidential construction spending is experiencing its worst decline in years, adding to the problem of America's crumbling infrastructure, with many facilities around the country aging beyond their intended lifetimes.



Sources: FactSet (stocks, S&P 500); U.S. Census Bureau via Federal Reserve Bank of St. Louis (spending)

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HEARD ON THE STREET

Email: heard@wsj.com FINANCIAL ANALYSIS & COMMENTARY **WSJ.com/Heard**

China Bubble Is Most Serious Yet

Chinese regulators are targeting the latest bubble in their financial system: the domestic asset-management industry. Unfortunately, it is a moving target.

The gargantuan industry—a byproduct of China's trapped and churning capital—has more than doubled in size in the past two years and is now worth around 60 trillion yuan, or nearly $9 trillion. A closely knit network of financial institutions like banks, funds, trusts, brokers and insurance companies issue the bulk of the industry's products.

The problem for Beijing isn't just the industry's sheer size. The evolving relationships between the key players and the ever-changing nature of the products they sell have made it nearly impossible to regulate. Even if the authorities manage to stamp out one area of egregious behavior, another quickly emerges.

Much of the problem stems from China's banks, which have issued almost 30 trillion yuan of wealth-management products over the recent past, offering them as short-term investment opportunities to household and corporate customers By the first quarter, some 44,000 of such products were outstanding, according to analysts at Autonomous Research.

These products, usually recorded off the banks' balance sheets, ripple through the financial system in various ways that complicate regulators' efforts. Banks looking to artificially improve their capital-adequacy ratios have sold some $3.7 trillion of their own loans into WMPs, Autonomous estimates.

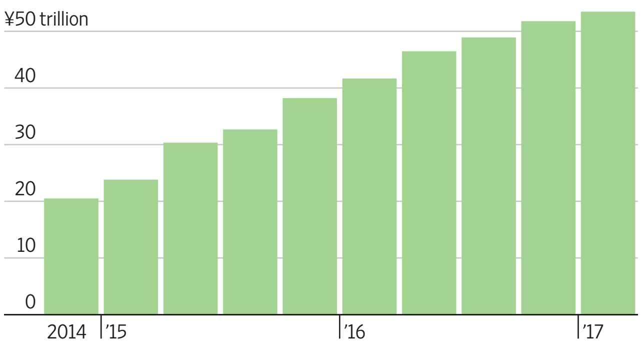
Further muddying the waters, banks can also package some of their loans and sell them to nonbank financial institutions like mutual funds and trusts. These then parcel the loans into so-called asset-management products and plans, which they can now sell back to the original banks and other institutions. Then a bank's loan book has suddenly become part of the bank's investment portfolio. Autonomous estimates banks have unloaded another $1.9 trillion of loans this way.

As banks find ways to channel these products, the network has come to include big insurers and brokerages. The short-term nature of the products, when set against the long-term nature of the assets in which they often invest, creates the risk of asset-liability mismatches that could potentially destabilize Chinese markets if funding is squeezed.

Chinese regulators have signaled their determination to quash the leverage in this system and untangle complex assets jointly issued by various financial institutions. The task looks herculean. And as long as the financial system's shape-shifting continues, any regulatory crackdown may lead to the emergence of new immeasurable risks.

—Anjani Trivedi

Living Large
China's asset-management business



Note: ¥1 trillion yen=$9.09 billion
Source: CEIC

THE WALL STREET JOURNAL.

OVERHEARD

Don't worry stock analysts, you aren't going to be replaced by a computer. It is more than you will have to cede your intellectual superiority to one.

The bread and butter for Wall Street analysts is forecasting quarterly profits for the companies they cover. It turns out a computer model can do a better job than humans in many circumstances, according to a paper by **Ryan Ball** of the University of Michigan and **Eric Ghysels** of the University of North Carolina.

The economists built a model that uses real-time stock prices and macroeconomic inputs and found that for companies where analysts had a wide range of opinions the computer model's forecasting error was 10% less than the humans'. Even better at predicting earnings is a cyborg synergy that combines the artificial intelligence with the handcrafted analyst forecasts. The authors liken the teamwork to a self-driving car that assists a driver.

Guggenheim, Invesco Deal Would Work

Guggenheim Partners' retail investment business is a gem that **Invesco** should seize the opportunity to buy.

The two companies are in talks over that deal, potentially for a price of around $2 billion, The Wall Street Journal reported last week. The logic of such a combination is convincing.

Invesco has enjoyed healthy inflows into its exchange-traded funds, though it remains far smaller than true ETF heavyweights like **BlackRock** and State Street. Guggenheim's funds would add scale, which is the main driver of profitability for asset managers.

Only one of Guggenheim's 10 largest mutual funds and ETFs had net outflows over the past 12 months, according to Morningstar, and total flows into the funds totaled $12.1 billion.

The potential price of $2 billion makes sense, given the roughly $65 billion of assets under management in Guggenheim's retail business. That is roughly in line with the $1.35 billion market value of WisdomTree Investments, a publicly listed ETF provider that has nearly $45 billion under management.

Guggenheim's assets will be worth more at a company with the scale and distribution power of Invesco, which has $858 billion under management. It is possible that Guggenheim may seek to keep its bond funds and sell just the ETF business. Either way, the deal would solidify Invesco's position in the fastest-growth segment of the industry.

Invesco has been described by bullish analysts as a mini BlackRock. It isn't quite there yet but a deal with Guggenheim would get it closer.

—Aaron Back

Brewers Can Get a Buzz From Low- and No-Alcohol Beer

Near-beer may finally be quitting its niche as a pity-inspiring barbecue drink for drivers and pregnant women. That is better for big brewers than you might think, though any benefit will take time.

Heineken said last week that its European low and no-alcohol ranges grew at a double-digit clip in the first half. Having dabbled with alcohol-free versions of its smaller brands, in May, Heineken launched a zero-percent version of its signature brew.

Chief Executive Jean-François van Boxmeer hopes Heineken 0.0, as it is called, will help beer infiltrate social occasions it has lost over the years, such as drinking at lunchtime.

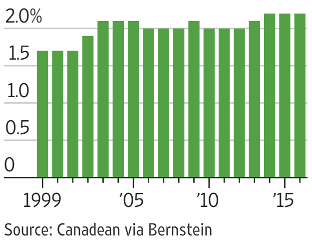
He isn't the only one. Last year, Heineken's key competitor **Anheuser-Busch InBev** said it wanted one-fifth of its beer sales to be in low- or no-alcohol form by 2025, up from about 7% at the moment.

Such ambitious targets are partly about public relations: Big brewers need to make clear they are committed to responsible drinking, and last year, AB InBev was in the process of acquiring its next largest competitor SABMiller—a deal that attracted intense regulatory scrutiny.

But pushing alcohol-free beer also makes business sense. Because it sells at a similar price point to regular beer but carries less tax, a rising share of zero-percent sales will increase brewers' margins. AB InBev wants drinkers to ditch alcohol for the same reason Philip Morris International wants smokers to ditch conventional cigarettes: It pleases regulators and investors.

To what extent low-alcohol beer really is already taking off is also hard to pin down. Heineken's alcohol-free beers may have boomed in the first half, but this was masked in the published numbers by falling sales of malt—a kind of unfermented beer—in economically struggling Nigeria and Egypt. Global statistics do show growth, but are skewed by country-specific anomalies.

Party On
No- and low-alcohol beer as a share of overall beer consumption



Source: Canadean via Bernstein

THE WALL STREET JOURNAL.

The high share of low-alcohol beers in China reflects the weak alcohol content of cheap beer rather than active consumer choice, for example.

Trevor Stirling at brokerage Bernstein thinks getting Western consumers to drink alcohol-free beer in situations where they might buy a Coke or bottled water—the dream scenario for big-beer executives—will require a major "mind-set change." The trend is in its infancy and investors shouldn't expect a profit bonanza soon. But near beer should, in time, be good for the industry's health.

—Stephen Wilmot

INVESTING IN FUNDS & ETFS

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Are Stock Prices Too High? It Depends How You Look at It

DAVIDE BONAZZI

These three price/earnings measures suggest that they are. So why hasn't it mattered?

BY JEFF BROWN

U.S. STOCKS have set record after record this year, pleasing investors who might have expected a postelection slump. But have prices soared to levels that are too risky?

Just as a 50-degree day is cool in August and warm in January, share prices can look high or low depending on the frame of reference. Still, by almost any standard, share prices are indeed high today—sobering for anyone with a serious stake in the market. Consider the three most popular measures: trailing price-to-earnings ratio, forward P/E ratio and cyclically adjusted P/E ratio.

"Each of the measures is currently higher than its long-term average, prompting many market analysts to predict an impending market decline," says Brandon Thomas, co-founder and chief investment officer at Envestnet, a Chicago-based research and advice provider for financial advisers.

Yet some experts make a case that stocks are *not* overpriced by important measures and will continue to rise. What's an investor to do?

Here's a look at what the top barometers are showing—and why stocks continue to defy them—along with the pros' arguments about what comes next.

◆ **Trailing P/E Ratio:** The classic price-to-earnings ratio, or P/E, looks at the current price divided by the company's total earnings for the past 12 months.

Today, the P/E for the stocks in the S&P 500 index is about 24, meaning investors pay $24 for every $1 in corporate earnings. That's quite high compared with the historical average of about 15 or 16, but not so high compared with some periods of crisis in the past—more than 40 around the dot-com bubble and above 100 after the financial crisis broke. To return to average, prices would have to tumble or earnings skyrocket.

Some experts note, however, that it isn't unusual, or particularly risky, for the P/E to be somewhat higher than average when interest rates and inflation are unusually low. If you'll earn only a tad over 2% on a 10-year Treasury note, paying $50 for every $1 in interest income, why not pay 24 times earnings on a stock? That would be a 4% earnings yield (earnings divided by price). Also, a low earnings yield is easier to stomach if little will be lost to inflation.

Andrew Kleis, co-founder of Insight Wealth Group, a wealth-management firm in West Des Moines, Iowa, says that "in times of incredibly low interest rates, like today and the last several years, investors put their money into the equities market because they believe that is their best opportunity for risk-adjusted returns. That drives up P/E ratios. It's happened before, and it's happening again."

This view assumes investors own stocks to share in current or future earnings, even though not all earnings are paid out as dividends. Undistributed earnings used for plant expansion, research and development or stock buybacks should boost the share price.

◆ **Forward P/E:** For another look, many experts use a P/E based on projected or forecast earnings, usually from company estimates and a consensus among analysts. Because many analysts are predicting earnings will grow in the near and medium term, this view produces a P/E a little less frightening—currently about 19 for the S&P 500, close to its long-term average.

Jim Tierney, chief investment officer for concentrated U.S. growth equities at AllianceBernstein asset management in New York, says "forward earnings are what we care about the most," and notes that Wall Street analysts expect healthy earnings gains, producing a forward P/E just shy of 19 this year and close to 17 in 2018. "A bit elevated, but not excessive in a world where the 10-year Treasury is at 2.37%," Mr. Tierney says.

Of course, a forward-looking P/E can be off if earnings later come in higher or lower than expected. Earnings estimates sometimes have a bit of wishful thinking, and experts say many analysts currently assume earnings will be boosted by a big Republican corporate-tax cut.

Craig Birk, executive vice president of portfolio management at Personal Capital, an investment-management firm in San Carlos, Calif., says he prefers trailing P/E because it relies on established facts. "Forward-looking P/E is also useful, but it must be taken in the context that earnings projections tend to change meaningfully," Mr. Birk says.

