

THE WALL STREET JOURNAL.

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What's News

Business & Finance

The U.S. is planning trade measures to force Beijing to crack down on intellectual-property theft and ease requirements that American firms share advanced technologies to gain market entry. **A1**

◆ Apple delivered strong revenue by re-energizing iPad and Mac sales and keeping iPhone purchases steady. Profit rose 12%. **B1**

◆ The keepers of the S&P 500 took a stand against multiple share classes, barring newcomers with such setups from their flagship index. **B1**

◆ Snap and Blue Apron are trading well below their IPO prices, renewing doubts about private firms' valuations. **B1**

◆ Auto sales fell sharply in July, with Detroit car makers feeling the brunt of the decline. GM sales slid 15%. **B1**

◆ The OCC is taking a first step toward changing the "Volcker rule," as talks on the regulation continue. **B12**

◆ The Dow climbed within striking distance of 22,000 before closing 72.80 points higher at 21,963.92. **B13**

◆ Annual inflation in June remained well below the Fed's 2% target, complicating a rate decision. **A2**

◆ BP said it can break even with oil at \$47 a barrel, as the firm swung to a profit. **B3**

◆ Theranos settled a suit by Walgreens, leaving the blood-testing company with little left in its coffers. **B3**

◆ Sprint said it would decide soon on whether to pursue a merger with either T-Mobile or Charter. **B3**

World-Wide

◆ Health insurers in some states are seeking premium increases as high as 30% or more on ACA plans, amid uncertainty about Trump administration policies. **A1**

◆ Senate Republicans made clear they want to focus on tax and fiscal legislation despite Trump's calls to keep health care their priority. **A4**

◆ Democrats in the Senate outlined their conditions for a tax deal with the GOP, saying they wouldn't back deficit-financed tax cuts. **A4**

◆ The eurozone expansion quickened, raising expectations the ECB will begin to phase out its stimulus measures next year. **A6**

◆ Venezuelan intelligence officers seized two opposition leaders in what Maduro's opponents called another step toward autocratic rule. **A7**

◆ Tillerson said the U.S. doesn't seek regime change in North Korea, a statement at odds with recent suggestions by the CIA chief. **A8**

◆ Wray won Senate confirmation to be the next FBI director, in a 92-5 vote. **A4**

◆ Stolen emails show a relationship between the U.A.E.'s envoy to the U.S. and a financier who officials say is central to the IMDB scandal. **A6**

◆ Greece's former statistics chief was convicted of wrongdoing over his release of deficit data to the EU. **A6**

◆ The administration said it would waive certain regulations to expedite the rebuilding of a wall along San Diego's boundary with Mexico. **A3**

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In Beijing Ceremony, Xi Asserts Nation's Sovereignty



ONE CHINA: President Xi Jinping, marking the 90th anniversary on Tuesday of the founding of the People's Liberation Army, said: 'We absolutely will not permit any person, any organization, any political party—at any time, in any form—to separate any piece of Chinese territory from China.'

U.S. to Press China on Trade

Intellectual-property theft, technology-transfer rules are targets for crackdown

By JACOB M. SCHLESINGER AND BOB DAVIS

WASHINGTON—The Trump administration is planning trade measures to force Beijing to crack down on intellectual-property theft and ease requirements that American

companies share advanced technologies to gain entry to the Chinese market.

The administration is considering invoking a little-used provision of U.S. trade law to investigate whether China's intellectual-property policies constitute "unfair trade practices," according to people familiar with the matter.

That would pave the way for the U.S. to impose sanctions on Chinese exporters or to further restrict the transfer of advanced technology to Chi-

nese firms or to U.S.-China joint ventures.

American business frustration with Chinese trade and market-access practices has mounted in recent years, with U.S. business groups urging the government to take a tougher trade line with China. Many organizations have complained that the Trump administration hasn't pushed hard enough in areas like intellectual property, as it has focused more on Chinese manufacturing and China's \$347 billion trade surplus with the U.S. last year.

That discontent has intensified as China's economy continued to expand and its computer and software sectors became bigger competitors internationally. Western firms fear China will use the regulations to bar foreign investments in areas that Beijing targets for investment, including semiconductors, advanced-machine tools and artificial intelligence.

Together the filings show the uncertainty in the health-insurance marketplaces as insurers around the U.S. try to

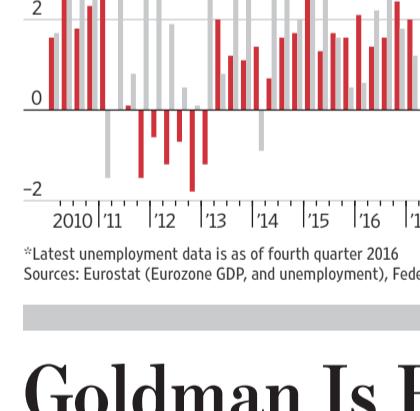
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◆ Senate GOP rebuffs Trump health push..... A4

Europe's Economy Speeds Up, Boosting Prospects

The eurozone's economy quickened in the second quarter, as the region emerges from the past decade's financial crisis, meaning it is playing a more equal role with the U.S. in driving global growth. **A6**

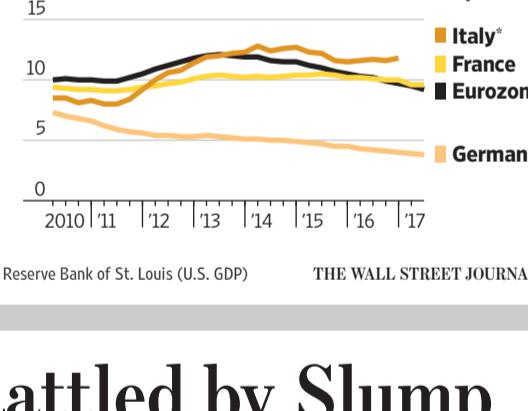
Annualized quarterly change in GDP



*Latest unemployment data is as of fourth quarter 2016

Sources: Eurostat (Eurozone GDP and unemployment), Federal Reserve Bank of St. Louis (U.S. GDP)

Unemployment rate, by country



THE WALL STREET JOURNAL.

Goldman Is Rattled by Slump

By LIZ HOFFMAN

After catching a tennis match at Wimbledon in July, Goldman Sachs Group Inc. trading chief Pablo Salame paid a visit to the London offices of bond-fund giant Pacific Investment Management Co.

He had one burning question for his client: "How can we do better?" according to people briefed on the July meeting.

The visit was more than a typical sales call. In the wake of a trading slump that has Goldman lagging behind Wall Street rivals, Mr. Salame, the bank's

top trading executive and a member of Chief Executive Lloyd Blankfein's inner circle, has been on a charm tour, trying to win more client business by showcasing a friendlier, humbler Goldman.

Goldman, long Wall Street's trading powerhouse, is struggling to adapt to changes in financial markets. The day following Mr. Salame's visit, Goldman reported quarterly trading numbers that were the worst on Wall Street. Those followed a disappointing first quarter.

A 40% second-quarter decline in fixed-income activity,

which includes bonds traded by Pimco and its ilk, left Goldman with first-half trading revenue that trailed its major competitors—a first since Goldman went public in 1999.

The slump has rattled executives, who are now more focused on solving clients' problems rather than steering them into trades that benefit the firm's bottom line.

It has also tipped the scales in favor of more immediate action at the firm, despite a years-long debate around whether changing market conditions

Please see SLUMP page A8

He has been buffeted by a formidable counterforce—VW's own managers, many of whom still yearn for the old autocratic corporate culture and remain skeptical of moves to downgrade the business of cars powered by fossil fuels.

"There are definitely people who are longing for the old top-down leadership," Mr. Müller, 63, told an industry gathering in Germany in May, speaking of the corporate culture he inherited. "I don't know if you can imagine how difficult it is to change their mind-set."

That mind-set, people inside and outside the company say, included a conviction among many at VW that the

internal-combustion engine, especially the diesel, is a proven and superior technology that can meet emission standards for years. That conviction, they say, helped lead engineers to rig diesel-engine software to appear to meet such standards, the crux of the scandal, which broke open in 2015.

It also left VW dragging its feet in electric vehicles and created internal skepticism about new ways customers were using cars—ride-hailing services such as Uber Technologies Inc., car-sharing business like Zipcar Inc. and apps that help steer drivers to businesses and services.

Almost immediately after taking over in September 2015, Mr. Müller presented a plan to move beyond VW's huge business in diesel and gasoline vehicles and generate at least 25% of sales from electric cars. He argued VW needed to create a "signifi-

Please see VW page A10

◆ Slump in auto sales extends to seventh month..... B1

INSIDE



THE ARMS RACE TO FIGHT SWEAT

LIFE & ARTS, A11



MAC, IPAD SALES DRIVE APPLE PROFIT

BUSINESS & FINANCE, B1

Swarmed and Dangerous: New York City's Bee Cop

* * *

The city's go-to guy for winged invaders totes a vacuum cleaner

BY ZOLAN KANNO-YOUNGS AND BEN KESLING

An owner of Arturo's pizza in Greenwich Village called the New York City hotline on a recent afternoon for help to break up a rowdy gathering outside before somebody got hurt.

Officer Darren Mays had already pulled a shift at the 104th precinct in Queens, but the New York Police Department dispatched him to Arturo's. It was the kind of trouble Officer Mays was best

equipped to handle. He traded his 9mm pistol and handcuffs for a hedge-trimmer, vacuum and white-veiled hat. Gotham City has its Batman. New York City has its bee man.

That day, tens of thousands of bees had followed their queen to a tree in Arturo's West Village neighborhood, scaring passersby as the

Darren Mays

swarm scouted for a spot to land a new colony. Officer Mays, the city's go-to guy for bee swarms, directed colleagues to string a yellow police-tape perimeter around the tree. Then he rode a NYPD cherry picker to the high branches for a look.

"This is a historical event in my neighborhood," said Lisa

Please see BEES page A10

U.S. NEWS

Budgeting Stymies Several States

By QUINT FORGEY

Illinois Republican Gov. Bruce Rauner followed through on his threat to veto a school funding measure on Tuesday, as budget and spending issues continue to roil several states a month into the new fiscal year.

Illinois lawmakers last month overrode Mr. Rauner's veto to pass the first budget in more than two years, ending a standoff that led to a massive backlog of unpaid bills.

But Connecticut, Rhode Island and Wisconsin are still negotiating budget documents for the 2017-18 fiscal year, according to the National Conference of State Legislatures. All three states failed to pass budgets by July 1 deadlines.

Connecticut's Legislature granted final approval Monday to a \$1.5 billion labor-concessions agreement that will put a dent in the state's projected \$5 billion budget deficit, and the Rhode Island Senate is set to vote Thursday on a \$9.2 billion budget deal that has already

cleared the state's House of Representatives.

In Wisconsin, lawmakers are debating revenue-raising measures to help solve a roughly \$1 billion transportation-funding shortfall. Republican Gov. Scott Walker has pledged to veto a gas tax increase while championing a \$3 billion incentive package to encourage Foxconn Technology Group to build a major industrial facility in the state.

Meanwhile, Minnesota Democratic Gov. Mark Dayton defunded the state's Republican Legislature after lawmakers passed a \$46 billion budget in a May special session that included a \$650 million tax-cut bill the governor opposed. Lawmakers took Mr. Dayton to court, where a county judge on July 19 ruled the governor's veto of the Legislature's operating budget unconstitutional.

The governor appealed that ruling last week, though the budget remains in place.

In Illinois, Democratic lawmakers have been holding on to the education funding bill

since May and are now counting votes for a potential override in the state's General Assembly before classes begin.

Mr. Rauner called a special session that began last week focused on approving a new K-12 school funding formula. A \$36 billion budget package passed in July over the veto of the governor included a fund-

Illinois fights over schools; Connecticut, Wisconsin and Rhode Island are tardy.

ing increase of roughly \$350 million to K-12 schools, but the state must still establish a mechanism to distribute the new money.

The General Assembly approved legislation two months ago to enact a funding formula allocating state money to the neediest school districts first, outlined in Senate Bill 1.

But the governor used his veto power Tuesday to rewrite the bill, eliminating several of its provisions, including roughly \$221 million in extra funds that would go toward covering the cost of the hard-pressed Chicago Public Schools' teacher pension system. The governor has complained the new funding proposal is preferential to CPS—the only school district in Illinois that funds its pensions without state aid.

"With my changes, our state ensures that enough resources flow to children in the poorest and most disadvantaged school districts across the entire state," Mr. Rauner said Tuesday.

Responding to the governor's action, Chicago Mayor Rahm Emanuel said in a news release: "It is well past time for Gov. Rauner to stop playing politics with our children's futures, start demonstrating leadership and ensure a child's education isn't determined by their ZIP Code or his political whims."

Inflation Complicates Fed's Rate Decision

By SARAH CHANEY

Consumer prices were flat in June from the prior month and annual inflation remained well below the Federal Reserve's 2% target, a potential yellow flag for the central bank as it considers interest-rate increases later in the year.

Inflation is turning into a conundrum for the Fed. Officials have been expecting a pickup as the economy improves, but it isn't appearing.

The Fed's preferred measure of inflation, the price index for personal-consumption expenditures, was unchanged in June from the prior month, the second straight flat reading.

It was up 1.4% in June from a year earlier and has dropped for four consecutive months on an annual basis, from 2.2% in February.

Consumer spending didn't offer much spark either, rising a tepid 0.1% for the month. Adjusted for inflation, con-

sumer spending was unchanged in June. Personal income was flat, the Commerce Department reported Tuesday, held back in part by a drop in the income households earn on dividends from investments.