◆ **CAPE:** Robert Shiller, the Yale economist known for his book "Irrational Exuberance," which warned of price bubbles in stocks and housing, devised a different approach to reduce

Please turn to the next page

INSIDE

SCOREBOARD

July 2017 fund performance, total return by fund type. More on R2.

U.S. stocks*	Intl. stocks*	Bonds (intmd.)
▲ 1.5%	▲ 3.2%	▲ 0.5%

*Diversified funds only, excluding sector and regional/country funds

Source: Lipper

CEOs' Simple Trick on Earnings Calls: Saying 'I,' 'We' and 'Us'

BY MATTHEW KASSEL

JAMES KACZMAN

INVESTORS MIGHT want to pay extra attention the next time they listen in on an earnings call.

A new study suggests that the language executives use during such calls can influence investors' reactions to what is being disclosed. More specifically, the study found that investors left with a more positive impression—regardless of a company's results—when managers use personal pronouns such as "I," "we," "my," "ours" and "us," rather than the researchers refer to as self-inclusive language.

To test their hypothesis, professors at Tulane University conducted simulated earnings calls using fictional executives, some of whom used self-inclusive language when discussing a fictional firm's results. More than 250 participants were then asked to make investment decisions after listening to the calls. Separately, the researchers analyzed more than 50,000 real-life earnings-call transcripts using a textual-analysis tool and found that market reactions to self-inclusive language were consistent with their results.

Serena Loftus, an assistant professor at Tulane's Freeman School of Business and co-author of the study along with Zhenhua Chen, a professor of accounting at Tulane, says investors may not be aware of the effect self-inclusive language has on their investment decisions. They often are so attuned to what is being discussed—such as profits and losses—that pronouns slip past their conscious mental radar, she says.

But first-person pronouns make their mark because they create the impression that an executive has more control over the past and therefore more ability to influence the future, she says.

Humanity of pronouns

James Pennebaker, a professor of psychology at the University of Texas at Austin and the author of "The Secret Life of Pronouns," agrees that an executive's use of personal pronouns might create a more positive impression among investors.

But he believes the study's explanation might be missing the mark. He says that words like "I," "me" and "my" create an air of vulnerability, which listeners tend to find authentic and accessible. "The way I interpret it is that the manager's coming across as more human," Prof. Pennebaker says.

The study is notable because it focuses on so-called function words over content words, such as as nouns and adjectives, which are more substantive, says Dawn Matsumoto, a professor of accounting in the Foster School of Business at the University of Washington. Function words aren't the most memorable, she says, but they make up around 60% of everyday speech and represent a vital aspect of our language.

The paper "pushes the literature forward," says Prof. Matsumoto, who has looked at the effect of optimistic language in conference calls. "It's more subtle than what's been examined in the past."

Unconscious tic?

Joshua Lee, an assistant professor of accounting in the Terry College of Business at the University of Georgia, says the study's methodology is sound, but he sees openings for further exploration. For instance, do managers use self-inclusive language strategically, or is it an unconscious tic? Does a manager's tenure play a part in the equation?

Prof. Loftus says she hopes that future research can explore both of those questions, but she believes her study offers significant lessons.

"The implications for investors are that the words that may not appear to be important at first glance actually do play an important role in shaping reactions to managers' statements," she says.

Experimental Manipulation

In an experiment that was part of the study, the professors used a professional voice actor to create hypothetical earnings calls, to judge listeners' reactions. The language used by 'Joe Smith' varied between using 'I', 'we' or no self-inclusive language.

Part of the script:

As **(I/we/Webtex's managers)** *look ahead to the next quarter,* **(I am/we are/ management is)** *very optimistic about Webtex's future.* **(I am/We are/ Management is)** *currently forecasting earnings per share of $6.75 for the next quarter.* **(I/We/Webtex's managers)** *want to thank you for your continued support of Webtex.*

Source: "Managers' Self-Inclusive Language in Conference Calls: Multi-Method Evidence"
THE WALL STREET JOURNAL.

Mr. Kassel is a writer in New York. He can be reached at reports@wsj.com.

FUNDAMENTALS OF INVESTING

Everyone's a 'Buy and Hold' Investor Now

But it takes guts to stay that way. Otherwise, it's time to reduce exposure.

BY MARK HULBERT


WESLEY BEDROSIAN

AS THE U.S. STOCK market continues to set all-time highs, many investors are proudly adhering to their mantra of "buy and hold." That is what financial advisers preach, and investors are sticking to it.

For now, anyway. The tougher question is this: Will they stick to buy and hold if the market tumbles? If experience is a guide, the answer for almost all of them will be "no." And that means, once again, they will fall into the classic trap of buying high and selling low.

The trap snares them in several ways. Some who now think of themselves as buy-and-hold investors will be quick to throw in the towel at the first sign the market might be entering a correction. These investors then tend to sit on the sidelines too long and don't reinvest until prices are relatively high again.

Others, perhaps most, wait until it's clear that a bear market is well under way before giving up on buying and holding and becoming a market timer.

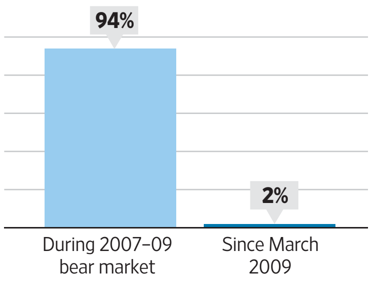
Regardless, one consequence is that market timing becomes progressively more popular the further the market falls. That is because almost all attempts at market timing during bear markets will improve performance compared with buying and holding, since any retreat to cash—even if chosen randomly—will tend to do better than remaining fully invested. Thus, as the bear market leads to bigger and bigger losses, and a bottom nears, erstwhile believers in buying and holding start genuflecting at the altar of market timing.

Consider the several hundred stock-market timers tracked by the Hulbert Financial Digest during the 2007-09 bear market: No less than 94% outperformed a buy-and-hold strategy. (See accompanying chart.) Not surprisingly, believers in buying and holding were scarcely seen in March 2009, at the bear-market bottom.

Conversely, market timing becomes progressively unpopular during bull markets. That is because, during multiyear uptrends, buying and holding will inevitably beat almost all attempts to time the market. One by one, previous believers in market timing recant and declare themselves latter-day converts to the buy-and-hold religion.

All or Nothing?

Percentage of monitored stock-market timers who beat a buy-and-hold strategy



Source: HulbertRatings.com
THE WALL STREET JOURNAL.

Since the March 2009 bear-market bottom, 98% of market timers monitored by Hulbert Financial Digest have lagged behind a buy-and-hold strategy. No wonder market timing isn't very popular these days.

Early warning signs

An implication of this cycle is that market timing's popularity will hit bottom just as the stock market hits its top. James Stack, editor of the InvesTech Research investment advisory newsletter, is detecting early warning signs of exactly that, arguing that market timing is about as unpopular today as he's ever seen. He says current attitudes are reminiscent of the mood in the months leading up to the bull-market tops of early 2000 and autumn 2007.

Mr. Stack hastens to add that he's not yet ready to declare the bull market to be over. But he recently reminded clients, "Excitement is highest as the roller coaster goes over the top."

Note carefully that these popularity swings have nothing to do with whether market timing has become a better or worse strategy over the long term. Virtually all studies have found that the vast majority of market timers lag behind a buy-and-hold strategy over periods encompassing one or more full market cycles. From a purely statistical point of view, of course, those studies' conclusions are equally compelling regardless of whether we're at the bottom of a bear market or at the top of a bull market.

But investors are emotional beings rather than statistically motivated automatons. And the recent past plays a huge role in their attitudes. At the bottom of bear markets, when by definition doom and gloom is the most widespread, it takes rare courage and discipline to remain a believer in buying and holding for the long term.

If you nevertheless do throw in the towel at the bottom of a bear market, you almost certainly won't even tiptoe back into equities until the market has staged a rally that is powerful enough to convince you that it is more than just a dead-cat bounce. That in turn means you will have suffered through all or nearly all of the bear market's losses and enjoyed only a fraction of the bull market's subsequent gains. That is one reason most market timers end up lagging behind the market over time, even for those who successfully sidestep some of the bear market.

Buying-and-holding test

It is important to understand this if you are to have any hope of avoiding a similar fate. Now is the time to engage in honest soul-searching about your commitment to buying and holding. If you don't really have what it takes to stick to that strategy through a bear market, you should reduce your equity exposure to a level you would be willing to stick with through a major decline.

How big of a decline? During the 2000-02 bear market, the S&P 500 fell 49.1%. This benchmark did even worse in the 2007-09 bear market, falling 56.8%. There is no shame in admitting that you don't have the intestinal fortitude to stay fully invested through declines of this magnitude. Most who claim they do have what it takes are kidding themselves.

If you do decide to reduce your equity exposure now, where should you invest the proceeds? Bonds are one obvious alternative, though they carry their own risks since interest rates are trending upward. One way to minimize that risk is by keeping maturities short. One low-cost possibility is **Vanguard Short-Term Bond** ETF (BSV), which owns bonds with an average maturity of 2.9 years. Its current yield is 1.7%, and it has an annual expense ratio of just 0.07%, or $7 per $10,000 invested.

*Mr. Hulbert is the founder of the Hulbert Financial Digest and a senior columnist for MarketWatch. He can be reached at **reports@wsj.com.***

SPOTLIGHT | VIRTUS VONTOBEL EMERGING

FUND SUFFERED AFTER LOSING ITS STAR

"It has been a long year—clearly," says Matthew Benkendorf, manager of the $8.3 billion **Virtus Vontobel Emerging Markets Opportunities Fund** (HEMZX).

Mr. Benkendorf took the reins 17 months ago from Rajiv Jain, who had run the portfolio successfully since 2006.

From March 2016 through June of 2017, investors pulled $3.1 billion from the portfolio, says Morningstar Inc. Performance stumbled in the third quarter, though things have improved. The fund's 12-month performance is trailing that of its emerging-markets peers: a 15.8% gain compared with the peers' 20.9%.

Mr. Benkendorf, who had worked with Mr. Jain for 17 years at Vontobel, the fund's subadviser, "knows the strategy very well, and has stuck with it" as he promised, says Gregg Wolper, a senior analyst at Morningstar. The fund seeks to invest in well-established companies with consistent operating histories.

"Our underperformance has been because we stayed style-consistent," says Mr. Benkendorf. "We do firmly believe that we will outperform in the long term, but when we are out of favor, it's just what's going to happen. It's the story of the disciplined active manager with high conviction."

Last year, the fund was hurt by consumer-staples stocks when rising interest rates made dividends less attractive. It was underexposed to Russia as oil recovered, and hurt by Indian financials. But rebounds in consumer staples and India have helped.

As for Mr. Jain, his new firm, GQG Partners, started in June 2016, has raised more than $7 billion.

—Daisy Maxey

Are Stock Prices Too High?

Continued from the prior page

distortions from short-term factors. His "cyclically adjusted price-to-earnings ratio," or CAPE, divides the S&P 500's current level by the average of 10 years of earnings adjusted for inflation.

That produces a frightening figure—a P/E today around 30, matching the level on Black Tuesday in 1929, and nearly double the long-term average of about 17 (but still below the peak of nearly 45 in 2000).

While CAPE is less volatile than the other two P/E gauges, some experts caution that it can be misleading at times. Right now, the 10-year earnings average is dragged down by the poor results during the financial crisis, pushing the CAPE ratio up.

Steve Violin, senior vice president and portfolio manager, F.L. Putnam Investment Management in Wellesley, Mass., prefers a CAPE using a five-year earnings average instead of 10, feeling it captures the current business climate and avoids distortions from events too far back to matter.