Soft energy prices are part of the low-inflation story, but not the whole story. Excluding the often-volatile categories of food and energy, so-called core prices were up 0.1% in June for the second straight month. Core prices have stabilized at 1.5% from a year earlier, which is down from 1.9% reached in February and notches below the Fed's 1.7% end-of-year projection.

"Core inflation hasn't been quite as weak as previously believed, although the continued shortfall relative to the Fed's 2% target will leave officials with little appetite for a rate hike at the mid-September FOMC meeting," said Andrew Hunter of Capital Economics in a note to clients.

U.S. WATCH

AUTO INDUSTRY

EPA May Revise Rules for Emissions

Auto makers selling electric cars and putting vehicles in ride-sharing fleets could receive significant credits toward meeting stringent U.S. emissions standards, proposals that would revise current regulations that were locked in under the Obama administration, an Environmental Protection Agency official said.

"We need to think differently," said Christopher Grundler, head of the EPA's transportation and air-quality office, at an automotive conference Tuesday.

Mr. Grundler's remarks signaled a willingness to negotiate with auto makers on tweaks to regulations mandating vehicles average 54.5 miles a gallon, or 40 mpg in real-world driving, by 2025. Mr. Grundler said he hadn't run his ideas by the EPA's political leadership, and that they remained initial proposals.

—Mike Spector

INTERNET

Sex-Trafficking Sites Targeted by Bill

A bipartisan group of senators is pushing forward with legislation to end federal legal protection for websites that facilitate sex trafficking, drawing strong opposition from major internet companies who say the measure overreaches and undermines free-speech protections.

The bill represents a potentially momentous policy shift and accelerates a debate over

how to balance federal protections for the internet with the rights of trafficking victims.

The bill stems from a long-running controversy involving classified-ad site Backpage.com, which has repeatedly won dismissals of lawsuits brought by child sex-trafficking victims, as well as other legal challenges, by relying on the federal immunity law. The bill has 25 sponsors.

—John D. McKinnon

LAW ENFORCEMENT

Video Allegedly Shows Police Planting Drugs

The Baltimore Police Department is facing new scrutiny as a second batch of police body-camera footage emerged, this time allegedly showing officers involved in planting drugs in a car shortly before two people were arrested.

Prosecutors have decided not to pursue charges against the two defendants in connection with the November arrest and video, which the Office of Public Defender said "appears to depict multiple officers working together to manufacture evidence."

Last month, the public defender's office released police video from a separate incident in January, in which an officer's own camera shows him placing purported drugs in a trash-filled yard.

State's Attorney Marilyn Mosby said Friday that she had spoken to Police Commissioner Kevin Davis about the video footage from the November arrest. She declined to describe the video but said it "raised concerns" for the prosecutor handling the case.

—Scott Calvert

Horn Section Tunes Up at Tanglewood



ALPINE CHALLENGE: Russell Rybicki and other Tanglewood Music Center fellows play alphorns, an instrument used by mountain dwellers in the Alps, on the roof of the Koussevitzky Music Shed during Tanglewood on Parade on Tuesday in Lenox, Mass.

TRADE

Continued from Page One

One big question hanging over the White House review is whether the administration pursues any complaint through the World Trade Organization, or whether it chooses to impose penalties on its own without first seeking permission from the international body, which some Trump advisers have argued is incapable of dealing with China's trade practices. Trump aides have regularly vowed to pursue a more unilateral approach to trade but have so far done little along those lines.

It is unclear how long the administration's internal review will take before an announcement is made. Officials at one point had signaled that an announcement could come as soon as this week.

A White House spokeswoman declined to comment on the prospect of trade sanctions.

The White House has been wrestling in recent weeks with



A cargo ship is loaded at a port in Qingdao, China.

how to navigate trade relations with China following a stalemate during mid-July bilateral economic talks that yielded no concrete progress. President Donald Trump in recent days has also expressed open disappointment with Chinese efforts to curb North Korea's nuclear program and administration officials have been increasingly outspoken in their criticism of Chinese trade practices.

Mr. Trump's commerce secretary, Wilbur Ross, wrote an op-ed in Tuesday's Wall Street Journal blasting China, as well as the European Union, for "formidable nontariff trade barriers" and vowing to "use every available tool" to fight those limits.

The White House expects that a crackdown on alleged Chinese intellectual-property expropriation would have

widespread support among U.S. businesses, which have complained about Chinese business practices.

The response may be more divided, say industry officials. Those U.S. companies that want to keep their most advanced technology from Chinese hands would probably back the move, while others that want to license technology to Chinese firms could find the measures a hindrance.

China could also retaliate by blocking U.S. investments or making life tougher for U.S. companies in China.

Still, any action on Chinese intellectual property is bound to be more popular with the business sector than other trade moves the president has made, including his decision to withdraw from the Trans-Pacific Partnership as well as his threats to pull out of the North American Free Trade Agreement and to impose tariffs on steel imports.

The Trump administration's exploration of new trade remedies against Beijing is significant in that they might involve dusting off long-ignored or little-used powers. In this case, one option under discussion is to use Section 301 of the Trade Act of 1974, which gives the U.S. government the authority to investigate alleged wrongdoing by trading partners and decide by itself the relevant penalty—to act,

in the eyes of critics, as judge, jury and executioner.

Another option under discussion would be to invoke the International Emergency Economic Powers Act, a 1977 law that gives the president broad powers to regulate commerce after declaring a "national emergency."

Widely used in the 1970s and 1980s, Section 301 cases have largely disappeared since the 1995 creation of the WTO, which has its own dispute-settlement process. A main goal of the Geneva-based institution was to curb such unilateral trade actions and to have them handled by a more neutral international arbiter. U.S. administrations over the past two decades have decided to steer nearly all trade complaints through the WTO and have rarely touched Section 301.

But Trump aides have often said they didn't consider WTO rules sufficient to deal with Chinese practices and have indicated they may resort to pre-WTO unilateral practices.

"If any other administration self-initiated a Section 301 investigation, I would have found it highly unusual," said Chad Bown, a trade-remedy expert at the Peterson Institute for International Economics. "But with Trump's administration of U.S. trade policy, it appears that even the most obscure and unused U.S. law on the books is fair game."

In May, more than four dozen U.S., European and Asian trade associations wrote a letter to the Communist Party group overseeing cybersecurity, for instance, complaining about a new law that the associations felt would require their companies to place data centers in China, find Chinese partners and transfer technology to the joint ventures. Beijing generally argues that it is trying to protect itself from efforts by Western intelligence services to tap into Chinese computer systems.

—Ian Talley contributed to this article.

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The IMF raised its outlook for China's growth on July 24. A chart with a Markets article on July 26 about copper prices incorrectly said the International Monetary Fund acted on June 24.

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U.S. NEWS

Waiver To Speed Rebuilding Of Wall

BY JIM CARMON

SAN DIEGO—The Trump administration said Tuesday it would waive certain federal regulations to expedite the rebuilding of a wall along this city's boundary with Mexico, in a move that environmental groups said would further endanger sensitive wildlife areas.

The waiver by the Department of Homeland Security applies to work including construction of additional barriers and roads along a 15-mile stretch of rugged hills beginning at the Pacific Ocean, where extensive fencing—three layers deep in places—is currently in place to separate San Diego and Tijuana, Mexico.

"The [San Diego border control] sector remains an area of high illegal entry for which there is an immediate need to improve current infrastructure and construct additional border barriers and roads," Homeland Security officials said in a statement.

The waiver, authorized by Congress in 2005, has been used five previous times—most recently in 2008—to give the department the authority to fortify a border that critics say has been a porous entry for illegal immigration and drug smuggling into the U.S.

Towering metal fences and barricades installed before 2008 have contributed to erosion problems in sensitive wetland areas, said David Shirk, a professor of political science and international relations at the University of San Diego.

Officials at the Center for Biological Diversity said the work to rebuild the San Diego barriers—part of President Donald Trump's promised wall along the 2,000-mile U.S.-Mexico border—would harm critical habitat for endangered species.

Agency officials said they remain committed to environmental stewardship with the wall projects.

Hundreds Arrested In ICE Operation

BY LAURA MECKLER

WASHINGTON—Federal immigration enforcement agents arrested 650 people last week during an operation aimed at families and children who illegally crossed the border and had been ordered deported, officials said Tuesday.

Those arrested included 73 individuals who crossed the border as part of family units and 120 who entered as unaccompanied minors. Agents also arrested 457 others whom they "encountered" during the operation.

Under Trump administration policy, undocumented immigrants aren't safe from deportation just because they are not high-priority targets like convicted criminals. Rather, anyone encountered during an operation can be arrested and processed for deportation.

One hundred thirty of the 650 arrested had criminal convictions, the Immigration and Customs Enforcement agency said. Under Obama-era rules, agents targeted people with serious criminal records and recent border crossers, while other undocumented immigrants were mostly safe from deportation.

ICE said that unaccompanied children targeted had either reached age 18 or were at least 16 with criminal histories or suspected gang ties.

"The practice of targeting unaccompanied minors who fled violence in Central America is appalling. The fact that ICE is targeting the family members who took them in makes it even worse," said Frank Sharry, executive director of the advocacy group America's Voice.

"This kind of enforcement is designed to strike terror in the heart of immigrant communities," he said.

Tribe, Utilities Spar Over Water

Native Americans want to control part of California aquifer under reservation

BY JIM CARMON

Deep beneath the desert east of Los Angeles is a Southern California treasure: a massive basin filled with freshwater.

The aquifer has spurred development of the popular resort towns in the Coachella Valley, such as Palm Springs, Palm Desert and Rancho Mirage. But it also lies underneath the reservation of a small Native American tribe that owns golf courses and casinos in the area.

The Agua Caliente Band of Cahuilla Indians says it partly owns the drinking water and wants a stake in how it is used by public utilities. A yearslong legal battle over the issue could be taken up by the U.S. Supreme Court this fall.

The high court's action could affect groundwater rights across the arid West, where utilities now deliver the water to tribes as another customer, along with farmers, cities and businesses.

The 480-member tribe contends the local water agencies—the Desert Water Agency and Coachella Valley Water District—have mismanaged the groundwater by allowing too much to be pumped out and by replenishing the source with untreated water from the Colorado River that they consider subpar.

The water agencies, however, say the tribe appears to be making a water grab, potentially setting a dangerous precedent where control of a municipal resource is partially ceded from a public utility.

They also say the tribe, which has built two casino-resorts and two 18-hole championship-caliber golf courses on its 31,500 acres, has little experience in managing water and could potentially sell some of it.

"They're in the money business," said James Cioffi, board president of the Desert Water Agency. The tribe says its only interest is in preserving the quality of the water.

Agua Caliente in 2013 took its case to federal court, winning in the first round on the issue of whether it has federally reserved rights to groundwater. That ruling was upheld in March by the Ninth Circuit Court of Appeals in San Francisco. The water agencies appealed to the Supreme Court, which is expected to decide whether to hear the case this fall.

If the court were to overturn the appellate court, legal



The Whitewater River, above, moves water from the Colorado River Aqueduct to help replenish California's Coachella Valley.

Water Fight

The Agua Caliente tribe wants greater control over groundwater from a massive aquifer that is partly under its reservation. The freshwater source has helped fuel the growth of the area.



Note: Individual sections of reservation land are interspersed with public and private lands.
Sources: Coachella Valley Regional Water Management Group; Agua Caliente Band of Cahuilla Indians

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observers say that could mean fresh challenges in other cases in which tribes have already been awarded groundwater rights from some state courts.

If it lets the lower-court rulings stand, more tribes could seek groundwater rights—triggering more litigation.

"There are very few water lawyers in the West who are not aware of this case," said Dan Tarlock, a law professor at Illinois Institute of Technology's Chicago-Kent College of Law.

Other tribes have already

filed friend-of-the-court briefs on behalf of Agua Caliente's litigation, including the Spokane in Washington and Paiutes in Nevada.

State and national water groups are weighing in, too.

The Association of California Water Agencies, for example, plans to file a friend-of-the-court brief on behalf of the utilities, said Tim Quinn, the group's executive director.

"The big deal is public water agencies are there to manage water for everyone, but the concern about a case

The Roots of a Groundwater Rift

Tribal rights over rivers and other surface-water supplies are well established in the West, but less so when it comes to groundwater—one of the most important drinking-water sources in many desert areas.

Tribes in Arizona and Montana have gained rights to local groundwater in recent decades after appealing to the supreme courts of those states, though a tribe's bid to do so in Wyoming was rejected in 1988 by that state's highest court.

Native Americans didn't start pursuing groundwater rights in earnest until after the 1970s, as part of a movement to seek greater independence, legal experts say.

A case in California's Coachella Valley—a 45-mile strip of desert where temperatures

soar as high as 120 degrees—is the first in the nation to reach a federal appellate level.

The dispute arose after the Agua Caliente Band of Cahuilla Indians said water agencies ignored their claims of mismanagement for two decades. The aquifer supplies water to an area with a population of roughly 400,000 people.

"The tribe was hoping that they could get the water districts to change their practices, but they realized that was just not going to happen," said Catherine Munson, a tribal attorney based in Washington, D.C.

Officials of the water agencies say they adopted a plan in 2002 to help better manage the groundwater and that over the past decade they have stabilized the amount that gets used.

"We have a vibrant economy where anyone who wants water gets water," said James Cioffi, board president of the Desert Water Agency.