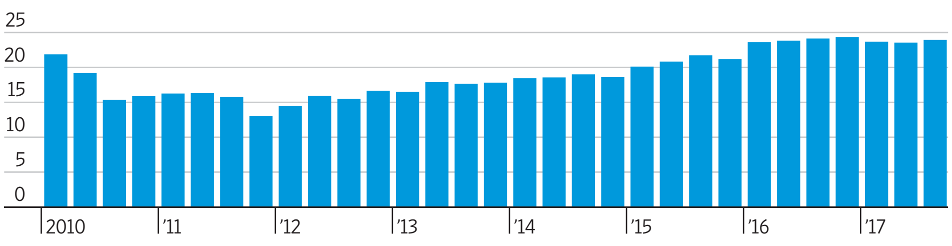
"A five-year CAPE ratio tends to be reasonably stable by avoiding estimates and smoothing out annual fluctuation," he says. It's currently at 23.6, compared with about 18 over the long term.

How long will this last?

A look at the S&P's components shows that P/Es vary, with some stocks riskier than others—and demonstrates that no gauge can provide a simple view by itself of what's going on.

Looking Rich?

The S&P 500's price/earnings ratio, based on as-reported earnings, quarterly



Source: S&P Dow Jones Indices
THE WALL STREET JOURNAL.

Mr. Kleis notes, for example, that the average price of the S&P 500 is driven up by the 100 largest stocks in the index, with the remaining 400 trading closer to their historical P/E levels. "We know that investors have invested [their money] largely in the big, popular names they know and love," he says. Because the index is based on market weight (stock price times number of shares), the top 100 make up 65% of the index's value and have a disproportionate effect, he says.

Debating what various gauges really mean at any given moment is an endless process that always has some experts screaming that the sky is about to fall and others saying, "What, me worry?"

The important point today is that all the most popular barometers say share prices are high.

Mr. Violin notes, though, that valuation measures like P/E ratios are only part of the picture and need to be seen alongside measures of profit growth and financial strength. For that, he recommends zeroing in on individual companies. "It's hard to use valuation ratios as a timing mechanism on their own," he says. "Elevated stock-market valuations can persist for extended periods as they are sometimes justified."

P/E ratios have been above average for years, and investors who dumped stocks as soon as they started to look high would have missed huge gains. "Stock valuations are elevated in aggregate, but economic and profit growth has justified these valuations so far," Mr. Violin says. "This trend looks like it could persist, especially if interest rates remain low."

Mr. Thomas says that despite high P/Es, the market is currently a "Goldilocks environment"—just right—due to low inflation and forecasts for higher corporate earnings. Though rising interest rates are traditionally damaging to stocks, Mr. Thomas believes rates are going up slowly enough for the markets to digest without much harm.

"Stock prices are at record highs for a reason," he says, "and that is an expectation of improving earnings growth going forward. Many analysts are forecasting an acceleration in earnings growth as a result of an expected tax cut."

Of course, things can go wrong. With the turmoil in Washington, for example, tax cuts are far from guaranteed.

*Mr. Brown is a writer in Livingston, Mont. He can be reached at **reports@wsj.com.***

MONTHLY MONITOR

Foreign Funds Win It Again

In the stock-fund Olympics, the U.S. keeps getting nudged off the podium lately.

International-stock funds in the latest month scored a total return of 3.2%, once again outpacing the average diversified U.S.-stock fund, which advanced 1.5%. For the year to date, international funds are now beating their American counterparts by 19% to 9%, according to Thomson Reuters Lipper data.

The performance is a turnaround from the recent past, when U.S. funds have dominated. Cheaper valuations globally have helped the non-U.S. funds.

"International is starting to catch up. The key to that is better profits in the rest of the world," says Paul Quinsee, global head of equities at J.P. Morgan Asset Management in New York. The dollar's recent declines also are helping returns from foreign funds, he notes.

Not that U.S.-fund investors are complaining, on average. Fueled by good corporate earnings, the U.S. stock market continues to set records despite high valuations. And that has pushed nearly all categories of stock funds to solid gains so far in 2017. Large-capitalization growth funds are leading the way, up 3% for July and up nearly 19% for the year to date.

"The U.S. [market] is doing fine, but you still are coming off this long-term outperformance" versus non-U.S. stocks, says Tom Martin, senior vice president with Globalt Investments in Atlanta. "People ought to be moving toward a higher level of international exposure."

Bond funds, meanwhile, were up modestly. Funds focused on intermediate-maturity, investment-grade debt (the most common type of fixed-income fund) were up 0.46% for July and are up 2.9% for the year to date.

—William Power

FUND RESULTS

Lipper's A-to-Z mutual-fund and ETF monthly performance listings and other statistics are available free at **WSJ.com/FundsETFs.**

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Posts featured throughout the week include:

◆ "How to Help Colleges Teach Financial Literacy," by Ted Beck, president and CEO of the National Endowment for Financial Education, a member of the President's Advisory Council on Financial Capability for Young Americans and chairman of the JumpStart Coalition.

◆ "The Problem With Too Much Portfolio Diversification," by Corey Hoffstein, co-founder and CIO of quantitative investment-research firm Newfound Research and blogger at Flirting with Models.

◆ "Why You May Want to Contribute to Your Child's Retirement," by William Reichenstein, Powers Professor at Baylor University and head of research at socialsecuritysolutions.com.

The Journal Report welcomes your comments—by mail, fax or email. Letters should be addressed to Lawrence Rout, The Wall Street Journal, 4300 Route 1 North, South Brunswick, N.J. 08852. The fax number is 609-520-7256, and the email address is reports@wsj.com.

ASK ENCORE | GLENN RUFFENACH

The Right Time to Move Into a CCRC

The answer: Perhaps sooner rather than later. And that raises a larger issue.

My husband and I are considering a move to a continuing-care retirement community. We are in our early 70s, and both of us are in good health. But we recognize that we might need help in the future. Is there a "better" or "best" time to settle in one of these developments? Residents in some of the communities we have visited seem decidedly older than us. Perhaps we should wait before moving. Any thoughts?

I'll talk about CCRCs in a moment. But there is a more important issue here: the risks associated with postponing big decisions in retirement.

At the risk of stating the obvious, time is something we're running out of as we age. And yet, many of us act as if the opposite were true. Human nature (or, more simply, denial) is a big part of this. It's much more pleasing to focus on the positive aspects of later life—opportunities to follow new paths, increased life expectancy, travel—than on our mortality.

Or, as one retiree told me years ago: "We're all used to planning for growth, but most of us are less enthusiastic about planning for decline."

And so we delay, at least when it comes to some of the more difficult tasks associated with retirement. We wait to downsize. We wait to get those estate plans in order. We wait to talk with our elderly parents about their wishes. We wait to talk with our adult children about our wishes. And we wait (perhaps "hesitate" is a better word) to change our living arrangements. As I mentioned in a recent column, my wife and I have been debating about packing up and moving in retirement—but we don't do much more than that: debate. And I wonder when, or if, we're going to decide.

All of which brings me back to CCRCs. As the name implies, most continuing-care developments enable residents, if the need arises, to move from independent living to assisted living to nursing care, all within a single community. The knowledge that a person or couple can remain in a particular neighborhood, whatever the changes to their health, is the biggest appeal of a CCRC.

And here's a good example of where "waiting" can backfire. Generally, CCRCs require prospective residents to be in good health and able to live independently. (Some communities will ask for a medical exam.) You mention that you're in good health today. That's great. But some retirees I have talked with through the years told me they waited too long to apply; their health had gone downhill, and their housing options (at least as far as CCRCs were concerned) had dried up.

No, CCRCs aren't for everyone. (And the contracts that govern housing and services can be ridiculously complicated.) But if you have done your homework—if you have decided that this is the right lifestyle for you—I would err on the side of acting sooner rather than later. And that's pretty good advice for retirement in general.

* * *

I am turning 70½ this year, and I have two separate IRA and 401(k) accounts in different institutions. Can I take a required distribution from one account in 2017 and postpone taking the other distribution until April 2018?

Yes, you can do that.

To start, we'll assume you're retired. (If you're still working, you might be able to delay taking your required minimum distribution from your 401(k).) Given that, and given that you're turning 70½ this year, you have until April 1, 2018 (your "required beginning date"), to take your RMD from each account. But you have a fair amount of flexibility in how you do so, says Ed Slott, an IRA expert in Rockville Centre, N.Y.

For instance, you can take part of the RMD from your individual retirement account in 2017—and the balance in the first three months of 2018—if that works better tax-wise. And the same holds true for the 401(k): You can take a portion of the RMD in 2017 and the balance in early 2018. The timing of your withdrawals from the 401(k) has no effect on your withdrawals from the IRA and vice versa.

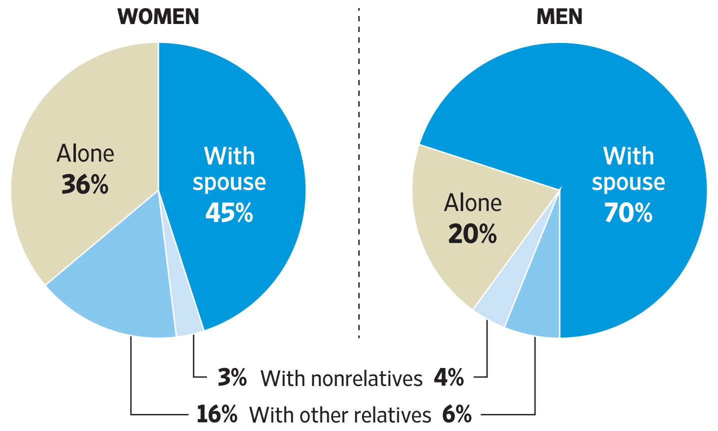
Of course, if you elect to delay any portion of your required withdrawals (from either or both accounts) until the first three months of 2018, you will need to take two withdrawals from that account in 2018: the required withdrawal for tax year 2017, and the required withdrawal for tax year 2018. The latter must be taken by Dec. 31, 2018.

Mr. Ruffenach is a former reporter and editor for The Wall Street Journal. His column examines financial issues for those thinking about, planning and living their retirement. Send questions and comments to ***askencore@wsj.com.***

SONIA PULIDO

Living Arrangements

Among the population age 65 and older in the U.S., the following percentages of women and men in 2015 lived:



Source: Census Bureau

THE WALL STREET JOURNAL.

IN TRANSLATION

RISK PARITY

An investment strategy known as risk parity has drawn attention because of the lack of volatility in the stock market and what might happen when volatility reappears.

"A risk-parity portfolio tries to derive equal risk from all the asset classes it's involved with," says Jack Ablin, chief investment officer at BMO Private Bank in Chicago. His simple example: If you had $100 to invest in stocks and bonds, you would divide it between the two asset classes based on volatility, with greater volatility meaning greater risk. So, if stocks were three times as volatile as bonds, then to keep the risk of each asset class at parity "you'd put three times as much in bonds" as you would in stocks, he says. In this example, $25 in stocks and $75 in bonds.

The ideal balance, using this approach, has shifted recently because of falling stock volatility. "Over the last six months, the volatility differential between stocks and bonds reached its narrowest point since 2004," says a recent BMO Private Bank report.

That means risk-parity portfolios of stocks and bonds should have been adding to their stockholdings and scaling back on bonds. The BMO report cites a recent report from Morgan Stanley that showed the equity allocation for a theoretical risk-parity portfolio of stocks and bonds was north of 40% of the portfolio, versus less than 20% in late 2000. In July, that equity allocation was 39%, says Morgan Stanley.

But if stock volatility increases, risk-parity managers will sell stocks to buy bonds. There's the potential for a "vicious, volatility induced selloff" of stocks, says BMO—though the money involved in such trades would likely be low.

—Simon Constable

Mutual-Fund Yardsticks: How Fund Categories Stack Up

Includes mutual funds and ETFs for periods ended July 31. All data are final.

Data provided by LIPPER

Investment objective	Perfomance (%) July	YTD	1-yr	5-yr*
Diversified stock & stock/bond funds				
Large-Cap Core	1.9	**10.9**	15.1	13.5
Large-Cap Growth	3.0	**18.9**	17.9	14.7
Large-Cap Value	1.4	**7.0**	15.7	13.0
Midcap Core	1.1	**7.2**	13.5	13.4
Midcap Growth	1.4	**14.4**	15.4	13.4
Midcap Value	1.1	**5.4**	14.6	13.6
Small-Cap Core	0.8	**4.3**	16.1	13.2
Small-Cap Growth	1.0	**12.0**	17.3	13.1
Small-Cap Value	0.4	**0.9**	16.2	12.6
Multicap Core	1.7	**10.1**	14.9	13.4
Multicap Growth	2.0	**16.7**	16.7	13.9
Multicap Value	1.5	**6.8**	15.5	13.2
Equity Income	1.3	**7.1**	11.6	11.5
S&P 500 Funds	2.0	**11.3**	15.5	14.2
Specialty Divers. Equity	1.1	**5.5**	4.5	–4.0
Balanced	1.5	**8.0**	9.1	8.0
Stock/Bond Blend	1.5	**8.0**	9.1	7.1
Avg. U.S. Stock Fund†	1.5	**9.3**	14.6	12.3
Sector stock funds				
Science & Technology	4.1	**21.3**	25.6	16.4
Telecommunication	3.4	**8.2**	9.1	10.2
Health/Biotechnology	0.7	**19.5**	11.6	18.2
Utility	3.2	**12.1**	6.9	10.0
Natural Resources	2.2	**–13.0**	–0.7	–1.8
Sector	0.9	**3.8**	3.8	8.0
Real Estate	1.1	**4.0**	–3.0	8.3

Investment objective	Performance (%) July	YTD	1-yr	5-yr*
World stock funds				
Global	2.5	**15.2**	16.2	11.0
International (ex-U.S.)	3.2	**18.8**	17.7	8.5
European Region	2.9	**18.3**	19.9	10.1
Emerging Markets	5.0	**23.7**	21.1	4.9
Latin American	7.4	**20.2**	15.7	–3.0
Pacific Region	4.2	**24.3**	22.2	9.8
Gold Oriented	2.0	**8.0**	–24.1	–9.1
Global Equity Income	1.4	**10.3**	10.4	8.5
International Equity Income	2.7	**15.9**	14.5	6.2
Taxable-bond funds				
Short-Term	0.3	**1.5**	1.3	1.2
Long-Term	0.7	**4.4**	1.5	3.2
Intermediate Bond	0.5	**2.9**	0.1	2.1
Intermediate U.S.	0.5	**1.3**	–0.2	...
Short-Term U.S.	0.5	**2.9**	0.1	2.1
Long-Term U.S.	0.1	**2.3**	–3.3	0.9
General U.S. Taxable	0.7	**4.3**	2.9	3.8
High-Yield Taxable	1.1	**5.3**	9.5	5.6
Mortgage	0.4	**1.8**	0.5	1.7
World Bond	1.1	**6.3**	4.9	1.6
Avg. Taxable-Bond Fund**	0.6	**3.3**	3.3	2.4
Municipal-bond funds				
Short-Term Muni	0.2	**0.8**	0.1	0.4
Intermediate Muni	0.6	**3.5**	–0.3	2.0
General & Insured Muni	0.6	**4.0**	–0.2	2.9
High-Yield Muni	0.7	**5.5**	0.2	4.3

Stock & Bond Benchmark Indexes All total return unless noted

Investment objective	Perfomance (%) July	YTD	1-yr	5-yr*
Large-cap stocks				
DJIA	2.7	**12.3**	21.8	13.8
S&P 500	2.1	**11.6**	16.0	14.8
Midcap stocks				
S&P MidCap 400	0.9	**6.9**	14.7	15.1
Small-cap stocks				
Russell 2000	0.7	**5.8**	18.5	14.2
Broad stock market				
DJ U.S. Total Stock Market	1.9	**11.0**	16.1	14.7
Russell 3000	1.9	**11.0**	16.1	14.8

Investment objective	Performance (%) July	YTD	1-yr	5-yr*
Stock indexes				
DJ U.S. TSM Growth	2.4	**15.8**	18.7	15.8
DJ U.S. TSM Value	1.4	**6.7**	13.5	13.6
Taxable bonds				
Barclays Agg. Bond	0.4	**2.7**	–0.5	2.0
Municipal bonds				
Barclays Muni. Bond	0.8	**4.4**	0.3	3.1
International stocks				
MSCI EAFE†† (price return)	2.9	**15.0**	14.7	6.1
Dow Jones World (ex. U.S.)	3.6	**18.4**	18.8	8.3

*Annualized †Diversified funds only **Excludes money-market funds ††Europe, Australia, Far East

Tracking Exchange-Traded Portfolios

Performance figures are total returns for periods ended July 31; for largest exchange-traded funds and other portfolios, ranked by asset size.

Fund	Symbol	Assets ($ billions)	Volume (000s)	Expense ratio	Launch date	Performance (%) July	YTD	1-year
SPDR S&P 500 ETF	SPY	**242.54**	63,893.1	0.09	01/22/93	2.1	11.5	15.9
iShares Core S&P 500 ETF	IVV	**121.91**	3,439.9	0.05	05/15/00	2.1	11.6	16.0
Vanguard Tot Stk Mkt Idx ETF	VTI	**81.70**	1,496.6	0.04	05/24/01	1.9	11.0	16.1
iShares MSCI EAFE ETF	EFA	**78.69**	20,680.8	0.33	08/14/01	2.9	17.1	17.7
Vanguard 500 Index ETF	VOO	**71.67**	859.5	0.04	09/07/10	2.1	11.6	16.0
Vanguard FTSE Emerging Markets ETF	VWO	**59.31**	13,137.6	0.14	03/04/05	5.4	20.9	19.7
Vanguard FTSE Developed Markets ETF	VEA	**58.64**	9,722.1	0.07	07/20/07	3.0	18.1	18.6
PowerShares QQQ Nasdaq 100	QQQ	**50.33**	32,799.7	0.20	03/10/99	4.2	21.5	25.5
iShares Core US Aggregate Bond ETF	AGG	**48.53**	2,363.0	0.06	09/22/03	0.4	2.7	–0.5
iShares Core S&P Mid-Cap ETF	IJH	**39.62**	1,159.9	0.09	05/22/00	0.9	6.9	14.6
iShares iBoxx $ Inv Grade Cor B ETF	LQD	**37.74**	3,689.9	0.15	07/22/02	0.8	5.1	1.0
iShares Russell 1000 Value ETF	IWD	**36.90**	1,521.0	0.20	05/22/00	1.3	5.9	13.6
iShares Russell 1000 Growth ETF	IWF	**36.01**	860.8	0.20	05/22/00	2.6	16.9	17.8
iShares Core MSCI Emerging Markets	IEMG	**35.17**	9,538.9	0.17	10/18/12	5.6	24.8	23.7
iShares Russell 2000 ETF	IWM	**35.16**	14,171.0	0.20	05/22/00	0.8	5.8	18.5
iShares MSCI Emerging Markets Index Fund	EEM	**34.93**	58,073.9	0.72	04/07/03	5.9	25.1	24.1
Vanguard Total Bond Market ETF	BND	**34.85**	2,561.7	0.05	04/03/07	0.4	2.9	–0.7
Vanguard REIT ETF	VNQ	**34.73**	2,967.6	0.12	09/23/04	1.3	3.9	–4.7
iShares Core MSCI EAFE	IEFA	**33.13**	5,949.2	0.12	10/18/12	3.0	17.9	18.4

*Expense charge is a maximum of 8 cents a share †Assets are estimated N.A.= Not applicable, fund is too new.
Note: Total returns are based on the change in the net asset values, not changes in market prices. Net asset values can vary from market prices, which therefore can reflect a premium or discount to the net asset values.

Source: Thomson Reuters

How the Largest Funds Fared

Data provided by LIPPER

Performance numbers are total returns (changes in net asset values with reinvested distributions) as of July 31; assets are as of June 30. All data are final.

The Largest Stock Mutual Funds

Fund	Ticker	Assets ($ billions)	Total Return (%) July	1-year	Annualized 3-year	5-year	10-year
Vanguard TSM Idx;Adm	VTSAX	581.03	1.9	16.1	10.5	14.7	7.9
Vanguard 500 Index;Adm	VFIAX	329.29	2.1	16.0	10.8	14.7	7.7
Vanguard Tot I Stk;Inv	VGTSX	283.43	3.4	18.9	3.0	8.2	1.6
SPDR S&P 500 ETF	SPY	236.74	2.1	15.9	10.8	14.6	7.7
Vanguard Instl Indx;Inst	VINIX	228.91	2.1	16.0	10.9	14.8	7.7
American Funds Gro;A	AGTHX	162.31	3.3	20.3	11.7	16.1	7.8
American Funds EuPc;R6	RERGX	143.52	4.3	20.7	5.9	10.1	N.A.
Fidelity 500 Idx;Pr	FUSVX	119.92	2.1	16.0	10.8	14.7	7.7
iShares:Core S&P 500	IVV	115.46	2.1	16.0	10.8	14.7	7.7
Fidelity Contrafund	FCNTX	113.77	3.5	21.1	12.3	15.3	9.1
American Funds Bal;A	ABALX	113.37	1.9	10.6	8.2	10.7	7.0
American Funds Inc;A	AMECX	106.38	1.4	8.7	6.2	9.3	5.8
American Funds CIB;A	CAIBX	105.07	1.4	7.5	4.9	7.5	4.4
Vanguard Wellington;Adm	VWENX	100.66	1.2	11.0	7.6	10.4	7.3
American Funds Wash;A	AWSHX	91.71	2.4	15.0	9.8	13.4	7.0
American Funds CWGI;A	CWGIX	90.70	3.0	17.3	6.6	11.4	5.0
Vanguard FTSE Dev Mk ETF	VEA	88.61	3.0	18.6	3.6	9.7	1.9
American Funds FInv;A	ANCFX	87.34	2.7	18.8	11.5	15.1	7.6
American Funds ICA;A	AIVSX	86.90	1.7	14.0	9.3	14.1	6.8
Vanguard Md-Cp Idx;Adm	VIMAX	86.74	1.7	14.0	9.6	15.2	8.1
Franklin Cust:Inc;A	FKINX	82.25	1.7	11.5	3.3	7.2	5.5
Vanguard Sm-Cp Idx;Adm	VSMAX	76.89	1.1	14.6	9.0	14.6	8.6
Vanguard FTSE Em Mkt ETF	VWO	76.76	5.4	19.7	1.9	4.3	1.7
iShares:MSCI EAFE ETF	EFA	76.50	2.9	17.7	2.7	9.0	1.4
American Funds NPer;A	ANWPX	69.01	3.3	19.3	9.7	13.1	6.9
Dodge & Cox Stock	DODGX	66.14	1.8	24.3	9.5	16.3	6.5
Vanguard Gro Idx;ETF	VUG	64.16	2.5	17.6	11.7	15.1	9.3
Vanguard REIT Idx;ETF	VNQ	63.35	1.3	–4.7	8.5	9.1	7.2
Dodge & Cox Intl Stock	DODFX	61.46	4.4	27.7	2.4	11.0	3.0
Vanguard Ext Mk Id;Adm	VEXAX	57.15	1.1	16.7	8.9	14.7	8.4
Vanguard Value Idx;ETF	VTV	56.95	1.6	15.0	9.8	14.5	6.5
American Funds AMCP;A	AMCPX	55.41	2.6	15.4	8.8	14.9	8.2
First Eagle:Global;I	SGIIX	54.78	1.2	8.7	5.6	8.9	6.8
Vanguard PRIMECAP;Adm	VPMAX	54.61	0.9	22.1	12.7	18.4	10.3
Vanguard Wellesley;Adm	VWIAX	52.76	0.9	4.5	6.0	6.9	7.1