—Jim Carlton

If the Supreme Court lets the previous rulings stand, the exact amount of water belonging to the tribe would be determined in another proceeding.

That would likely set the stage for other landowners to try to win their own rights to the groundwater, said John Powell, board president of the Coachella Valley Water District.

That may create "a lot of uncertainty and cost," Mr. Powell said. "Everyone is going to have to lawyer up."

VA Sees Higher Opioid Risk in Private Sector



SPENCER PLATT/GETTY IMAGES

Medical workers treated a woman who suffered a drug overdose last month in Warren, Ohio.

Panel Seeks Emergency Decree

A White House commission to combat soaring rates of drug addiction and overdose deaths has recommended President Donald Trump declare a national emergency over the crisis, saying it would "empower" the administration and Congress to take action.

The commission, chaired by New Jersey Gov. Chris Christie and established by executive order in March, also recommended the White House rap-

idly increase addiction-treatment capacity in the country, expand access to medications to combat addiction and reverse overdoses, and mandate medical education about the risks of prescribing addictive opioid painkillers, among other measures.

In a preliminary report, the panel said the president should seek to declare a national emergency under the Public Health Service Act or the Stafford Act.

"Your declaration would empower your cabinet to take bold steps and would force Congress to focus on funding and empowering the executive branch

even further to deal with this loss of life," the commission said. "It would also awaken every American to this simple fact: if this scourge has not found you or your family yet, without bold action by everyone, it soon will."

The White House said in an emailed statement that it appreciated the commission's hard work and would immediately begin reviewing its commendations.

The opioid-addiction crisis has caused more than 300,000 overdose deaths since the late 1990s.

—Jeanne Whalen

BY BEN KESLING

WASHINGTON—Veterans using a program to seek care from doctors in the private sector instead of the VA face a greater danger of becoming entangled in the country's opioid epidemic, the department said Tuesday.

Findings from the Department of Veterans Affairs' Office of Inspector General show that programs allowing veterans to get care from private doctors when appointments aren't available in the VA system leave veterans vulnerable to overprescription of powerful opioids because of gaps in the process used by the VA to keep track of prescriptions.

The Inspector General said that when patients are treated entirely within the VA system they fare better, in part due to a VA program designed to combat opioid overprescription and misuse.

"With the expansion of community partnerships, a significant risk exists for patients who are prescribed opioid prescriptions outside of VA," the report said. "The risk is exacerbated when information about opioid prescriptions is not shared between VA and non-VA providers."

The report didn't elaborate on how many veterans may be intentionally skirting the VA system to avoid the department's opioid-tracking system.

The Inspector General launched its investigation into opioid prescription oversight some two years after the de-

partment began overhauling two major aspects of its health care.

In 2014, the VA began programs to combat patient overuse of opioids by encouraging doctors to use alternative treatments for pain management, while also enabling them to better track when and how many patients use painkillers.

That year, the VA also launched a multibillion-dollar program for veterans to get care from private doctors, but the program has been plagued with complaints that patient records aren't always properly reported back to the VA so the department can keep comprehensive files on veterans and monitor their treatment.

The VA's watchdog recommends the department ensure private-care providers are fully informed of the department's opioid-safety program and intervene when private providers are deemed to be putting veterans at risk. The watchdog also recommends that private-sector doctors get full access to the veterans' medical records and be required to send all opioid prescriptions to VA pharmacies so they are tracked by a central database.

The findings call into question quality-control standards for the Veterans Choice program that allows veterans to seek care in the private sector, and that last week was approved by the House of Representatives for an extension of funding. The Senate has yet to vote on the funding.

U.S. NEWS

Senate GOP Rebuffs Trump Health Push

Lawmakers say they want to focus on tax overhaul and critical fiscal legislation

WASHINGTON—Senate Republicans made clear on Tuesday that they want to chart their own course to focus on a tax overhaul and critical fiscal legislation, bypassing requests

By Siobhan Hughes,
Natalie Andrews
and Janet Hook

from President Donald Trump and White House officials to keep health care their top legislative priority.

In his first press conference since a GOP health bill collapsed in the Senate, Majority Leader Mitch McConnell (R., Ky.) on Tuesday left health legislation off the list of items to be voted on before the chamber leaves for recess later this month, despite Mr. Trump's

calls to dive back in.

Mr. McConnell, who has said he prefers to keep disagreements with the president private, also disclosed that he had told Mr. Trump that most senators don't support changing the chamber's rules to allow bills to pass on a simple majority vote, as the president has urged on Twitter.

Mr. McConnell was one of several senators in recent days who have resisted White House entreaties on health care, often expressed in language that is frank for leaders of the same party.

Sen. John Cornyn (R., Texas) took a shot at White House Budget Director Mick Mulvaney, who said Sunday that Congress should continue to work on health care rather than move on to other issues.

"I don't think he's got much experience in the Senate, as I recall," Mr. Cornyn told reporters on Monday night about Mr. Mulvaney, who served three terms in the House.



MARK WILSON/GETTY IMAGES

President Donald Trump, shown at the White House on Tuesday, has pressed the Senate to keep health care as its top priority.

A spokesman for the Office of Management and Budget said Mr. Mulvaney was merely conveying Mr. Trump's view. "Health care is a priority for most Americans," the spokesman said. "It should be for Congress as well."

In an effort to keep the health-care effort front and

center, Mr. Trump has threatened to take away government contributions toward the cost of lawmakers' health care and to stop government payments to insurers that reduce copayments and deductibles for some of the poorest customers under the 2010 health law.

Mr. Trump also has ousted

White House staffers most closely linked to the Republican National Committee and the House leadership—former Chief of Staff Reince Priebus and spokesman Sean Spicer.

Potentially rebuffing Mr. Trump's plans, Senate Health, Education, Labor and Pensions Committee Chairman Lamar Alexander (R., Tenn.) said Tuesday that his panel would begin drafting legislation this week to stabilize the Affordable Care Act's fragile insurance markets, where people who don't get health coverage through work purchase insurance. He said the committee aims to pass short-term legislation in mid-September.

For its part, the White House on Tuesday rejected a suggestion made at the White House press briefing that Mr. Trump's agenda was suffering because he was losing credibility on Capitol Hill.

"What's hurting the legislative agenda is Congress's inability to get things passed,"

White House spokeswoman Sarah Huckabee Sanders said.

Next on the Senate Republicans' agenda is a tax overhaul. "We began to discuss today at lunch tax reform," Sen. Bob Corker (R., Tenn.) said on Tuesday. "It's something that regardless of who's president we would want to be pursuing at this time."

Senate and House Republicans plan to advance the issue in September after their recess and have been working with administration officials on a coordinated plan. But Senate Republicans also dismissed White House suggestions they take input from Democrats.

"I don't think this is going to be 1986, when you had a bipartisan effort to scrub the code," Mr. McConnell said.

Congress also must pass legislation to fund the government beyond Sept. 30, when the current spending law expires, and it needs to raise the borrowing limit by the end of September.

Democrats Set Conditions on Joining Tax Overhaul

BY RICHARD RUBIN

WASHINGTON—Senate Democrats outlined their conditions for working with the Trump administration and congressional Republicans on tax policy, and their principles didn't seem to leave much room for common ground.

In a letter dated Tuesday, Democrats argued against tax cuts for the top 1% of households, declared it crucial that Republicans not use the fast-track procedures known as reconciliation and said they wouldn't back deficit-financed tax cuts.

"Tax reform cannot be a cover story for delivering tax cuts to the wealthiest," says the letter, which was signed by 45 of the 48 members of the Senate Democratic caucus.

"We will not support any effort to pass deficit-financed tax cuts, which would endanger critical programs like Medicare, Medicaid, Social Security and other public investments in the future," the letter said.

Each of the Democrats' conditions will be hard for Republicans to meet in the tax bill they hope to turn into law by the end of the year, unless

they alter the direction the party has been heading in or more Democrats prove willing to bend.

Republicans plan to use reconciliation, which will allow them to pass a bill without Democratic votes, though they have said they are open to working with Democrats.

The GOP proposal includes rate cuts for businesses and individuals that will almost certainly lower taxes for many high-income households, though Treasury Secretary Steven Mnuchin said Monday that most households paying the top tax rate won't get a

tax cut.

And although Republicans are aiming for a plan that doesn't increase budget deficits, they haven't shown yet how their math adds up.

Among Democrats, just Joe Manchin of West Virginia, Heidi Heitkamp of North Dakota and Joe Donnelly of Indiana didn't sign the letter.

All of them are up for re-election in 2018 in states that President Donald Trump won last year.

The letter likely singles out those three Democrats as the pool of possible votes for a GOP tax plan.

Seven other senators up for re-election in states won by Mr. Trump signed the letter, and five of those are on the tax-writing Senate Finance Committee.

Marc Short, the White House legislative affairs director, said Monday that Mr. Trump would be visiting states in the Midwest with the aim of persuading lawmakers.

He also cited meetings that Trump administration officials have had over the past few months with Democrats in Congress. "We welcome Democrats' support in tax reform," Mr. Short said.

No Democrats supported any version of the health-care bills that advanced through the House and failed last week in the Senate.

Given the gap between the parties on fiscal policy, the same thing may happen on tax policy.

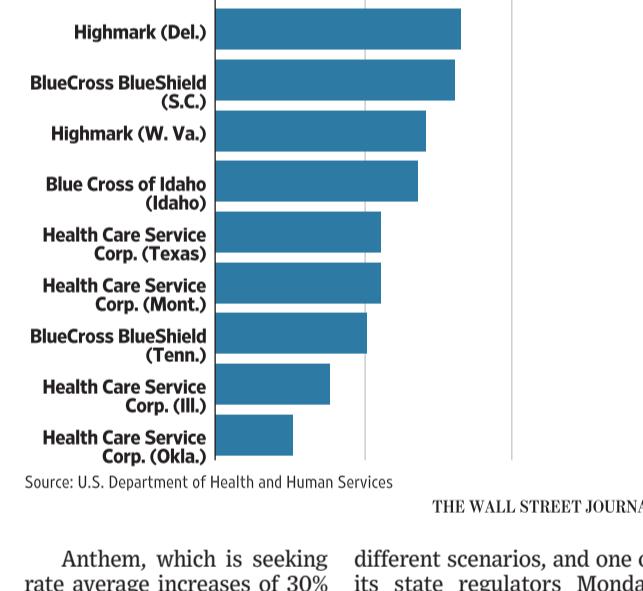
"The White House has not reached out to Sen. Heitkamp on this," said Julia Krieger, a spokeswoman for the senator. "She has said many times that she is open to working with anyone on tax reform, and that those reforms must support working families."



Harland Stanley in Louisville, Ky., uses Anthem, which seeks an average increase of 34% in the state.

On the Rise

Average premium increases proposed by big insurers for Affordable Care Act plans in select states



Source: U.S. Department of Health and Human Services

THE WALL STREET JOURNAL

INSURE

Continued from Page One

make decisions about rates and participation for next year amid open questions about changes that could come from the Trump administration and Congress.

Insurers face a mid-August deadline for completing their rates. They have until late September to sign federal agreements to offer plans in 2018. In some cases, insurers warn, the figures revealed by federal regulators may not reflect their up-to-date thinking.

The insurers' decisions will be closely dependent on moves by the Trump administration and Congress. Most important is whether the federal government continues making payments that reduce health-care costs for low-income exchange enrollees, which insurers say are vital and President Donald Trump has threatened to halt.

Insurers are also concerned about whether the Trump administration will enforce the requirement for most people to have insurance coverage, which industry officials say helps hold down rates by prodding young, healthy people to sign up for plans.

In Montana, Health Care Service linked 17 percentage points of its 23% rate increase request to concerns about the cost-sharing payments and enforcement of the mandate that requires everyone to purchase insurance. Kurt Kossen, a senior vice president at Health Care Service, said the com-

pany's rate requests are driven by causes including growing health costs and "uncertainty and the associated risks that exist within this marketplace, including uncertainty around issues like the continued funding of [cost-sharing payments] and mechanisms that encourage broad and continuous coverage."

Sen. Lamar Alexander (R., Tenn.), who chairs the Senate committee that oversees health policy, said Tuesday that he had told Mr. Trump directly that the government should continue making the payments to insurance companies.

The effect of the rate increases will be blunted for many exchange enrollees, be-

cause lower-income people receive federal subsidies that cover much of their premiums.

But increases could be tough to stomach for those who aren't eligible for the help, like Harland Stanley, 53, of Louisville, Ky. Mr. Stanley, who owns his own research business, pays about \$400 a month for a plan from Anthem Inc., which is seeking an average increase of 34% in the state, though Mr. Stanley's own premiums might rise by less or more than that.

"It's going to hurt," said Mr. Stanley, who said his monthly premium this year is about \$120 more than he paid in 2016. "I worry about what if it keeps going? When is this going to stop?"

Related mandate that most employers offer it. The plan would keep the ACA's taxes except one on medical devices. But rather than using the money for premium subsidies and a Medicaid expansion, as the ACA does, it would be offered as block grants to states so they could address their health-care needs.

The White House has hosted meetings on the proposal, including a session Monday with Mr. Cassidy, Health and Human Services Secretary Tom Price and four GOP governors.

But the plan faces long odds in the Senate, where Republican leaders have said repeatedly in recent days they have no plans to bring another health proposal to the floor anytime soon.