The Largest Bond Mutual Funds

Fund	Ticker	Assets ($ Billions)	Total Return (%) July	1-year	Annualized 3-year	5-year	10-year
Vanguard Tot Bd;Adm	VBTLX	183.45	0.4	–0.7	2.7	1.9	4.4
Vanguard Tot Bd II;Inv	VTBIX	130.43	0.4	–0.9	2.5	1.8	N.A.
PIMCO:Income;Inst	PIMIX	88.87	0.6	9.0	5.9	7.8	9.6
Vanguard Tot Itl Bl;Adm	VTABX	86.08	0.2	–1.3	3.4	N.A.	N.A.
Met West:Total Return;I	MWTIX	79.32	0.4	–0.1	2.4	3.2	5.9
PIMCO:Tot Rtn;Inst	PTTRX	73.30	0.6	1.7	3.0	2.5	5.9
Vanguard Sh-Tm Inv;Adm	VFSUX	61.56	0.4	1.2	2.1	2.1	3.3
DoubleLine:Tot Rtn;I	DBLTX	53.56	0.5	1.4	3.2	3.4	N.A.
Vanguard Int-Tm TxEx;Adm	VWIUX	53.43	0.7	0.3	3.1	2.8	4.3
Dodge & Cox Income	DODIX	49.99	0.7	2.9	3.2	3.3	5.3
Vanguard Sh-Tm Bd;ETF	BSV	49.89	0.4	0.3	1.4	1.2	2.9
iShares:Core US Agg Bd	AGG	47.42	0.4	–0.5	2.7	2.0	4.3
Lord Abbett Sh Dur;F	LDLFX	41.06	0.3	2.5	2.2	2.5	N.A.
Templeton Gl Bond;Adv	TGBAX	39.57	–0.5	10.8	1.2	3.2	6.4
iShares:iBoxx $IG Corp	LQD	35.98	0.8	1.0	4.0	3.6	6.0
T Rowe Price New Inc	PRCIX	35.50	0.4	–0.2	2.5	2.1	4.7
American Funds Bond;A	ABNDX	34.53	0.5	0.2	2.5	2.1	3.2
Vanguard Int-Tm Bd;ETF	BIV	32.36	0.7	–1.0	3.3	2.4	5.6
Fidelity Str Adv Cre Inc	FPCIX	32.34	0.6	1.7	3.2	2.7	N.A.
Fidelity US B Id;IP	FXNAX	31.14	0.5	–0.7	2.7	2.0	N.A.
Fidelity Total Bond	FTBFX	29.73	0.6	1.6	3.4	2.9	5.1
Vanguard Int-Tm Inv;Adm	VFIDX	27.71	0.9	0.8	3.6	3.2	5.6
Vanguard Infl-Prot;Adm	VAIPX	27.00	0.6	–0.9	0.8	–0.1	4.0
JPMorgan:Core Bond;R6	JCBUX	26.10	0.5	–0.2	2.9	2.3	4.9
Fidelity Srs Inv Gd Bd	FSIGX	25.38	0.7	0.7	3.1	2.4	N.A.

Note: For funds with multiple share classes, only the largest is shown. N.A.: Not applicable; fund is too new or data not available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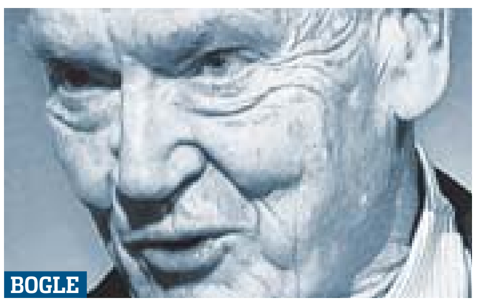
NEWS CHALLENGE: FUNDS AND INVESTING

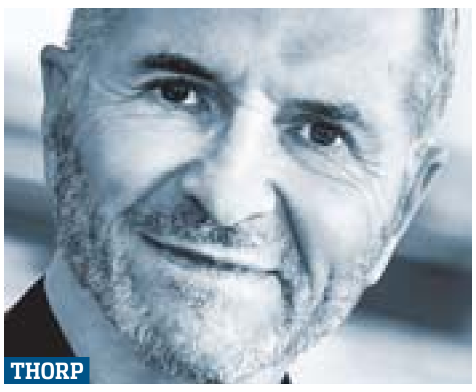
Test Your Smarts on...Active vs. Passive Investing

BY RYAN VLASTELICA

ONE OF THE BIGGEST trends on Wall Street over the past decade has essentially taken place behind the scenes. Stocks and bonds, as ever, fluctuate daily, but the way investors are accessing and holding them has changed. Passive investing, in which an investor owns a fund that mimics the holdings of an index like the S&P 500, is gaining ground at the expense of active management, in which the holdings of a portfolio are selected by a manager.

The shift has upended the asset-management world, but how much do you know about the continuing active-vs.-passive debate? Here's a quiz to test your knowledge.





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Who is the father of passive investing? See Question No. 1.

1. ***What renowned figure is often called "the father of passive investing?"***

A. Warren Buffett B. Benjamin Graham
C. Jack Bogle D. Edward Thorp

ANSWER: C. The founder and former CEO of **Vanguard Group** introduced the first index-based mutual fund for the general public in the mid-1970s (it tracked the S&P 500).

2. ***Proponents of passive investing argue that it offers ________ compared with traditional active management.***

A. Better risk-adjusted returns
B. Greater tax efficiency
C. Lower fees
D. All of the above

ANSWER: D. According to S&P Dow Jones Indices, the number of U.S. actively managed stock funds that are able to consistently beat the market over long periods is essentially zero. Meanwhile, index funds charge much cheaper fees on average, and exchange-traded funds, an increasingly popular way to invest in passive strategies, offer greater tax efficiency than traditional actively managed mutual funds.

3. ***Exchange-traded funds are dominated by passive strategies, but actively managed ETFs do exist. In terms of assets, what percentage of the ETF market do they represent?***

A. 0-5% B. 5-10%
C. 10-20% D. More than 20%

ANSWER: A. Actively managed ETFs have only $37.6 billion in assets, compared with almost $3 trillion in passive funds, for a market share of 1.3%, according to Morningstar data. Managers say the transparent nature of ETFs is one reason active ETFs haven't caught on. Because managers have to disclose their holdings daily, the argument goes, they lose the "secret sauce" of their strategies, diminishing their effectiveness.

4. ***Roughly speaking, how big of a swing was there from active products to passive ones in 2016?***

A. $100 billion B. $500 billion
C. $700 billion D. $1 trillion

ANSWER: C. According to Morningstar, actively managed funds saw $285.2 billion in outflows last year, while passive ones had inflows of $428.7 billion, a trend that has persisted thus far this year.

5. ***What U.S. regulation is seen as accelerating the move into passive products?***

A. Dodd-Frank B. The fiduciary rule
C. Glass-Steagall D. The Volcker rule

ANSWER: B. The Labor Department's fiduciary rule requires that brokers act in the best interest of their clients when providing retirement advice, rather than advocating for investments on which they may make a higher commission.

6. ***The explosion in passive investing has made Vanguard a prominent shareholder in major companies. The firm's passive funds have at least a 5% stake in how many S&P components, and how does that compare with 2005?***

A. 468 companies, up from three
B. Eight companies, up from zero
C. 238 companies, up from 143
D. 480 companies, up from 269

ANSWER: A. According to a Wall Street Journal analysis, Vanguard has such a stake in about 94% of index components, compared with less than 1% 12 years ago.

7. ***Passive-fund managers can't pick what securities to hold, but can use their voting rights to advocate for changes in their portfolio companies. Recently, passive giant State Street Global Advisors pushed for companies to do what?***

A. Lower their carbon footprint
B. Increase the women on their boards
C. Raise wages to at least $15 an hour
D. Provide paid leave for new parents

ANSWER: B. In March, SSGA identified 468 of the U.S. companies in which it owns shares that lack a female director. Of those, 400 didn't address the issue after the company confronted them.

8. ***Active managers aren't dead quite yet: So far this year, more active stock managers than is typical have outperformed their benchmark, a trend that has been attributed to a drop in what?***

A. Market volatility B. Trading volume
C. Stock correlations D. Dividend yields

ANSWER: C. There has been a high correlation between stocks in the U.S. market for years, creating a particularly tough environment for active managers as securities moved on broader trends as much as company-specific fundamentals. Correlations have dropped, however, which could give managers a better chance of beating the market. **J.P. Morgan** says 53% of active equity managers are outperforming in 2017, up from 32% over the same period of 2016.

9. ***Fans of active management argue it can deliver better results than passive in every asset class except ________.***

A. Small-cap stocks
B. Large-cap stocks
C. Emerging-markets stocks
D. High-yield (junk) bonds

ANSWER: B. Large U.S. stocks are among the most widely followed securities in the world, making pricing inefficiencies harder to come by.

10. ***Along with active and passive, what is the third major fund category, often described as midway between the two?***

A. Alternative alpha
B. Smart beta
C. Strategic allocation
D. Thematic construction

ANSWER: B. Smart-beta funds, also known as strategic beta, seek to outperform the market by weighting holdings based on something other than traditional market capitalization. But unlike active funds, the holdings of the portfolio aren't individually selected by an individual or team. Instead, they are chosen based on rules designed to deliver strategies such as value, growth or low volatility.

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Category Kings in 10 Realms

Data provided by LIPPER

Top-performing funds in each category, ranked by year-to-date total returns (changes in net asset values with reinvested distributions) as of July 31; assets are as of June 30. All data are final.