With the absence of Sen. John McCain (R., Ariz.), who is undergoing brain-cancer treat-

Anthem, which is seeking rate average increases of 30% or more in states including Colorado, Kentucky, Nevada and Virginia, has said it would refile for bigger hikes and may pull back its exchange offerings more if uncertainty continues around issues including the cost-sharing payments.

Centene Corp.'s requests ranged from less than 1% in New Hampshire to 21% in Texas and 12.49% in Georgia.

Those rate proposals generally assume the current rules surrounding ACA plans continue, the company said.

CareSource, a nonprofit insurer that offers exchange plans in four states, has prepared alternate rate filings for

different scenarios, and one of its state regulators Monday asked it to refile with proposed rates that assume no cost-sharing payments.

"It's challenging; you learn to be very fluid," said Steve Ringel, president of the Ohio market for CareSource.

"Resolution of the [cost-sharing payments] is an urgent issue," said Bill Wehrle, a vice president at Kaiser Permanente, which offers exchange plans in a number of states.

"We're coming up at a point that's fairly soon, where the pricing decisions we make are set for all of next year."

The impact of potentially losing the cost-sharing payments was also clear in the rates requested by Blue Cross of Idaho, which average 28%.

That would probably be in the lower teens if the payments were guaranteed, said Dave Jeppesen, a senior vice president.

"There's a lot of risk associated with the uncertainty in Congress right now, and we are pricing appropriately for that risk," he said.

A recent Kaiser Family Foundation analysis found insurers' financial results on exchange plans improved in the first quarter of this year, a sign of potentially emerging stability.

That is reflected in a number of states where rate-increase requests are limited. The exchange in California said Tuesday that insurers were seeking an overall average increase of 12.5%—but there would be an additional 12.4% boost layered onto middle-tier "silver" plans if the cost-sharing subsidies aren't paid.

—Michelle Hackman

related mandate that most employers offer it. The plan would keep the ACA's taxes except one on medical devices. But rather than using the money for premium subsidies and a Medicaid expansion, as the ACA does, it would be offered as block grants to states so they could address their health-care needs.

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WASHINGTON WIRE

FBI

Senate Confirms Director Nominee

Christopher Wray, President Donald Trump's pick to lead the Federal Bureau of Investigation, won Senate confirmation Tuesday with the support of most Democrats, putting the former Justice Department official and private lawyer in charge of an agency buffeted by political crosswinds.

The bipartisan nature of the 92-5 vote was a shift after Mr. Trump's abrupt firing in May of the last FBI director, James Comey, amid the agency's investigation into alleged Russian meddling in the 2016 election and any potential connection with the Trump campaign. Mr. Comey's dismissal alarmed lawmakers in both parties, but Democrats were especially critical.

Mr. Wray is known as a hard worker who avoids drama, and current and former FBI agents have said they hope he can help the agency stay out of the political spotlight, enabling it to focus on its traditional investigations into everything from terrorist plots to transnational gangs to cybercrimes.

—Aruna Viswanatha and Del Quentin Wilber

DRUG ENFORCEMENT

Agents Get Guidance After Trump Remarks

The nation's top narcotics officer repudiated President Donald Trump's remarks about police use of force, issuing a memo saying Drug Enforcement Administration agents must "always act honorably" by maintaining "the very highest standards" in the treatment of criminal suspects.

Chuck Rosenberg, who as acting DEA chief works for the president, told agency personnel worldwide in a Saturday memo to disregard any suggestion that roughing up suspects would be tolerated. The memo came a day after Mr. Trump told a crowd of law-enforcement officers they shouldn't be "too nice" when arresting "thugs."

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Fidelity International Index Fund (FSIVX)	.060%	.070%	Vanguard Developed Markets Index Fund (VTMGX)
Fidelity U.S. Bond Index Fund (FSITX)	.045%	.050%	Vanguard Total Bond Market Index Fund (VBTLX)
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Fidelity MSCI Information Technology Index ETF (FTEC)	.084%	.100%	Vanguard Information Technology ETF (VGT)
Fidelity MSCI Energy Index ETF (FENY)	.084%	.100%	Vanguard Energy ETF (VDE)
Fidelity MSCI Financials Index ETF (FNCL)	.084%	.100%	Vanguard Financials ETF (VFH)
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Barron's, March 18, 2017, Online Broker Survey: Fidelity was evaluated against 15 others and earned the top overall score of 35.6 out of a possible 40.0. Fidelity was also named Best for Long-Term Investing (tied with two others), Best for Novices (tied with one other), and Best for Investor Education (tied with two others), and was ranked first in the following categories: Trading Experience & Technology (tied with two others), Mobile (tied with one other), Research Amenities, and Portfolio Analysis & Reports (tied with two others). Overall ranking based on unweighted ratings in the following categories: Trading Experience & Technology; Usability; Mobile; Range of Offerings; Research Amenities; Portfolio Analysis & Reports; Customer Service, Education, Security; and Costs.

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WORLD NEWS

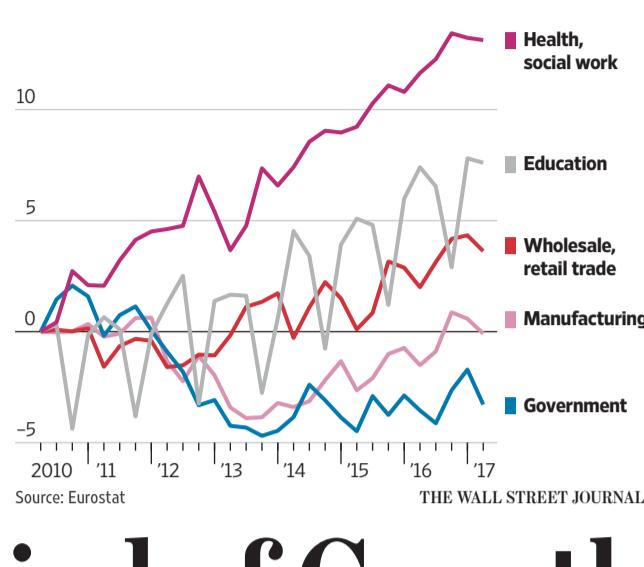


FRANK RUMPFENHORST/DPA/ZUMA PRESS

Uneven Recovery

Job gains have been mixed across sectors in the wake of the eurozone's financial crisis.

Change in the number of jobs since 2010, for top five sectors



Source: Eurostat

THE WALL STREET JOURNAL.

Eurozone Posts Another Period of Growth

Resilience of currency area raises prospect central bank will begin to pull back stimulus

The eurozone's economy quickened in the second quarter, raising expectations the European Central Bank will begin to phase out its stimulus

By Paul Hannon,
Tom Fairless and
Giovanni Legorano

lus measures next year as the region emerges from the shadow of the past decade's financial crises.

Gross domestic product in the 19-country euro currency zone grew by 0.6% in the three

months to June, an annualized pace of 2.3% and a slight improvement from the 0.5% expansion in the first quarter.

The acceleration in the eurozone's recovery means it is playing a more equal role with the U.S. in driving global growth. Over the past 18 months, the region has grown a little faster than the U.S., having been well behind in 2015 and prior years. If that pattern continues, global economic growth should be stronger this year.

But more balanced growth wasn't the expectation of most economists entering 2017. They expected the contribution of Europe's economic heartland to decline in response to political uncertainty and rising oil prices. U.S. growth was expected to pick

up in anticipation of the tax cuts and increases in infrastructure spending promised by the new president.

"All in all, the eurozone economy has rounded out the first half of the year in a very healthy state and seems to be set up nicely for continued firm growth for the rest of 2017," said Bert Colijn, an economist at ING Bank.

Some crisis-era effects linger in the region, however, including high unemployment in Southern Europe, lack of growth in laggards such as Italy and Greece, and widespread popular discontent with political elites. But improving growth is dispelling fears of the euro's demise, reviving the confidence of the EU's political class that it can fend off challenges from nationalist or anti-establishment parties and boosting optimism that the continent is mostly returning to normality after a lost decade.

Antonio Vallejo, finance director at Spanish restaurants and bars company Grupo Mercado de la Reina, said business has been improving steadily since the end of 2015. "People started to go out for dinner again," he said. "You can see clearly that people spend more."

The return of growth rates above 2% annualized is likely to further encourage ECB officials who want to decide this fall, probably in September, to reduce monetary stimulus starting in early 2018.

The ECB has launched a series of stimulus measures since mid-2014 that are intended to

raise inflation to its target of just below 2%. At 1.3% in July, inflation remained well short of that goal. But central-bank officials expect that if growth continues to be robust, inflation eventually will pick up, and the need for their stimulus measures—especially bond purchases—will diminish.

Financial markets are watching closely for signals about when and how quickly the ECB will reduce the bond-buying program, known as quantitative easing. The timing of the decision to phase it out is the ECB's most important decision in years.

The next hint could come when ECB President Mario Draghi addresses the U.S. Federal Reserve's economics conference Aug. 24-26 in Jackson

Hole, Wyo.

The ECB could signal as soon as its next policy meeting on Sept. 7 that QE will be gradually wound down next year, according to officials with the bank.

But the decision could be delayed until October, depending on the latest economic data, these officials say.

In July, Mr. Draghi described the recovery as "robust" and said policy makers would decide in the fall on the future of their bond-buying program, which is tentatively scheduled to end in December. ECB watchers expect the program to be extended into 2018, but at a reduced scale. Most doubt the purchases will continue into 2019.

◆ BOJ purchases chill trading in Japanese bonds..... B12

Stolen Emails Tie Envoy to 1MDB

Yousef Al Otaiba, the United Arab Emirates ambassador to the U.S., is a high-profile power player in Washington, trying to shape American policy toward the Middle East and lobbying over a regional dispute with Qatar.

By Bradley Hope in London and Tom Wright in Hong Kong

He is also being drawn deeper into a major global corruption scandal.

Newly released stolen emails show a long-running relationship between Mr. Otaiba and Jho Low, a Malaysian financier who U.S. law-enforcement officials say is at the center of the misappropriation of \$4.5 billion from a Malaysian state development fund.

That relationship is drawing new scrutiny from U.S., Swiss and Singaporean authorities, according to people familiar with the probes. The stolen emails show Mr. Otaiba and Shaher Awartani, his Jordanian partner, discussing inquiries from those countries about transactions they received from entities investigators say are connected to Mr. Low.

In one email, Mr. Awartani suggested buying a Ferrari after what Mr. Otaiba described as a "transfer from Jho."

"I think we each deserve to buy a nice toy in celebration, what do you think ?? The 458 ITALIA maybe?" Mr. Awartani wrote to Mr. Otaiba in 2009.

Mr. Otaiba responded that buying such "toys" in Abu Dhabi "will just attract unnecessary attention." Messrs. Awartani and Otaiba both declined to comment. The probes are continuing.

The group that says it obtained the stolen emails and showed them to The Wall Street Journal, Global Leaks, declined to identify its members or say how they got the communications. In a statement to the Journal, Global Leaks said it wanted to "expose corruption, financial frauds which are done by rich governments."

The Journal reported in June that companies connected to Mr. Otaiba received \$66 million from entities investigators say acted as conduits for money allegedly stolen from the state investment fund, 1Malaysia Development Bhd., or 1MDB. The Journal cited court and investigative documents and emails Mr.



Fund Delays Outlay To Abu Dhabi Entity

A troubled Malaysian state-investment fund said it was delaying a payment of about \$600 million that it owes to an Abu Dhabi sovereign-wealth fund because of regulatory hurdles in getting the money.

Although 1Malaysia Development Bhd. said it would still honor its obligations, the delay threatens to reopen a dispute with its former business partner, Abu Dhabi's International Petroleum Investment Co., over

who should foot the bill for billions of dollars U.S. investigators allege was stolen from 1MDB.

1MDB said it had been due to make the payment to IPIC by July 31, using proceeds from the sale of units in offshore investment funds. Receipt of that money has been delayed until August because of the "need for additional regulatory approvals," 1MDB said.

1MDB said it had "written to IPIC to inform them of our commitment to meet the obligations."

IPIC confirmed it hadn't received payment from 1MDB.

—Bradley Hope

Otaiba wrote.

A 1MDB spokesman declined to comment. The fund has denied any funds were misappropriated or any wrongdoing on its part. It pledged to cooperate with any "lawful" investigation. Malaysian authorities cleared the fund of wrongdoing, but it remains under investigation in the U.S. and several other countries.

Mr. Low hasn't been accused of a crime and has denied wrongdoing. A Low spokeswoman said the leaked emails created a "biased and inaccurate picture."

Mr. Otaiba has been a key figure in U.S.-U.A.E. relations for years. Diplomats and officials in Washington know him for power lunches at Cafe Milano and lavish gatherings at his residence.

The emails detail Mr. Otaiba's sizable personal

wealth, including millions of dollars of shares in Palantir Technologies, a data-analysis company that has numerous contracts with the U.S. intelligence and law-enforcement community, and the Carlyle Group investment firm.

Lately, Mr. Otaiba has become a frequent source of advice to President Donald Trump's son-in-law and adviser, Jared Kushner, on Middle East policy, people familiar with the matter said. He has also urged the Trump administration to back efforts by the U.A.E., Saudi Arabia and other Middle Eastern countries to isolate Qatar, which they accuse of supporting Islamist terror groups like al Qaeda.

Qatar says it doesn't fund terror.

Mr. Otaiba in July issued a statement denying media reports that the U.A.E. had par-

ticipated in an alleged scheme to hack Qatar government websites and post fake quotes attributed to Qatar's emir.