Large-Cap Core

	Assets ($ millions)	Total return (%) July	YTD	1-yr	5-yr*
Amer Cent:Foc DG;Inv	19.4	3.4	22.1	19.5	14.2
GMO:Quality;VI	8,438.5	3.7	20.7	19.7	14.3
Direxion:iBillionaire Id	14.4	5.0	20.4	18.9	N.A.
BNY Mellon:Foc Eq Op;M	474.6	2.6	20.2	29.2	16.7
BlackRock:LC Foc Gr;A	1,192.9	4.1	19.5	24.1	15.3
Goldman:Hdg Indus VIP	31.1	4.3	18.3	N.A.	N.A.
Pear Tree:Quality;Ord	123.8	0.9	17.1	15.3	12.6
iPath ETN LgEx S&P	2.1	2.9	16.8	23.4	26.0
Category Average:	924.4	1.9	10.9	15.1	13.5
Fund Count	854	909	853	823	667

Large-Cap Value

	Assets ($ millions)	Total return (%) July	YTD	1-yr	5-yr*
DoubleLine:Sh Enh CAPE;I	4,098.9	2.1	14.2	21.4	N.A.
Natixis:VN Select;Y	140.9	1.7	13.5	16.3	15.7
Barclays ETN+ShillerCAPE	72.1	1.9	13.4	21.0	N.A.
MassMutual Sel:Fc Vl;I	722.0	1.4	11.7	26.4	15.8
Pioneer Disc Val;A	585.3	1.3	11.6	21.0	12.1
Oakmark Fund;Inv	17,825.1	2.7	11.0	24.3	15.9
Frost Value Eqty;Inst	239.5	1.9	10.7	14.5	13.0
BlackRock:IS USA SF;K	10.7	1.4	10.7	N.A.	N.A.
Category Average:	468.4	1.4	7.0	15.7	13.0
Fund Count	473	514	494	474	362

Large-Cap Growth

	Assets ($ millions)	Total return (%) July	YTD	1-yr	5-yr*
Transam:Cap Growth;I	757.2	3.2	32.4	26.2	19.4
Morg Stan I:Growth;A	3,801.8	3.2	31.6	25.7	19.2
Baron Fifth Ave Gro;Inst	173.8	4.1	30.1	26.4	16.7
Columbia:Select LCG;Z	4,233.2	3.8	28.8	17.7	16.8
Touchstone:LC Gro;Inst	196.5	5.2	28.6	25.9	16.3
Edgewood Growth;Inst	9,713.9	4.3	28.3	28.8	20.1
Touchstone Inst:Snd Gr	2,251.5	5.0	28.0	22.1	13.9
Value Line Lg Co Fc;Inv	251.7	5.2	28.0	24.5	16.8
Category Average:	1,109.0	3.0	18.9	17.9	14.7
Fund Count	661	721	687	661	535

Midcap Core

	Assets ($ millions)	Total return (%) July	YTD	1-yr	5-yr*
CB Select;IS	21.3	1.0	23.7	26.7	N.A.
Tarkio	77.8	4.2	19.8	37.2	19.4
Guggenhm Insider Snt ETF	69.6	2.8	16.5	15.9	13.3
Guggnhm S&P Spin-Off ETF	195.2	3.8	13.8	19.5	14.9
JPMorgan:MdCp Eq;R6	2,823.7	1.9	13.1	15.0	N.A.
Guggenhm MC Core ETF	183.2	2.0	12.6	18.4	15.2
Aberdeen:US MdCp Eq;Inst	1.6	0.1	11.6	13.2	N.A.
Sterling:Cp SMID Opps;I	9.5	−0.5	11.6	N.A.	N.A.
Category Average:	976.8	1.1	7.2	13.5	13.4
Fund Count	454	453	439	405	289

Midcap Value

	Assets ($ millions)	Total return (%) July	YTD	1-yr	5-yr*
Neuberger MC Int V;Inv	94.3	1.3	10.9	19.8	14.8
Ancora Special Oppty;I	16.2	3.0	10.2	18.8	15.6
Fidelity Low-Prcd Stk	38,251.7	2.0	9.9	15.2	13.6
Transam:Sm/Md Cap V;A	880.7	1.7	8.8	22.1	14.2
Nuveen Mid Cp Value;I	107.8	1.4	8.8	16.0	14.8
Vanguard MC Val Idx;ETF	15,073.7	1.7	8.7	15.1	15.9
Transam:MdCp Val Opps;I	1,751.5	1.4	8.5	13.4	N.A.
Am Beacon:MC Val;Inv	648.2	1.0	8.0	19.9	14.8
Category Average:	583.7	1.1	5.4	14.6	13.6
Fund Count	160	182	171	165	123

Midcap Growth

	Assets ($ millions)	Total return (%) July	YTD	1-yr	5-yr*
Baron Partners Fund;Rtl	2,059.7	−0.7	27.5	25.6	18.2
Renaissance IPO ETF	13.8	3.1	25.0	28.1	N.A.
Alger:SMid Cap Growth;A	158.8	3.5	24.2	23.9	12.8
BlackRock:MC Gro;A	748.9	2.2	23.5	22.5	17.5
Tocqueville:Opportunity	75.1	2.6	23.3	19.1	13.8
Harbor:Mid Cap Gro;Inst	378.1	1.9	22.0	19.6	14.1
Baron Asset Fund;Rtl	2,894.1	2.0	20.9	22.1	16.3
Virtus:KAR Mid-Cap Gr;A	92.8	0.9	20.7	17.8	12.0
Category Average:	335.7	1.4	14.4	15.4	13.4
Fund Count	355	410	399	389	322

Small-Cap Core

	Assets ($ millions)	Total return (%) July	YTD	1-yr	5-yr*
Gabelli Eq:Foc Five;I	163.3	3.1	16.5	11.7	9.9
Highland:Sm-Cp Eqty;A	72.0	0.5	15.8	23.8	15.8
ICON:Opportunities	18.1	3.2	14.5	28.6	N.A.
AMG Mg Essex S/M G;N	27.1	0.8	13.1	20.2	15.8
AMG RR SMid Val;I	43.1	1.8	12.9	26.0	14.1
Dreyfus Opptstc SC;Inv	1,006.0	2.8	12.3	27.6	16.2
Wasatch:Micro Cp Val;Inv	198.6	1.9	12.3	23.0	16.0
B Riley Dvsfd Eq;Instl	11.1	−0.7	11.8	26.3	N.A.
Category Average:	324.0	0.8	4.3	16.1	13.2
Fund Count	977	1021	985	951	682

Small-Cap Value

	Assets ($ millions)	Total return (%) July	YTD	1-yr	5-yr*
LMCG Internatl SmCp;Inst	7.6	3.1	20.1	16.9	N.A.
Paradigm:Micro-Cap	47.2	−1.0	14.0	33.0	15.5
Aristotle SmCp Eqty;I	3.9	1.5	11.1	22.7	N.A.
Ancora MicroCap;I	20.4	...	10.8	24.9	14.7
Royce Fd:Oppty;Inv	1,500.6	1.3	9.6	28.3	14.8
Symons Conc SC Val Inst	1.6	0.0	8.8	N.A.	N.A.
Invesco SC Value;Y	2,566.7	2.5	7.5	25.3	15.6
Walthausen:Sel Val;Rtl	83.8	−0.4	7.5	15.8	13.2
Category Average:	327.4	0.4	0.9	16.2	12.6
Fund Count	293	311	303	296	223

Small-Cap Growth

	Assets ($ millions)	Total return (%) July	YTD	1-yr	5-yr*
Baron Discovery;Rtl	204.1	0.6	25.3	33.5	N.A.
JPMorgan:Dyn SCG;I	170.3	2.3	23.1	27.4	15.4
JPMorgan:SmCp Gro;R6	1,350.3	2.5	23.0	27.5	15.8
Westcore:SmCp Gr II;Rtl	36.7	5.6	22.8	12.7	8.4
Frontier:Tmpni SCG;Inst	48.0	2.2	21.7	22.7	14.5
Federated Kauf SC;A	727.7	3.0	21.5	25.8	16.3
Wasatch:Micro Cap;Inv	291.6	2.8	20.1	22.4	13.8
T Rowe Price New Hzns	19,890.3	1.9	20.1	21.7	17.6
Category Average:	196.5	1.0	12.0	17.3	13.1
Fund Count	530	588	560	547	441

Multicap Core

	Assets ($ millions)	Total return (%) July	YTD	1-yr	5-yr*
TCW:New America Prm Eq;N	14.0	1.0	23.4	27.8	N.A.
Miller Opportunity;C	1,486.7	0.3	20.0	35.7	21.6
SPDR MFS Sys Gro Eqty	39.1	3.0	17.3	18.0	N.A.
Manning&Napier:PB Max;S	676.2	3.1	16.9	12.6	10.7
Schwab Cap:Lg-Cap Gro	240.3	2.3	16.9	18.3	14.4
T Rowe Price Spec:Gro	3,644.2	2.8	16.7	19.7	13.3
Thornburg Value;A	956.9	1.7	16.4	20.3	17.3
CGM Tr:Focus Fund	928.6	6.2	16.0	38.3	14.2
Category Average:	1,380.1	1.7	10.1	14.9	13.4
Fund Count	810	808	781	759	567

N.A.: Not applicable; fund is too new * Annualized Note: For funds with multiple share classes, only the largest is shown.

Leaders and Laggards

Data provided by LIPPER

Performance numbers are total returns (changes in net asset values with reinvested distributions) as of July 31; assets are as of June 30. All data are final.

Best-Performing Stock Funds

Fund	Ticker	Assets ($ millions)	Total Return (%) July	YTD	Annualized 1-year	3-year	5-year
Direxion:CSI Ch Int Bl2X	CWEB	10.9	27.4	134.8	N.A.	N.A.	N.A.
Rex VolMAXX SVW Ftrs Str	VMIN	19.5	16.8	114.0	206.8	N.A.	N.A.
Direxion:S Korea Bull 3X	KORU	11.7	7.7	111.0	79.0	−4.0	N.A.
Direxion:S&P Btech Bl 3X	LABU	262.0	2.5	106.3	53.7	N.A.	N.A.
VelShs DlyInv VIX ST ETN	XIV	748.6	14.9	102.9	181.6	34.9	51.4
Direxion:MSCI Ind Bull3X	INDL	97.2	21.8	102.2	52.5	1.0	8.6
ProShs II:ShVIX STF ETF	SVXY	833.2	14.8	101.5	178.0	34.1	50.5
VelShs 3x Inv Nat Gas	DGAZ	106.4	19.3	93.0	−5.1	8.9	−21.8
Direxion:MSCI EM Bull 3X	EDC	194.2	17.8	89.7	67.4	−7.8	−0.4
ProFunds:UltraChina;Inv	UGPIX	17.4	19.9	80.0	78.1	6.6	20.8
Direxion:Hbldrs&Sup Bl3X	NAIL	6.9	−1.1	78.9	46.1	N.A.	N.A.
Direxion:China Bull 3X	YINN	164.0	22.1	78.1	68.5	−7.7	14.1

Best-Performing Bond Funds

Fund	Ticker	Assets ($ millions)	Total Return (%) July	YTD	Annualized 1-year	3-year	5-year
Mrkt Vctrs ETN Dbl Lg Eu	URR	...	7.7	26.3	9.1	−11.1	−4.0
Measured Risk Strategy;I	MRPIX	15.8	−0.1	25.5	N.A.	N.A.	N.A.
ProShs II:Ult Euro	ULE	12.9	7.1	23.4	7.6	−11.0	−4.1
UBS AG Enh Eur Gl HY ETN	FIHD	779.8	3.1	22.4	21.5	N.A.	N.A.
Rydex:Wkn Dlr 2x Str;H	RYWBX	6.5	5.8	19.3	2.5	−10.0	−6.3
iShares:Curr Hgd Em Mkts	HEEM	296.2	4.6	19.1	18.4	N.A.	N.A.
iShares:Intl Pref Stk	IPFF	75.1	4.7	18.0	19.5	−4.4	−1.8
Barings:Emer Mkts LCD;I	BXLIX	5.4	3.1	17.1	6.4	N.A.	N.A.
iShares:Internatl HY Bd	HYXU	66.0	4.1	16.2	13.1	−0.2	6.0
GAMCO Gl:Gab Gl RI&D;I	GAGIX	50.0	2.3	15.4	16.3	7.5	7.8
Pru EM Debt Loc Curr;Z	EMDZX	28.6	2.5	14.6	8.9	−1.3	−0.5
Goldman:Loc EM Dbt;I	GIMDX	276.3	2.7	14.5	8.6	−2.6	−1.3