The U.A.E. Embassy in Washington declined to comment about the emails stolen from Mr. Otaiba except to say they were part of a campaign by political opponents to smear him.

They also acknowledged that Mr. Otaiba has private business interests outside his diplomatic role.

The people familiar with the 1MDB investigations in Switzerland, Singapore and the U.S. said officials are looking into the circumstances of the transfers to companies controlled by Messrs. Otaiba and Awartani, and whether they bought assets with funds originating from 1MDB.

The stolen emails appear to show Mr. Otaiba using his diplomatic influence to persuade banks to give loans, saying it was important for U.A.E.-Malaysian relations.

Scrutiny of Mr. Otaiba's U.S., Swiss and Singaporean accounts appeared to kick off in 2015, when several countries were starting 1MDB-related probes.

Writing from an email address affiliated with the island of St. Helena in May, Mr. Low wrote Mr. Awartani asking how to get in touch quickly. "Need to speak as questions being asked. Want to ensure coordinated," according to the stolen emails, which were forwarded to Mr. Otaiba.

It is unclear if they ever spoke.

Greece Court Sentences Former Statistics Chief

By MARCUS WALKER

A Greek court ruled the country's former top statistician should have sought approval before he told European Union authorities of the full extent of Greece's budget deficit at the start of its debt crisis.

The Athens Appeals Court handed Andreas Georgiou, head of Greece's official statistics agency from 2010 to 2015, a two-year suspended jail sentence on Tuesday after finding him guilty on the charge of breaching his duties in his handling in 2010 of the revision of Greece's deficit data for previous years.

Mr. Georgiou denies any wrongdoing and has won widespread support from international statisticians, who say he is the victim of persecution.

The EU has repeatedly certified that Mr. Georgiou reported Greece's fiscal data accurately, in contrast with earlier Greek practices that EU bodies have said deliberately hid the scale of the country's deficits.

The appeals court ruled that Mr. Georgiou, who took over statistics agency Elstat after the nation's 2010 bailout, should have sought the approval of its board of directors before he communicated revised deficit data to the EU in late 2010. At the time, some of the part-time board members insisted that Greece's true def-

icit was among the lowest in Europe—rather than the gaping deficit that Elstat's staff of statisticians measured and that the EU verified.

The verdict marks an escalation of a six-year campaign against the former statistics chief by Greece's major political parties and parts of its judicial system.

Leading members of Greece's ruling left-wing Syriza party and the main conservative opposition party New Democracy have for years suggested that Mr. Georgiou exaggerated Greece's deficit for 2009 and earlier years in order to justify the country's bailout by the EU and International Monetary Fund.

Critics say that much of Greece's political class has sought to make Mr. Georgiou a scapegoat to deflect blame for the painful fiscal austerity under the ongoing bailout.

Several investigators have concluded that Mr. Georgiou correctly applied EU accounting law in revising deficits for earlier years.

Probes against Mr. Georgiou, a former IMF official who now lives in Maryland, have repeatedly been dropped after no evidence of wrongdoing was found. But senior judicial officials have sought to keep the case alive, annulling Mr. Georgiou's acquittals and ordering fresh proceedings.

Greece's Supreme Court is due to rule in coming months on whether to cancel Mr. Georgiou's acquittal this spring on the most serious charge against him: that of falsifying the deficit and causing massive financial damage to the Greek state. The felony charge, which could bring a life sentence, has been dropped and revived several times since 2013.

Tuesday's verdict reversed the outcome of a trial in late 2016 that found Mr. Georgiou innocent of breaching his duties.

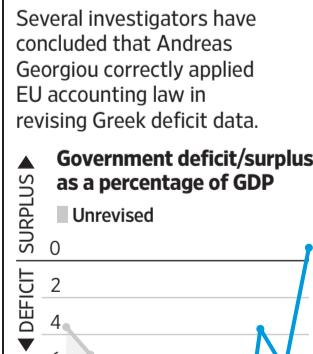
A spokeswoman for the EU executive, the European Commission, noted that the verdict was "not in line" with Mr. Georgiou's previous acquittal on the same charges, and that the EU has full confidence in the fiscal data published under Mr. Georgiou.

—Nektaria Stamouli contributed to this article.

Fiscal Picture

Several investigators have concluded that Andreas Georgiou correctly applied EU accounting law in revising Greek deficit data.

▲ Government deficit/surplus as a percentage of GDP



Sources: Eurostat; Hellenic Statistical Authority

THE WALL STREET JOURNAL.

WORLD NEWS

Mexico's Growth Forecast Held at 2%

BY ANTHONY HARRUP

MEXICO CITY—Private economists surveyed last month by the Bank of Mexico kept their expectations for economic growth this year at 2%, but put domestic matters such as politics and public security at the top of the list of things that could stymie the economy.

The survey, published Tuesday, shows growth estimates have picked up from the start of the year, when concerns about strained U.S.-Mexican trade and investment relations under the administration of President Donald Trump led business and consumer confidence to sink.

Foreign direct investment in Mexico has remained steady, and negotiations to update the 23-year-old North American Free Trade Agreement, due to start mid-August, are no longer expected to disrupt the trade on which Mexico relies heavily.

Potential obstacles to growth most mentioned in the central bank's July survey of 35 analysts were internal political uncertainty and problems with public security, followed by Mexico's low oil production and rising inflation. The level of concern averaged 5.3 on a scale of 1 to 7, where 7 indicates the most limitations to growth.

Despite those concerns, business and consumer confidence has been recovering. The peso is at its strongest level in more than a year, the economy grew about 2.3% in the first half of 2017, and unemployment is at an 11-year low.

Inflation expectations held steady at 6% for 2017, and the median estimate for the year-end exchange rate was 18.38 pesos to the U.S. dollar, compared with 18.70 in June.

Venezuela Seizes Opposition Leaders

BY RYAN DUBE
AND ANATOLY KURMANAEV

CARACAS, Venezuela—Intelligence officers seized two of Venezuela's most prominent opposition leaders from their homes in what President Nicolás Maduro's opponents called another alarming step toward autocratic rule after his leftist government held an election widely seen as fraudulent.

Venezuela's most popular politician, Leopoldo López, who on Friday spoke by phone with U.S. Vice President Mike Pence about the crisis here, was hauled from his home before dawn on Tuesday by dozens of masked officers in fatigues.

Antonio Ledezma, the elected mayor of Caracas, was rustled out in his blue pajamas and shoved into a patrol car as he stammered, "Help!" while neighbors filming the detention shouted, "Dictatorship! Dictatorship!"

President Donald Trump denounced the arrests on Tuesday night, calling the two men "political prisoners being held illegally by the regime."

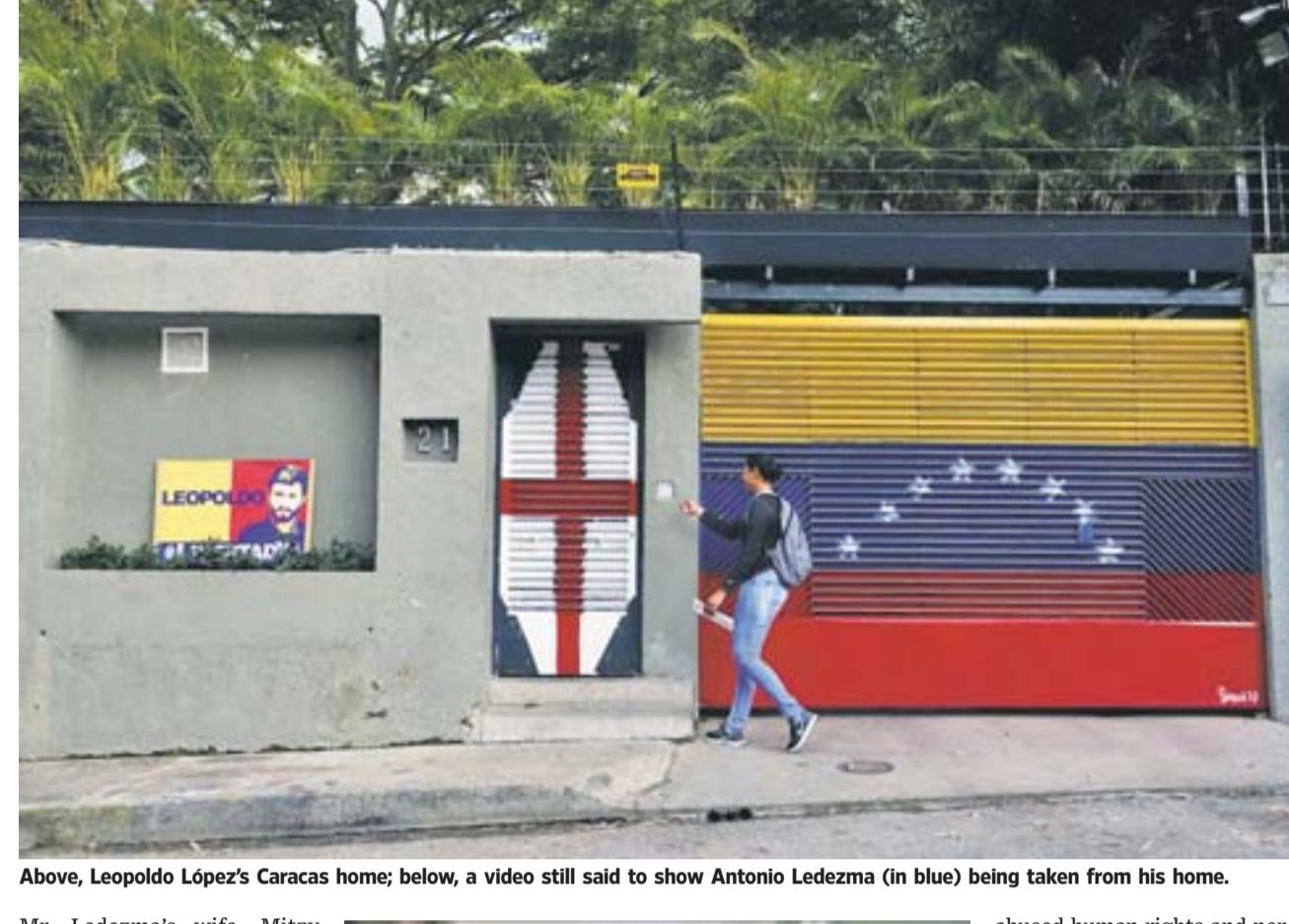
"The United States holds Maduro—who publicly announced just hours earlier that he would move against his political opposition—personally responsible for the health and safety of Mr. Lopez, Mr. Ledezma and any others seized," Mr. Trump said in a statement.

The Caracas rights group Foro Penal, whose lawyers represent political prisoners, said that 120 people have been arrested since Sunday's vote during protests, in addition to nearly 500 already jailed.

The government didn't respond to requests to comment.

Lawyers and family members of Mr. López, 46, and Mr. Ledezma, 62, frantically searched for them for hours after they were detained, later telling reporters that they were taken to the Ramo Verde military prison on the outskirts of Caracas. Both men had been living under house arrest for their political activities.

"What we now have in Venezuela is a narco-dictatorship,"



Above, Leopoldo López's Caracas home; below, a video still said to show Antonio Ledezma (in blue) being taken from his home.

Mr. Ledezma's wife, Mitzy Capriles, said in a news conference from Madrid after watching video of her husband being arrested outside their apartment building. She pleaded for international assistance to resolve Venezuela's crisis.

There were signs Mr. Maduro's strategy was backfiring, as two lawmakers from the ruling alliance joined the opposition faction on Tuesday, saying they wanted to work to heal a polarized country.

"We believe the republic is facing a crisis. We are approaching a fork in the road, a radical polarization that is killing our institutions," said one of them, Eustoquio Contreras. "Enough is enough. No more dead, blood and violence."

The government claims to have received 8.1 million votes in Sunday's uncontested election to create an assembly whose power would supersede



all other institutions as it worked to redraft the constitution.

Activists say the turnout was below three million.

A rebuke of the vote came from one of the five rectors in the National Electoral Council, the only one who represents the opposition. In a series of tweets on his official account Tuesday, Luis Rondon said he can't "en-

dorse the consistency or veracity" of the results. He called the election unconstitutional and noted that the same audits and antifraud controls of past elections weren't employed.

That came after the Trump administration imposed sanctions against Mr. Maduro and top members of his administration in the past week, saying the government has

abused human rights and perpetuated fraud in the election.

Meanwhile, governments and human-rights organizations that work on Venezuela denounced Tuesday's arrests, which were reminiscent of Latin America's dark past, when military dictatorships arrested critics in extrajudicial, nighttime raids.

U.S. Secretary of State Rex Tillerson called the arrests "very alarming" and warned that such actions could lead to a further outbreak of violence in the country.

"We are evaluating all of our policy options as to what can we do to create a change of conditions," Mr. Tillerson said. "We are very, very troubled by what we're seeing unfold."

European Parliament President Antonio Tajani called the arrests another step toward dictatorship. Brazil said it showed the lack of individual freedoms and due process.

Brazil Graft Probe Faces Biggest Test: the President

BY LUCIANA MAGALHÃES
AND SAMANTHA PEARSON

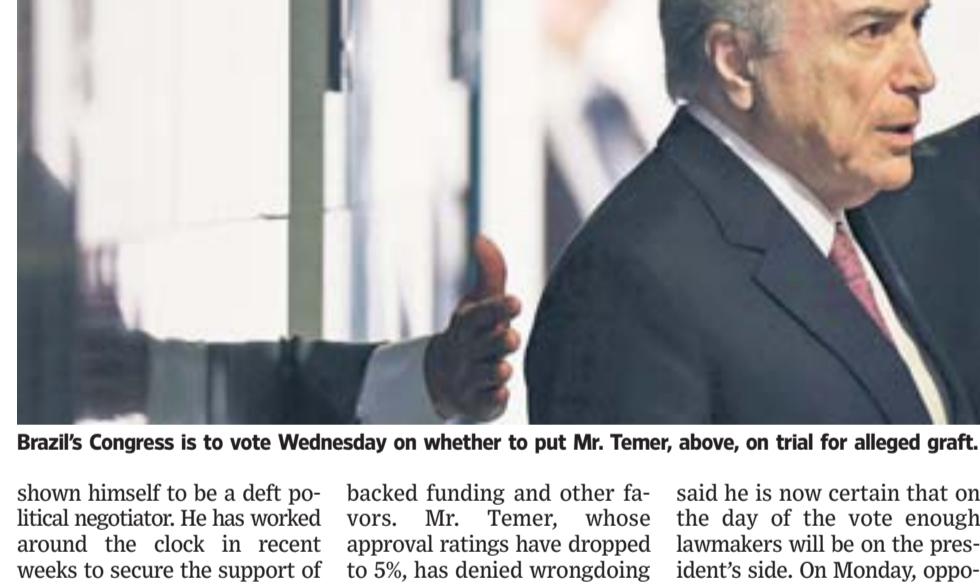
CURITIBA, Brazil—After three years, the biggest nemesis facing the Car Wash corruption probe is no longer one single defendant, but Brazil's political system itself.

On Wednesday, Congress is scheduled to begin voting on whether to put President Michel Temer on trial for alleged graft, as the far-reaching inquiry reaches the highest levels of government. The embattled leader is widely expected to muster enough support from lawmakers, many of whom are also under investigation, to avoid the courts.

"The real truth is that Car Wash doesn't have the strength to defend itself against attacks from the most powerful institution of Brazil, which is Congress," said Deltan Dallagnol, the lead Car Wash prosecutor, in an interview. "The only shield of protection that Car Wash has is society."

The probe has landed scores of Brazil's most powerful executives and former politicians behind bars.

While Mr. Temer is deeply unpopular with voters, he has



tions in October 2018, even if the Brazilian attorney general files more charges against him, said Christopher Garman, managing director for the Americas at political risk consulting firm Eurasia Group.

It would also represent a setback to Brazil's efforts to tackle its problem of impunity, anticorruption activists say.

"The Car Wash Operation is entering one of its most critical and difficult phases, because now it has reached the top levels of power," said Bruno Brandão, Brazil's representative for corruption watchdog Transparency International.

Over the past three years, the probe has ballooned into Brazil's largest corruption investigation, uncovering a nationwide scheme in which companies paid billions of dollars in bribes over more than a decade to win contracts, cheap state financing and other favors.

It has led to more than 150 convictions so far and won praise as a model for tackling graft in the developing world.

But visible results have been diminishing in recent months, Mr. Dallagnol said. As the investigation zeroes in on sitting politicians, its fate increasingly

rests with Brazil's slow-moving Supreme Court. In Brazil, only the high court can investigate and punish sitting politicians.

The investigation has also suffered as the government reduced the number of top police officers devoted to the Car Wash probe in Curitiba, the southern city where the probe started, Mr. Dallagnol said.

The Federal Police said the size of the team is adequate.

Mr. Dallagnol said Congress had made other attempts to derail Car Wash. Last year, lawmakers introduced a proposal to ban defendants from striking plea bargains. It is still being deliberated.

Some Supreme Court decisions have also sparked controversy. In May, former presidential chief of staff José Dirceu, who was convicted of corruption, was released from jail while he appeals his case.

"We have become very concerned with attempts from various places—the judiciary, the executive branch and Congress—to damage the investigation," said Caio Magri, head of Brazilian transparency watchdog Instituto Ethos.

—Paulo Trevisani contributed to this article.

WORLD WATCH

KASHMIR

Protests Erupt In Disputed Region

Large anti-India clashes erupted in disputed Kashmir after government forces killed two senior militants in a gunbattle and fatally shot a demonstrator during an ensuing protest.

Police inspector-general Muine Ahmed Khan said the two militants were killed after police and soldiers, acting on a tip, cordoned off southern Hakipora village early Tuesday. Mr. Khan said the trapped militants attacked the troops with gunfire, triggering a battle that lasted for at least two hours.

Police described one of the slain militants as a top commander of the Pakistan-based militant group Lashkar-e-Taiba,

which India blames for a 2008 attack in Mumbai that left 166 people dead.

Villagers said troops blasted two civilian homes with explosives during the operation. During the battle, residents defied the security lockdown and clashed with government forces near the site of the fighting, seeking to help the trapped militants escape.

A young man was killed and dozens of others were injured in the clashes.

Large protests against Indian rule spread to several other places across Kashmir, including the region's main city of Srinagar.

Nuclear-armed rivals India and Pakistan each administer part of Kashmir, but both claim the Himalayan territory in its entirety.

—Associated Press

INDONESIA

Jakarta Lifts Threat To Ban Encrypted App

Indonesia's information technology minister said the government will allow the encrypted messaging app Telegram to continue operating because it is taking steps to address "negative" content.

The minister of communications and technology, Rudiantara, said Tuesday ahead of a meeting in Jakarta with Telegram co-founder Pavel Durov that "we have agreed to keep Telegram accessible."

The ministry had earlier said it was preparing for the complete closure of Telegram in Indonesia, where several million people use the app, if it didn't develop procedures to block un-

lawful content, including discussion groups sympathetic to Islamic State.

—Associated Press

SOUTH KOREA

Consumer Prices Rose 2.2% in July

South Korea's headline consumer-price index rose 2.2% from a year earlier in July, with inflation accelerating at a faster pace than expected to hit a four-month high, amid continued strength in the country's exports.

Compared with the prior month, the index gained 0.2% in July, beating the market forecast for a 0.1% decline.

It edged down 0.1% sequentially in June.

—Kwanwoo Jun



Relatives mourn Firdous Ahmad, a civilian, who local media said was killed in a clash at Begumbari in south Kashmir on Tuesday.

WORLD NEWS

Trial Rattles Thai Ruling Junta

Defiant supporters of ex-premier turn out in force as corruption case nears a climax

BY JAMES HOOKWAY

BANGKOK—Tension is rising in Thailand as former Prime Minister Yingluck Shinawatra enters the final stages of a trial accusing her of mismanaging a multibillion-dollar rice-subsidy program.

Defying warnings by the ruling junta to stay away, more than 1,000 of Ms. Yingluck's supporters—watched over by 300 police officers—gathered on Tuesday outside the Supreme Court as she arrived to make her closing statement. A verdict is due Aug. 25.

If convicted, Ms. Yingluck could face up to 10 years in prison, and the junta is growing wary of the consequences, people familiar with the situation said. Thailand's political battles have repeatedly devolved into violent street protests in the past.

One person said the primary goal of the junta, which deposed Ms. Yingluck's government in 2014 after nearly three years in power, had been for her to leave the country, as her brother, former Prime Minister Thaksin Shinawatra, had done. He went into self-imposed exile to avoid conviction on a corruption charge after he was removed in a 2006 coup.

"They're surprised she stayed," this person said. Ms. Yingluck in previous interviews has said she is determined to have her case tried in court.

Many in the crowd on Tuesday reached over the red crash barriers outside to hand Ms. Yingluck flowers as she entered the court building. There were chants of "Fight! Fight!" Some had benefited personally



A supporter of former Thai Prime Minister Yingluck Shinawatra hugged a picture of her outside a Bangkok court on Tuesday.

from the rice subsidy, Ms. Yingluck's flagship policy as prime minister—an echo of the subsidized health care and cheap loans that were the hallmarks of her brother's years in power.

"Life was better under Yingluck and Thaksin," said Seng Lamud, an 80-year-old farmer who had traveled from the country's northeast. "We had more money, and they were able to help us."

He lifted his shirt to show a scar from an operation performed thanks to the subsidized health-care system, which is still in place.

Ms. Yingluck, 50, broke down and wept twice as she addressed the court. She said she hadn't done anything wrong,

and had only tried to help the farmers. "I grew up in a family outside of Bangkok, so I understand their problems," she said.

The controversy over the rice subsidy highlights the gulf between the people of Thailand's agricultural heartland, consistent supporters of Mr. Thaksin and his proxies, and the royalist establishment in Bangkok that grew wary of his growing power, even after he fled the country.

Under the program, the government bought rice from farmers for as much as double the market price, seeking to boost incomes for the roughly 40% of the workforce that depends on agriculture and increase spending in rural Thailand.

Ms. Yingluck told the court Tuesday that the policy was "the pride of my life."

It worked for a time. Spending ticked higher, fueling a round of commercial investment in the Thailand's second-tier cities.

The hope was to recoup some of the cost of the program by withholding grain from the global market to steer world prices higher. Instead,

India entered the market after a long absence and Vietnam expanded production. Thailand fell from its position as the world's top rice exporter, and the government was left with vast stockpiles that it had to sell at a loss. Officials estimate

that the program cost Thailand at least \$15 billion.

The Shinawatras' opponents used the program's failure to spur protests in Bangkok against Ms. Yingluck's government, which grew increasingly violent until the military seized power in May 2014.

Prosecutors then charged her with negligence, saying she had deliberately ignored the problems surrounding the subsidy. In October 2016 the junta, led by former army chief Prayuth Chan-ocha, ordered Ms. Yingluck to pay nearly \$1 billion in civil damages. The government began freezing some of her bank accounts last week.

Suicide Bombers Attack Mosque In Afghanistan's Herat Province

KABUL—Twin suicide bombings inside a Shiite Muslim mosque in Afghanistan's Herat province killed at least 20 people and wounded dozens more on Tuesday, officials said, the latest in a series of attacks targeting the minority.

A gunman opened fire on worshippers inside the mosque in the town of Bekrabad before blowing himself up, said provincial police spokesman Abdul Ahad Walizada, and a second suicide attacker detonated his explosives moments later.

No group has claimed responsibility.

Angry Shiite residents attacked a police checkpoint afterward, fueling concerns of further violence. Afghanistan's Shiite community has increasingly blamed the government for fail-

ing to protect it following a series of attacks in the past year.

Herat is a Sunni-majority province, but a small Shiite community lives on the outskirts of the provincial capital. Afghanistan had largely been spared the sectarian violence that has engulfed other nations in the region, including Syria and Iraq. But Shiites are worried the attacks could trigger sectarian conflict in the country.

Islamic State's Afghan branch has taken responsibility for a number of assaults targeting Shiites.

The intensifying violence comes as President Donald Trump is reviewing a plan for U.S. involvement in Afghanistan. Mr. Trump has stalled on plans to send in more U.S. troops, and is looking at a potential withdrawal.

—Ehsanullah Amiri



Two suicide attackers struck on Tuesday at a Shiite mosque in Herat province, above.

FROM PAGE ONE

SLUMP

Continued from Page One
were temporary or deep-rooted and how aggressively Goldman should respond to them.

"It could be secular, it could be cyclical, doesn't matter, who knows?" finance chief R. Martin Chavez said last month on the bank's earnings call. The bottom line: The firm has to go where its clients want to go.

Mr. Blankfein, himself a former trading executive, has scheduled one-on-one meetings with some of the firm's top traders, according to people familiar with the matter.

Senior executives and salespeople have fanned out to top clients, pitching trade ideas and talking down the bad quarter, according to people on both sides of the outreach.

The firm also is leaning on its investment bankers to pitch their corporate clients on hiring Goldman's traders for products that protect against swings in currency values and interest rates.

Meanwhile, Goldman is working with a financial-data company to better understand what percent of each client's trading business it is getting, and how it can sell more products to existing clients, said people familiar with the matter.

Trading is the engine that has historically powered Goldman. The firm led the development of

the institutional stock-trading market in the 1960s and dominated it for decades. In the 2000s, it was at the forefront of an explosion of complex debt instruments that ushered in a golden age of Wall Street profits.

Even after postcrisis declines, trading still accounts for almost half of Goldman's revenue.

Big banks make fees by arranging trades for clients, ranging from simple corporate bonds to complex derivatives tied to interest rates or currency prices.

The more complex instruments, which are often used by active investors like hedge funds, command higher fees. Plain-vanilla products are a low-margin, high-volume game.

Market and regulatory

changes since the financial crisis have hit Goldman especially hard. Regulations closed its proprietary desks, which once made billions of dollars betting with the firm's own money.

A steadily rising stock market has also pushed investors away from risky investments and toward simpler products where giant banks such as J.P. Morgan Chase & Co. dominate.

Goldman's trading desk, by contrast, has been more geared toward hedge funds—which have been less active as they face outflows and more trading moves to exchanges.

"The business changed around them," said James Mitchell, an analyst with Buckingham Research Group. "If you're a hedge fund and you're worried about investors pulling



Pablo Salame, left, is Goldman's top trading executive and a member of Chief Executive Lloyd Blankfein's inner circle.



JIM WATSON/AGENCE FRANCE PRESSE/GTY IMAGES

money next quarter, are you really going to be asking Goldman to build you a five-year yen swap?"

The shifting ground caused consternation within Goldman. In March 2016, a fixed-income sales executive, Tom Cornacchia, spoke publicly of an internal split between those who believed the business had changed for good and those betting on a return to the past.