Worst-Performing Stock Funds

Fund	Ticker	Assets ($ millions)	Total Return (%) July	YTD	Annualized 1-year	3-year	5-year
AMG TimesSquareACG;I	MTGIX	14.1	−89.9	−88.2	−88.3	−48.6	−27.9
ProShs II:UltVIX STF ETF	UVXY	371.8	−26.0	−83.3	−94.2	−87.9	−88.6
VelShs Dly 2x VIX ST ETN	TVIX	197.3	−25.9	−83.2	−94.2	−87.9	−88.6
VelShs 3x Long Nat Gas	UGAZ	612.1	−23.8	−76.8	−75.6	−82.0	−70.8
iPath Bloomberg NatGas A	GAZ	3.0	−30.6	−69.9	−63.1	−56.2	−41.4
Rex VolMAXX LVW Ftrs Str	VMAX	2.7	−17.1	−66.4	−81.9	N.A.	N.A.
Direxion:S&P Btech Br 3X	LABD	122.1	−5.6	−65.6	−71.8	N.A.	N.A.
VelShs Dly 2x VIX MT ETN	TVIZ	2.1	−15.9	−64.9	−73.0	−51.0	−60.6
Direxion:Jr Mnr Bear 3X	JDST	140.1	−5.5	−57.4	−32.0	−80.6	N.A.
Direxion:S&P OG EP Bl 3X	GUSH	161.3	3.9	−57.4	−33.5	N.A.	N.A.
ProShs II:VIX ST Fut ETF	VIXY	162.1	−13.6	−56.6	−72.6	−55.8	−58.2
iPath ETN SP500 VIX ST A	VXX	986.7	−13.6	−56.5	−72.6	−55.8	−58.3

Worst-Performing Bond Funds

Fund	Ticker	Assets ($ millions)	Total Return (%) July	YTD	Annualized 1-year	3-year	5-year
Mrkt Vctrs ETN Dbl Sh Eu	DRR	...	-7.1	-21.1	-10.2	7.5	0.2
ProShs II:UlS Euro	EUO	237.0	-6.8	-20.5	-10.1	6.5	-0.5
ProShs II:UltSht AUD	CROC	12.0	-8.0	-20.4	-13.7	2.3	2.8
Rydex:Stg Dlr 2x Str;H	RYSBX	11.0	-5.7	-17.7	-5.7	6.5	1.9
FX Strategy;I	FXFIX	34.6	-7.2	-17.2	2.2	1.6	-2.3
Direxion:20+Y Trs Br 3X	TMV	407.00	1.8	-17.1	27.7	-24.9	-16.4
iPath ETN Trs 10Y Bear A	DTYS	49.2	-2.7	-16.4	50.4	-15.4	-8.7
ProShares:UPSh 20+ Trs	TTT	81.6	2.0	-15.4	30.2	-23.4	-15.0
Barclays Inv US TC ETN	TAPR	15.5	1.3	-15.0	47.4	-22.3	N.A.
iPath ETN Trs Lng Bear A	DLBS	18.1	2.1	-12.0	61.5	-14.7	-7.9
ProShs II:UlS Yen	YCS	170.3	-3.9	-11.3	15.6	2.1	11.4
ProShs II:Short Euro	EUFX	10.4	-3.4	-10.7	-5.0	3.5	-0.1

Note: For funds with multiple share classes, only the largest is shown. N.A.: Not applicable; fund is too new or data not available

FAMILY FINANCE

Do-It-Yourself Estate Planning

Many people can use online tools to craft a last will. But DIY isn't for everybody—or every situation.

BY CHERYL WINOKUR MUNK

TWO YEARS AGO, Matt Ahrens and his wife were heading out of state without their infant son, and neither had a will. Mr. Ahrens heard a radio ad for an online document company—and downloaded a will from the site.

"For me, the scariest thing was the idea of something happening on vacation and our child having to be a ward of the state until he was placed with somebody," says Mr. Ahrens, a financial adviser with Integrity Advisory LLC, a registered investment adviser in Overland Park, Kan. "Just to eliminate that fear, the $100 was worth it."

Using online sites like LegalZoom and LegalNature to craft estate-planning documents such as wills, trusts and powers of attorney is appealing for those who can't (or don't want to) shell out several hundred dollars for an estate-planning attorney—or who need the paperwork settled fast. But there can be significant risks as well, especially if someone's financial situation is complex or involves issues that potentially need legal oversight.

Here are some things consumers should consider before they set out on the do-it-yourself road:

How complex are your needs?

DIY estate planning may work well for people with uncomplicated estates who don't require trust or tax planning. It's also an economical way to make minor tweaks to an existing estate plan.

It depends on "what you are trying to accomplish and your relative knowledge level," says Bradford D. Creger, president and chief executive of Total Financial Resource Group, a wealth manager in Glendale, Calif. He took a DIY approach to amend the guardian for his minor children and name a different successor for a living trust. "Some minor changes are perfectly fine for DIY," he says.

Aaron Darke, founder of Darke Marketing LLC, a marketing communications firm in Lake Tahoe, Nev., had attorney-drafted wills to reference, so he had no worries about using the site LegalNature to craft updated documents for himself and his wife. The estate was straightforward, and as a businessman, the legal terminology didn't faze him. He decided he could always ask an attorney to review his work if concerns arose.

However, people with significant and more-complicated assets, complex family situations or other out-of-the-ordinary circumstances likely need more-sophisticated advice.

Keisha Blair, co-founder of Aspire-Canada, a career and money platform for young professionals, was 31 when her husband died from a rare illness. Ms. Blair had two young sons and no will spelling out how her assets would be divided in the event of her death. She quickly discovered that her needs were too complex for a DIY option. As a young widow, one consideration was getting professional advice to ensure her children would be protected if she remarried; she also didn't know if her sons were carriers of the disease that killed her husband, which would mean big changes to her estate plan.

Trust work is also best left to an estate-planning attorney, says Hagen Pruemm, president of financial advisory firm SIS Financial Group in Hoffman Estates, Ill. Mr. Pruemm, who doesn't help clients create wills, has worked with several clients who created a trust online and didn't realize they also had to retitle assets to fund the trust. "Otherwise the trust doesn't do you any good," he says.

DIY wills could be a problem if there is a legal dispute.

Are you comfortable knowing you could be missing something?

Elijah Kovar, a financial adviser and founding partner of Great Waters Financial, a retirement planner in Minneapolis, has seen many do-it-yourselfers overlook seemingly small things—like not naming a contingent executor or beneficiary—that can become problems if not addressed. "You're paying the lawyer for the expertise of knowing you're not missing anything," he says. "We don't know what we don't know."

Certainly, it can be hard to get comprehensive advice online. For instance, there are tax considerations and tactics to avoid probate that are best left to experts, says John Deglow, a certified financial planner and investment adviser at Unified Trust Co. in Lexington, Ky.

"There are things an experienced estate-planning attorney can guide you through that a computer can't," he says. (Neither Mr. Kovar nor Mr. Deglow help clients create wills.)

Are you inviting legal trouble?

In general, a lay person is more likely than an experienced lawyer to make a mistake in drafting a will, trust or power of attorney, according to F. Skip Sugarman, a partner at Bloom Sugarman LLP in Atlanta who litigates issues involving estates. "That makes a do-it-yourself product more susceptible to a challenge," says Mr. Sugarman, who doesn't help clients create wills.

Jef Henninger, a litigator in Tinton Falls, N.J., recalls a family dispute he handled involving two brothers and two DIY wills. One will distributed the mother's assets fairly equally between the brothers, while the other, with a later date, favored the brother who was caring for the mother. The brother who stood to lose significant assets alleged the caretaker had pressured the mother into signing a new will. The case was eventually settled.

Although a dispute might still have occurred had the mother used an attorney from the beginning, there would have been an impartial third party to testify about her expressed desires in distributing the assets. "Since it was just a he-said, he-said case, the end result would have likely been better if an attorney was handling everything from the start," says Mr. Henninger, who doesn't help clients create wills.

To be sure, there are ways to do both: use an online site and get the benefit of a lawyer. Chas Rampenthal, general counsel of LegalZoom, says users of his company's estate-plan bundle receive one year of access to independent attorney advice.

"This attorney can help you navigate more-complex issues and even refer you out to an attorney in the rare case that your needs are so complex that they can't be addressed with our solution," he says.

LegalNature says most cases can be handled online. But it recommends learning as much as possible about the topic and using a professional if users don't understand or are uncomfortable with some issue.

As for Mr. Ahrens, he has no regrets about his DIY approach, but cautions people to consider their unique estate-planning needs. "A do-it-yourself will is definitely not for everyone," he says. "But depending on your situation, it could be the most appropriate option."

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SAVING FOR COLLEGE | CHANA R. SCHOENBERGER

Can a 529 Last Forever?

Yes, but the answer isn't that simple

Readers again wrote in with questions on how to maximize college savings, including on how best to use "529" accounts, the federal tax-advantaged college-expenses accounts that invest in mutual funds. We asked experts to help answer their questions.

* * *

Can a 529 last indefinitely, for multiple generations of a family? What are the tax consequences of changing the beneficiary to future generations?

Yes, but not in a completely tax-free manner. You can switch the beneficiary of a 529 without any penalties, as long as the new beneficiary is a relative of the original beneficiary (see IRS Publication 970 for the complete list of which family members qualify). And the account can be used for only one beneficiary at time. "Once you've paid for the original beneficiary's education, the remaining funds could be used toward education costs for a younger sibling, niece or nephew, aunt or uncle, or even a parent," says Tom Rowley, director of retirement and education strategies at Invesco.

To front-load a 529 so it has enough money to last for many years, you can contribute as much as five times the annual gift allowance ($14,000 for individuals, $28,000 for couples) per beneficiary in a single year without triggering gift-tax reporting, as long as you make that your only gift to that beneficiary in the following four years, says Susie Bauer, a senior vice president at wealth manager Robert W. Baird for 529s and unit investment trusts. That means your $70,000 contribution ($140,000 for a couple) is considered as taking place over a five-year period for gift-tax reporting purposes, she says.

Be careful how you're investing the funds in your 529 if you want it to serve multiple generations. When you use one account for multiple family members, changing the beneficiary to whichever relative is headed off to college or graduate school, the account may be invested in funds that aren't optimal for withdrawing money at a specific time, Mr. Rowley says.

"When the same account is used for multiple people, it can be harder to tailor your savings time frame and risk tolerance to your family's unique needs," he says.

Pay attention to the tax ramifications of switching the beneficiary, Mr. Rowley says: "Things do get more complicated when you skip generations and the federal generation-skipping tax comes into play."

Changing the beneficiary on the account to a relative in a younger generation is treated as a gift from the current beneficiary for the purposes of gift taxes. This could cause problems.

"Since the beneficiary never has control of the 529 assets and may not even know the account exists, you could inadvertently affect their lifetime gift-tax exemption, which is the total amount that an individual can be given by another individual over his or her entire lifetime free from gift taxes," Ms. Bauer warns.

In addition, a person making contributions in excess of the annual gift exclusion needs to elect the five-year gift averaging on IRS form 709, she says.

* * *

Can I open a 529 in my own name and distribute funds as needed for qualified expenses to my family members instead of opening individual accounts?

No. "529 funds can only be used by the designated beneficiary, which means you cannot designate funds from a single account to multiple relatives at the same time," Mr. Rowley says. However, you can switch beneficiaries once you have paid for some or all of one person's education. You can also create a new account with the same beneficiary, roll over some of the funds from the existing account to the new one and switch the new account's beneficiary to any relative of the original beneficiary. If you use money designated for one person to pay for another's education expenses, you'll be subject to income tax and the 10% penalty on the earnings portion of your withdrawal, Ms. Bauer says.

* * *

We have money left over in our son's 529 after he won a scholarship for his bachelor's degree. If he attends grad school later, his employer is likely to subsidize the tuition. I know that if we withdraw the money, we'll owe federal taxes and the 10% penalty. What other options do we have?

"The great thing about 529 plans is that as the account owner, you retain control of the assets—which means you can choose a new beneficiary at any time," Mr. Rowley says. This includes any relative of your son's, or even yourself. You can also leave the money in the account in anticipation of future educational expenses in the family.