Mr. Cornacchia cast himself in the former camp, which felt the firm needed to adapt. The executive—who left the firm last September—said he had urged salespeople to be more patient and more client-focused, not to expect to land a trade with every phone call.

For a firm that has long hunted big game—and where bonuses are set by "gross credits" that correspond to an employee's revenue generation—that was uncomfortable for some, Mr. Cornacchia said. "There's a lot of denial," he said at the time.

Meanwhile, Goldman ceded ground to rivals. Among top U.S. trading firms, Goldman has lost 10 percentage points of fixed-income market share by revenue since 2010 to J.P. Morgan Chase and Citigroup Inc., according to regulatory filings.

In the first quarter, Goldman's fixed-income revenue was essentially flat from a year earlier, compared with double-digit percentage gains at J.P. Morgan, Bank of America Corp.

and Citigroup.

The firm was on the wrong side of the "Trump trade," stockpiling products it expected clients would desire as long-term interest rates rose and the dollar gained in value, according to people familiar with the matter.

Instead, long-term rates fell relative to short-term ones, and the dollar slid in March.

In the second quarter, the culprit was the commodities unit, which posted its worst

three-month stretch in Goldman's 18 years as a public company. The business ended the quarter in the black but barely, as the bank struggled to adequately hedge its inventory, according to people familiar with the results.

Goldman has responded by turbocharging a push—begun about two years ago—to court mutual funds, asset managers and other "real money accounts."

These investors typically have long-term horizons and are less prone to flameouts than hedge funds, which can close their doors after a few bad quarters.

It has bolstered a sales group started in 2014 under partner Stacy Bash-Polley that aims Goldman's sales firepower at its biggest and most profitable clients.

Besides his visit to Pimco in July, Mr. Salame, the Goldman trading executive, also visited J.P. Morgan's asset-management division.

Tillerson: U.S. Isn't Seeking to Oust Kim

WASHINGTON—The U.S. doesn't seek regime change in North Korea, Secretary of State Rex Tillerson said Tuesday, a statement at odds with suggestions last month from Central Intelligence Agency Director Mike Pompeo that the U.S. would like North Korean leader Kim Jong Un to go.

Mr. Tillerson, speaking at a news conference in Washington ahead of a multicountry trip to Asia, said the U.S. had reaffirmed its stance toward North Korea, which has conducted two intercontinental ballistic missile tests this year and five nuclear weapons tests since 2006.

"We do not seek a regime change," Mr. Tillerson said. "We do not seek the collapse of the regime.... We're trying to convey to the North Koreans: We are not your enemy. We are not your threat. But you are presenting an unacceptable threat to us, and we have to respond."

Instead, Mr. Tillerson wants to have a dialogue with North Korea and said the U.S. was working with the Chinese to put peaceful pressure on the regime to set the stage for talks. But Mr. Tillerson set a precondition for any such dialogue—namely, that Pyongyang enter the talks understanding

The administration has been sending mixed messages about North Korea.

there is no future for a North Korea with nuclear weapons.

"We don't think that having a dialogue where the North Koreans come to the table assuming they are going to maintain their nuclear weapons is productive," he said.

White House press secretary Sarah Huckabee Sanders said Tuesday that President Donald Trump isn't ruling anything out. "The president obviously has been very outspoken about how he feels about North Korea," she said. "We are weighing all options, keeping all options on the table."

The Trump administration has been sending mixed messages about regime change in North Korea. Mr. Kim's government is fast approaching a moment where it will be able to strike the continental U.S. with a nuclear-tipped missile—a threat Mr. Trump has vowed to neutralize. The president has accused China of not doing enough to tackle the North Korean nuclear threat.

Mr. Pompeo, speaking at the Aspen Security Forum on July 21, said the U.S. should "separate" Mr. Kim from his nuclear weapons, leaving open the possibility of a U.S.-backed regime-change effort.

"It would be a great thing to denuclearize the peninsula, to get those weapons off of that, but the thing that is most dangerous about it is the character that holds the control over them today," Mr. Pompeo said. He said the most important thing the administration can do is "separate those two."

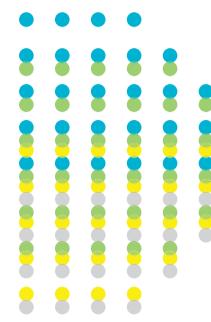
"I am hopeful we will find a way to separate that regime from this system," Mr. Pompeo added. "The North Korean people I'm sure are lovely people and would love to see him go as well."

Experts say the North Korean government would have little incentive to enter talks if the precondition was giving up nuclear weapons, which Mr. Kim sees as a guarantor of his regime's survival.

"Asking the North Koreans to come to the table after they denuclearize is a nonstarter," said Suzanne DiMaggio, a senior fellow at the Washington-based New America Foundation. "It's unrealistic and it conveys that the U.S. is not yet really serious about engagement."

Ms. DiMaggio said all members of the administration must send the same policy message.

"It would be in everyone's interest to really get the policy straightened out and communicate with one voice," she said. "The room for misinterpretation and miscues is quite large."



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IN DEPTH

VW

Continued from Page One
cant share of revenue" from apps and services.

"What are you doing?" demanded one angry executive during a meeting of top managers last fall, referring to the CEO's stress on shifting beyond conventional vehicles, according to people present. "You are driving the nails into our own coffin."

Such exchanges have been frequent and continue to this day, say some company insiders.

VW, which owns brands such as VW, Audi, Porsche, Skoda, Seat and Bentley, is facing a perilous moment. Its emissions-tampering scandal, which has cost it nearly \$25 billion in fines, penalties and customer compensation, has been followed by a market-share erosion in its core European markets.

VW declined to make Mr. Müller available for interviews, directing inquiries to his public statements. "Volkswagen must change," he said in the May meeting, "because our industry is going to change more deeply in the coming 10 years than in the 100 years before."

As Mr. Müller tries to move VW beyond the diesel debacle, it continues to haunt him. The European Union's top antitrust regulator last month confirmed that, after a 2016 tip from VW, it has been investigating whether VW, BMW AG and Daimler AG violated antitrust rules through collaboration on diesel emissions and other technology going back more than 20 years. Volkswagen declined to comment on the substance of any antitrust investigation. BMW denied any collusion. Daimler declined to comment.

Later last month, the German government said it found illegal software that manipulated emissions on Porsche's Cayenne and ordered a recall. Porsche said it alerted German authorities to the issue and is cooperating with them. A Porsche spokesman said Audi, as the engine's manufacturer, was responsible. Audi and VW declined to comment on the recall.

Shareholders are largely supportive of Mr. Müller's efforts but say VW has lost precious time. "This shift to electric and digital mobility services is the right thing to do, but it comes five or six years too late," says Ingo Speich, a fund manager at Union Investment, a VW shareholder. "Volkswagen has lost any first-mover advantage because they kept clinging to the old way of doing things."

Mr. Müller has support from some VW executives who agree on the urgency. If VW's passenger-car business can't reorient toward new technologies by 2020, says one senior executive, "the Volkswagen brand will be dead meat."

Internal backlash

Mr. Müller's first steps came almost immediately. So did the backlash.

Three weeks after his promotion, he met secretly with Johann Jungwirth, one of Apple Inc.'s top car-project engineers. Mr. Müller peppered him with questions about automotive efforts by U.S. tech giants

BEEs

Continued from Page One

Giunta, age 55, among those watching Officer Mays ascend to the yellow-and-black cloud.

Like Batman, Officer Mays, 46 years old, has a back story. Growing up in South Carolina, he said, he and his brother couldn't understand their neighbor's beekeeping. "Why would you want to raise bees if they're going to sting you," Officer Mays said, recalling his views as a boy.

He thought much the same as an adult. But during a 2008 visit to a friend's house in Worcester, Mass., he was persuaded to take a closer look at the beehives his friend had acquired. Officer Mays knelt close to the hive and was immediately mesmerized by its droning bee, he said.

Officer Mays's wife was so impressed that the following Christmas she bought her husband a beekeeping hive. In the spring of 2009, Officer Mays bought many bees and eight books, including "Beekeeping for Dummies."



Volkswagen CEO Matthias Müller, above with the Sedric self-driving concept car in March, wants more revenue from electric cars and apps.

Shifting Gears

As Volkswagen seeks to recover from its diesel-emissions scandal...

Stock price

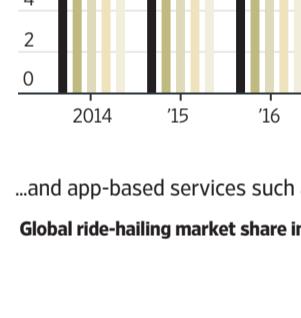
U.S. regulators allege that VW violated the Clean Air Act with devices that masked some diesel emissions.



...it has maintained its No. 1 spot in global auto sales, but its CEO wants a stronger position in new markets such as electric cars...

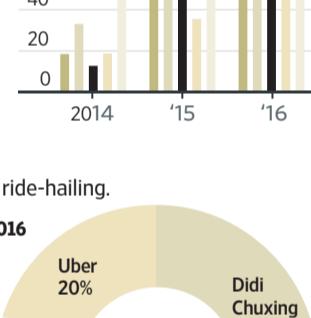
Global vehicles sales

Volkswagen Toyota
Renault/Nissan Hyundai-Kia
General Motors



Global plug-in electric vehicles sales

Volkswagen BYD
Tesla BMW
Nissan



...and app-based services such as ride-hailing.

Global ride-hailing market share in 2016



*Gett is a VW affiliate

Sources: WSJ Market Data Group (stock price); IHS Markit (vehicles sales); EV-volumes.com (plug-in electric vehicle sales, ride-hailing market share); Frost & Sullivan (ride-hailing market share)

THE WALL STREET JOURNAL

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GREATER NEW YORK

Next MTA Task: Filling Jobs

By MIKE VILENSKY

The subway-workers union and transit watchdogs are questioning whether the Metropolitan Transportation Authority can meet its goal of hiring some 2,700 new maintenance staff as part of its new plan to fix the subways, pointing to problems recruiting for these specialized jobs.

MTA data released in July show the agency is falling short by some 403 people compared with the budgeted numbers of maintenance workers. That was before the agency announced the 2,700 new positions.

"While there's a big push to get this work done, they can't just wave a magic wand and say we'll hire people off the streets and get it done quickly," said Nicole Gelinas, a fellow at the Manhattan Insti-

tute, a conservative think tank, pointing to the agency's current recruitment deficit.

The shortfall is only a fraction of the roughly 17,300 people in subway maintenance jobs already. Other categories of MTA workers, such as administrators, also face shortfalls, while some categories have more employees than budgeted.

The maintenance jobs are crucial to improving subway service, and require specialized training.

MTA Chairman Joseph Lhota chalked up the shortfall to typical churn in the ranks. He said the MTA would recruit aggressively through job fairs and partnerships with New York City engineering schools and public high schools.

"There is a demand for good jobs, and the MTA is going to be able to provide

those," Mr. Lhota said in an interview.

The jobs include people who maintain signals, inspect cars and clean tracks. Their salaries come out of the MTA's \$15 billion operating budget, rather than its larger capital-projects budget.

2,700

New maintenance positions the MTA is offering

Applicants for the jobs are often required to pass a civil-service test.

The jobs also can entail risk. Last year, an MTA worker died after being struck by a subway while repairing tracks

in Brooklyn.

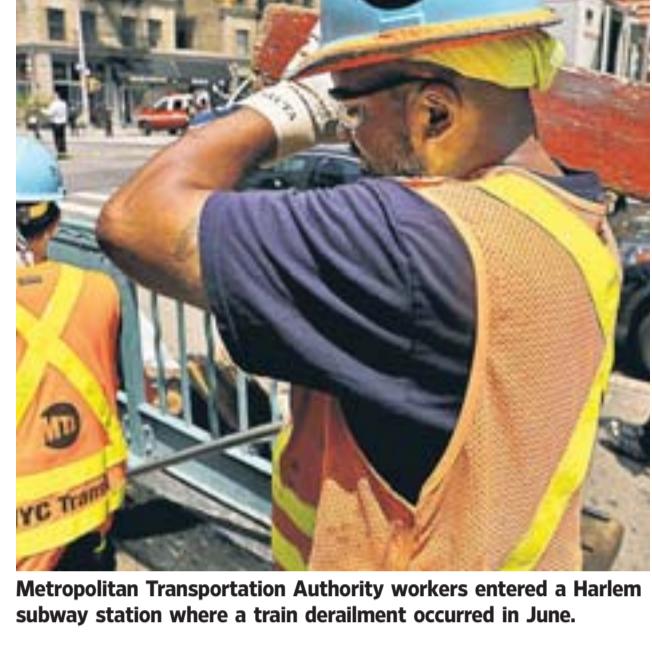
John Samuels, president of the union representing MTA workers, said those with the skills for subway maintenance jobs can sometimes make higher wages outside the MTA.

While a signal maintainer for the MTA can make about \$36 an hour, an outside contractor pays some \$70 an hour, Mr. Samuels said.

"There will always be recruitment problems as long as the prevailing wage disparity is so significant," he said.

Mr. Lhota said he "will not negotiate in public" with the union.

Mitchell Moss, director of the Rudin Center for Transportation Policy & Management at New York University, said the MTA jobs are challenging but the agency may have luck recruiting people



Metropolitan Transportation Authority workers entered a Harlem subway station where a train derailment occurred in June.

SPENCER PLATT/GETTY IMAGES

from less stable industries.