Remember, you don't have to be pursuing a degree to use a 529. "The course just needs to be offered by an eligible institution, which means that the school has a federal financial-aid code," Ms. Bauer says. (You can look up schools on the Fafsa website, fafsa.ed.gov).

Note that if you had chosen to withdraw the equivalent amount of the scholarship your son received in the year he received it, that distribution would have been penalty-free; you would have paid only income taxes on the earnings portion of the withdrawal.

HAVE A COLLEGE-FINANCE QUESTION IN GENERAL? We'll answer them in future Investing in Funds & ETFs reports. Write to reports@wsj.com.

FUND MANAGERS

Investors Flee When a Manager Does, but They Usually Shouldn't

BY DAISY MAXEY

WHEN MUTUAL-FUND managers depart, fearful investors often follow. They probably shouldn't.

A new study by **Morningstar** Inc. examines the impact of the addition or departure of a portfolio manager on the performance of actively managed stock and bond funds domiciled in the U.S. in its database between January 2003 and December 2016.

On average, there is no change in a fund's future performance after a management change of any kind, the investment-research firm found. Because it is possible that the impact of a new manager coming on or an old one leaving may not be felt for months, Morningstar considered results up to two years after a change was made. But no matter how it looked at the data, there was, on average, no change in performance.

Nevertheless, investors generally overreact to fund manager changes, and withdraw money from the fund. The reaction of investors even strengthens over time, persisting up to 36 months after the management change, Morningstar found.

Fear of the unknown

Investors are generally averse to change, so when there is turnover in a team they're comfortable with, they grow concerned and feel they have to act, says Madison Sargis, a quantitative analyst at Morningstar and one of the report's authors, with Kai Chang, a director of quantitative research. It's not just mom-and-pop investors who are falling into this behavioral trap, she says, but financial advisers as well.

"Investors—whether that is an adviser, wealth manager or individual—want to appear to be in control," Ms. Sargis says. "They want to appear that they are adding value.

ALEX SKOIRCHET

Madison Sargis of Morningstar finds that investors overreact to changes.

Thus, given a new unknown, such as a management change, people want to take action."

Unnecessary portfolio changes might be costly to investors. Not only must they expend the time and effort to select a new fund, investors might also pay a sales fee when purchasing a new fund or move into a fund with higher expenses. In addition, if they sell a fund that's in a taxable account, they may incur an unnecessary tax bill.

When abandoning a fund, they may also drive up costs for other investors, who could face capital-gains taxes if the manager is forced to sell securities to meet redemptions.

The largest funds have the greatest outflows after a manager change, perhaps because of the attention they receive, Morningstar found. A few well-publicized management changes have resulted in initially large outflows, Ms. Sargis notes. **Pimco Total Return Fund**, for example, had a record $27.5 billion in withdrawals in October 2014 after manager Bill Gross resigned from the firm. Yet when comparing excess returns before and after Mr. Gross's departure, Morningstar found no meaningful statistical differences.

But investors' focus on fund managers might be misplaced. Since the 1990s, fund companies have been moving away from the star manager system, and employing teams to manage funds. Of actively managed U.S. stock and bond funds, 75% are now run by teams, Morningstar says. The remaining 25% may have a single manager listed, but they're assumed to be supported by a research staff with strict processes.

"Most often, manager changes appear to be planned and thought-out in advance," Ms. Sargis says.

What you should consider

Investors facing a management change on a fund should ask themselves whether the investment manager has historically managed succession plans well, she says.

But there are exceptions—cases in which a manager's departure or arrival may affect performance. Investors should ask themselves whether a fund is an outlier in some way, Ms. Sargis says: Is it run by a personality or specialized individual? Will it be hard for anyone else to replicate its investment process?

If the fund is held in a taxable account, investors should weigh whether the tax consequences justify a move to a comparable fund. If the rest of the fundamentals still hold, they're probably better off waiting out the change rather than selling and incurring an unnecessary tax bill.

If a fund's expenses will rise due to a change, then moving to an option that's cheaper, after any tax bill, may be justified, she says. If the expenses don't change, investors should think hard about selling the fund, because "the only certainties of investing are costs," she says.

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SPOTLIGHT | ISHARES MSCI UNITED KINGDOM

A U.K. FUND STARTS TO RECOVER FROM BREXIT

The **iShares MSCI United Kingdom** ETF (EWU) is enjoying renewed popularity. But much like the country it focuses on, it has encountered some turbulence over the past year or so, with the uncertainties surrounding the U.K.'s pending exit from the European Union weighing on investors.

EWU is a $2.82 billion market-weighted fund, comprising mainly large U.K. companies. Like the British economy, it tilts toward finance, energy and consumer staples, with HSBC Holdings PLC, British American Tobacco PLC and Royal Dutch Shell PLC among its top five holdings.

The fund had net inflows of about $575 million in the first seven months of this year, with a total return of 12.53% in that period. However, its performance since the Brexit referendum of June 23, 2016, hasn't always been as positive, says Tushar Yadava, an iShares investment strategist at BlackRock Inc., the issuer of iShares funds. The fall in the value of sterling in the wake of the referendum, Mr. Yadava says, prompted investors to favor the currency-hedged version of EWU, **iShares Currency Hedged MSCI United Kingdom** ETF (HEWU).

"People wanted to keep a U.K. exposure, but to take the sterling view out of it," Mr. Yadava says. Between the referendum and the end of last year, a net $44.7 million flowed out of EWU, which returned 6.91% over that period.

But this year, the tables have turned. Sterling has stabilized, drawing investors back into EWU.

The fund has benefited from the recent strength of the U.K. financial sector, Mr. Yadava says. In addition, the large-cap U.K. companies in its portfolio are internationally focused and so aren't as affected as smaller companies might be by concerns about Brexit's effect on the U.K. economy, he says.

"These are global brands, and they source their revenues predominantly from outside the U.K.," Mr. Yadava says.

But he warns that there is uncertainty looking forward, particularly over the impact of Brexit on international business. For instance, it is unclear if U.K.-based financial firms will be able to provide their services as freely across Europe as they currently do once the country leaves the EU.

—Gerrard Cowan

NEED TO KNOW

Before You Buy In to Emerging Markets...

These funds are hot right now. Here are eight factors investors should consider.

BY SIMON CONSTABLE

ALTAF QADRI/ASSOCIATED PRESS

It is a myth that rising oil prices are good for any emerging-markets country. Not so in India, which imports oil.

INVESTORS ARE flocking back to emerging markets, after dumping billions of dollars of emerging-markets securities and funds late last year.

For those who are thinking of following suit by putting their money to work in emerging markets, here are some important considerations.

1. Why the turnaround? Investors are getting excited about emerging markets across the globe, placing bets on countries as diverse as India, the Czech Republic and Russia. Starting with December last year, each month an average of $24.4 billion has flowed into emerging-markets stocks and bonds, according to data from the Washington-based Institute for International Finance. The eight straight months of inflows follow a sustained run of cash out of those countries that started on Nov. 11, just after the U.S. election, and became the longest continuous run of daily outflows—not ending until Dec. 16—since the institute started tracking these flows in 2005. The outflows reversed course as concerns faded that the dollar would surge in the wake of the election because of rising interest rates in the U.S., and that trade wars would break out across the globe—both bad for emerging-markets economies and companies.

2. Expect volatility The recent sharp changes in flows into and out of emerging-markets securities added to a history of volatility in those markets. Annualized volatility for the S&P Emerging Broad Market Index was 23.3% over the 10 years through July 31, compared with 15.2% for the S&P 500, according to an analysis from S&P Dow Jones Indices. The figures for the past five years showed a similar trend. The volatility measures are based on returns in U.S. dollars.

3. The dollar matters The strength of the dollar makes a big difference to returns. "Emerging-market economies and stock markets will do especially well if the dollar weakens under Trump," says David Ranson, director of research at HCWE & Co. He explains that while a rising dollar attracts more capital into the U.S., a falling one repels it, sending some of that money into emerging markets. A weaker dollar also boosts returns on foreign securities for U.S. investors. Mr. Ranson notes that the value of the dollar hasn't changed dramatically since President Trump took office. Still, it is worth watching.

4. Business confidence is key The dollar is just one part of the equation. Business confidence is also important. Despite the rush out of emerging-markets securities after the U.S. election, they have done well over the past year, Mr. Ranson notes. The S&P Emerging Broad Market Index was up almost 20% in the 12 months through July 31. That reflects reduced business anxiety around the world, Mr. Ranson says. He uses yield spreads in the U.S., or the difference between what businesses pay to borrow money and the lower rates the Treasury pays, as a benchmark for such anxiety. Those spreads have shrunk about 30% on average over the past 12 months, according to Federal Reserve data.

5. Little correlation A portfolio allocation to emerging-markets stocks likely won't perform in the same way as U.S. stocks. "In 2013 emerging-markets stocks were down while U.S. stocks were up," says Charlie Bilello, director of research at investment-advisory firm Pension Partners in New York. "You need to understand that wasn't the first time and it won't be the last time that such a thing happened." The lack of correlation can be frustrating when emerging markets are down, but should help reduce the overall volatility of a portfolio that holds assets from various regions.

6. The Fed isn't everything Myths about emerging markets abound. One relates to U.S. interest-rate policy. The Fed's policies don't necessarily dictate how emerging markets will perform. "It's just not as simple as if the Fed hikes rates then emerging markets go down" because more money will be drawn to U.S. securities, says Mr. Bilello.

7. Neither are commodities Another myth is that all emerging-markets economies, and so company earnings, are related to the strength of oil prices or other commodities. A case in point is India, which imports oil and therefore tends to benefit from lower energy prices. Of course, Russia is an example of an emerging market that does depend in large part on oil exports. "Most of the other countries are not driven by energy," says Mr. Bilello.

8. Value matters Be wary of investing just because economic growth is faster in an emerging market than in the leading industrial countries. "Growth shouldn't be the primary reason," says Tim Courtney, chief investment officer of Exencial Wealth Advisors in Oklahoma City. That's because the expectation of relatively high economic growth rates already is factored into the prices of many emerging-markets securities.

The trick is to look at the valuations of the stocks in those countries, Mr. Courtney says. In general, stocks in emerging markets right now are trading at big discounts when compared with the shares of similar U.S. companies, he says. "When you have a wide discrepancy in valuations, those assets that are priced more cheaply tend to outperform," Mr. Courtney notes.

Mr. Constable is a writer in Edinburgh, Scotland. He can be reached at reports@wsj.com.

SPOTLIGHT

EMERGING MARKETS

PAKISTAN'S STATUS GROWS IN INDEXES

Pakistan has gotten a leg up from the indexing world and could get more attention from investors because of it.

In May, index provider MSCI Inc. decided to give Pakistan emerging-market status and added it to the MSCI Emerging Markets Index. MSCI had previously classified the country as a frontier market. Emerging markets are more economically developed than frontier markets by definition and generally are considered less risky by investors.

"The great thing about being added to an index is that pretty soon there will be inflows of money to the country," says Satya Patel, a portfolio manager at Matthews Asia in San Francisco. When a country is added to an index, funds that track that index need to buy stocks in the country.

"In this case, they will sell dollars and buy Pakistani rupees in order to buy the local stocks," Mr. Patel says. Having a sizable stash of foreign currency typically helps a country maintain the flow of imports and support the home currency on world markets. It also provides reserves for possible use in an economic or political crisis, which can help reassure foreign investors that their money is safe in the country.

Mr. Patel says Pakistan's new status also may help draw attention to the investment opportunities there, aside from index-related purchases.

"One of the most surprising things is that Pakistani companies are the best-run companies in Asia," he says. "Part of that has to do with that they have operated in a challenging environment for the past few decades."

—Simon Constable