"There's nothing as tough as working in a subway tunnel," Mr. Moss said. "No one should think it's an easy job."

But in an environment where retail is cutting back, the MTA can be a great engine for hardworking people who want to gain a skill."

Man Shot by Police Stood Over Officer With a Knife

By ZOLAN KANNO-YOUNGS

An emotionally disturbed man emerged from the back of his Brooklyn home with a knife and knocked over a police officer before another officer fired five shots and killed him Monday, New York Police Department officials said Tuesday.

After interviewing the four officers involved in the incident, the NYPD released new details of what they say prompted Officer Miguel Gonzalez to shoot Dwayne Jeune, 32 years old, in East Flatbush.

Mr. Jeune's mother opened her door for four NYPD officers after calling 911 to report her son as a nonviolent emotionally disturbed person, Chief of Patrol Terence Monahan said during the briefing. She led the officers to the back of the apartment shouting, "He's back here, he's back here," he said.

The four officers were in the living room area when Mr. Jeune ran out with a knife, he said. The first officer to enter the apartment, Adam Gierlachowski, backpedaled and hit Mr. Jeune in the chest and arm with a stun gun, but it had no effect, Chief Monahan said.

Mr. Jeune knocked over Officer Gierlachowski. "He then straddles over him with the knife in his hand," Chief Monahan said. "Officer Gonzalez fires five rounds, striking Mr. Jeune, causing his demise."

Police released new details of what led to shooting of emotionally disturbed man.

NYPD Commissioner James O'Neill said a stun gun may not work depending on what the target is wearing and how far apart the darts are when they hit a body.

The shooting has brought the way officers handle reports of emotionally disturbed persons back into the spotlight after police shot and killed a 66-year-old schizophrenic woman last year.

"Families shouldn't have to doubt whether they should seek help when a family member is experiencing emotional distress for fear of police killing their loved one," said a spokeswoman for the Communities United for Police Reform, a New York City advocacy group.

The NYPD's Emergency Services Unit is notified for every emotionally disturbed person report. Police are told to assess a scene and if they deem a subject violent, request help from that specially trained unit. But officials on Tuesday noted that the situation on Monday occurred quickly and initially was reported as nonviolent.

Mr. Gonzalez was the only officer of the four who hadn't participated in the department's Crisis Intervention Training, in which police practice defusing situations with unstable people.

Too Much Water at the Beach



WAYNE PARRY/ASSOCIATED PRESS

DUNE DILEMMA: Beachgoers crossed over one of many large pools that have formed on the beach in Margate, N.J., due to heavy rains. The water was blocked from draining into the ocean by sand dunes being built as part of a storm-protection program.

Critics Question Data on Drop in School Crime

By LESLIE BRODY

The number of major crimes in New York City schools slipped to 503 last year, while the amount of weapons confiscated rose to 1,429, according to police data released on Tuesday.

City officials called the last school year the safest since a new method for tracking crime was adopted 20 years ago. But critics said that pressure to improve the statistics spurred some school leaders to let some incidents go unreported, a claim that city officials disputed.

The New York Police Department tally of seven major crimes in the past school year included four rapes, 60 robberies,

139 felony assaults, 37 burglaries and 263 grand larcenies. Their total was down from 532 major crimes the prior year, and 813 in the 2011-2012 school year.

Mayor Bill de Blasio attributed the drop to the city's investment in more preventive mental-health counseling for students, conflict-resolution programs and training for staff in defusing crises. The city spends \$47 million yearly in efforts to improve the climate in schools.

Gregory Floyd, president of the union representing school-safety agents, disputed the assertion of lower crime, saying the mayor's push to reduce arrests and suspensions meant many students weren't being

punished enough for a range of offenses.

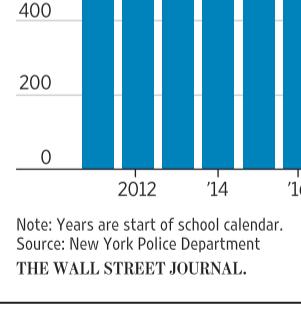
"I would be embarrassed to stand before the public and tout that crime is down now in schools," said Mr. Floyd. "Parents are getting a false sense of security."

Police data said the number of sex offenses (excluding rape) rose to 127 in the past academic year, up from 117 the prior year. The number of weapons and dangerous instruments found in city schools rose to 1,429 from 1,073. The mayor said that increase likely was due to better detection.

Chancellor Carmen Farina noted that the number of city schools deemed "persistently dangerous" by the state had fallen from 27 in 2015 to two.

Getting Safer

Incidents of the seven major crimes are on the decline in New York City public schools



Note: Years are start of school calendar.
Source: New York Police Department
THE WALL STREET JOURNAL

Agency Gets Fresh Leadership

By PAUL BERGER

The governors of New York and New Jersey on Tuesday announced a leadership overhaul at the bimodal agency that owns many of the region's bridges, tunnels, airports and seaports.

New York Gov. Andrew Cuomo said that Rick Cotton, an aide who has overseen many of Mr. Cuomo's top infrastructure projects, will become the new executive director of the Port Authority of New York and New Jersey.

Mr. Cotton, a former general counsel at NBCUniversal, will take the reins at a sprawling agency with operating revenue of \$5.1 billion and a portfolio that includes the 16-acre World Trade Center site.

The agency is in the midst of renovating and rebuilding several assets, including multibillion-dollar transformations of LaGuardia and John F. Kennedy International airports.

New Jersey Gov. Chris Christie said Kevin O'Toole, a lawyer and a former Republican state senator, will become the agency's next chairman.

As a senator in 2013, Mr. O'Toole publicly supported what would turn out to be a cover story put out by allies of Mr. Christie's at the Port Authority in the wake of the politically motivated closure of access lanes to the agency's George Washington Bridge.

David Wildstein, who pleaded guilty to two felony charges related to the scheme, told a federal court last year that he approached Mr. O'Toole to ask for his help. Mr. Christie was never charged.

Mr. O'Toole, who will replace John Degnan, didn't respond to a request for comment.

The agency's outgoing executive director, Pat Foye, is expected to take a high-ranking position at the Metropolitan Transportation Authority, according to a person familiar with the matter.

Soaring Apartment Vacancy Rate Predicted in One Analysis

By JOSH BARBANEL

A new report predicts New York City apartment vacancy rates will soar to more than 11% by the end of next year. The scenario, which some local housing analysts rejected, would mean a grim reckoning for landlords.

The forecast, by Ten-X Commercial, an online marketplace for real estate, said rents will slide as thousands of apartments in new buildings come on the market. It noted that the rate of job growth, a driver of the rental market, already has begun to slow.

New York's vacancy rate, typically in the low single digits, is 3.8%, below the national rate of 4.4% according to Reis Inc., a provider of commercial real-estate data.

"It seems inevitable that you are going to see some pain in the market," said Peter Muoio, chief economist at Ten-X, who prepared the forecast.



Construction in and around the Hudson Yards development Sunday.

City at the No. 1 position among "top sell markets," where owners of multifamily properties "might consider selling" because of the prospect of declining owner incomes. Nearly 10,000 new apartments in large buildings—those with at least 40 units—have hit the market since 2016, a total that is due to exceed 40,000 by the end of 2018, according to the report.

Rents, after landlord concessions, already are falling, the report noted, and it predicted that rents will suffer average annual declines of 2.7% through 2020. Owner operating income, or income after subtracting operating expenses, will decline by an average of 4.5% through 2020, the report said.

Dr. Muoio defended his analysis, saying it assumed a robust absorption rate in large new rental buildings but found that even so the market "can't digest it all in the short term."

The analysis used historical

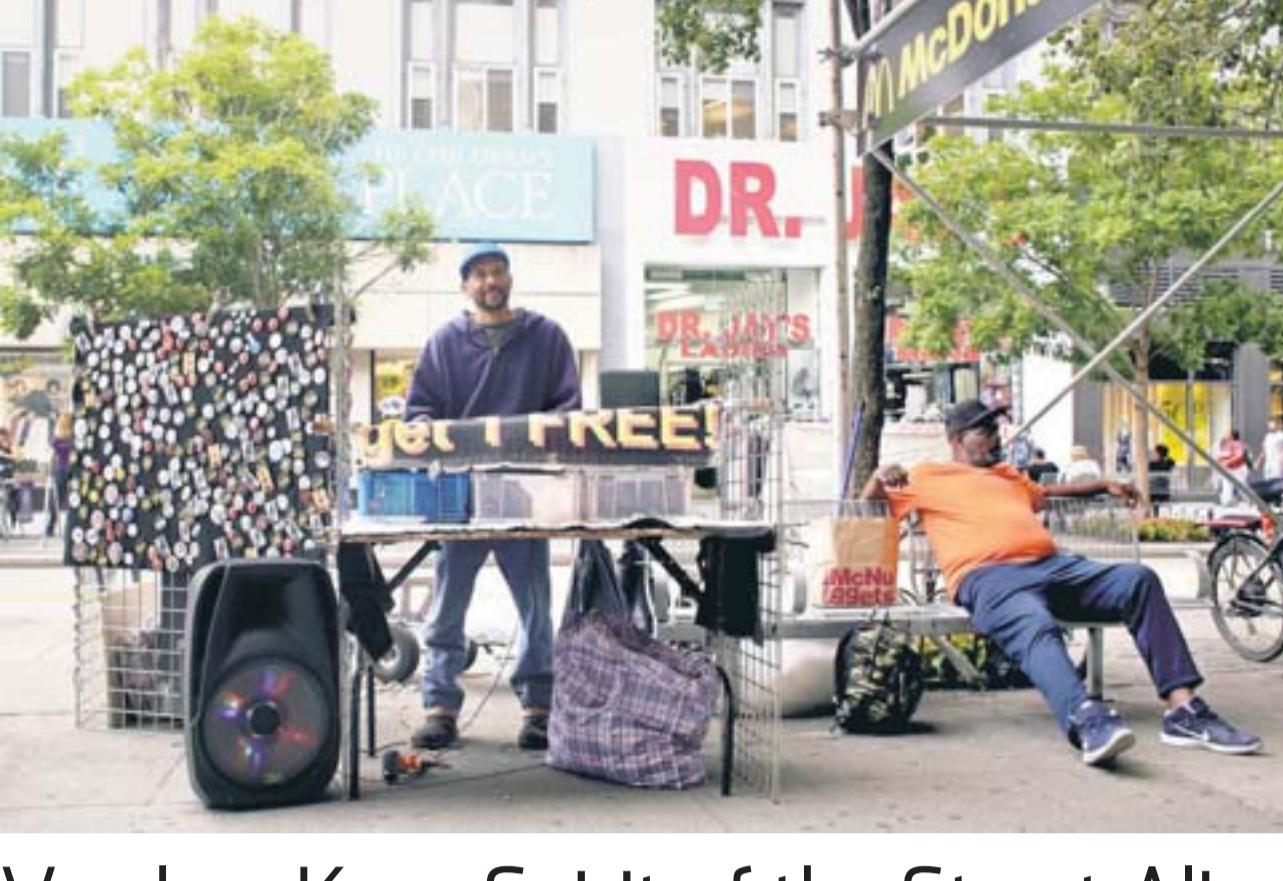
market data provided by Reis and then modeled it to look at the future effect of the increasing supply.

Reis has issued its own forecast for New York, predicting a rise in vacancy rates too, but only to 6.1% in 2018. It projected rent growth would stay low, but not decline.

Barbara Byrne Denham, a senior economist at Reis, said the company had found in the past that when new construction increases, so does the pace of rentals of these units as people move to the new rental buildings from other types of housing. She said the high prices of co-ops and condominiums will also force many potential buyers to remain in the rental market.

Dr. Muoio said that, in any event, the bump in vacancy rates would recede once the bulge in new construction passed and the housing market returned to more normal conditions.

GREATER NEW YORK



Vendors Keep Spirit of the Street Alive

Seemingly in a flash, downtown Brooklyn's legendary Fulton Mall has made the tragic transition from beloved mom-and-pop strip to chain-store shopping spot. But unlike other local streets undergoing similar changes, the eight-block stretch somehow feels as lively and colorful as ever.

I couldn't figure why. Then, while passing a sidewalk CD hawker blasting party tunes from a tabletop speaker, I finally realized: It's the street vendors!

While the street's steam-table joints, dental-jewelry outfitters and wig emporiums have mostly given way to the likes of H&M and Nordstrom Rack, its sidewalks are still crowded with merchants selling everything from sliced cucumbers in plastic baggies to homemade audio books.

For these vendors, the change brings both opportunity and challenge.

Tyrone Curry, who sells CDs and a fantastic array of slogan pins ("Not today Satan!"), says he moved his business to Brooklyn when Manhattan's 34th Street got fancy. I noted that Fulton Mall now looks an awful lot like 34th Street with its new stores. "That's the goal," he mused. "It should resemble Fifth Avenue by the time they're finished."

While the Brooklyn street is cleaner than before and the crowds are bigger, the new wave of wealthier shopper is less likely to buy off the sidewalk, vendors say.



Tyrone Curry, top, sells CDs and pins on Brooklyn's Fulton Mall. Nicole Knight, above, hawks CDs along the eight-block stretch.

Adjusting to the changing demographics, Mr. Curry has added country and pop to his collection of R&B mixes. Others, he notes, are experimenting to test what sells. That's why you'll see a single table selling scented oil and socks.

As Brooklyn's Fulton Mall attracts more chain stores, hawkers harken to area's past.

Sidewalk vendors also face competition from the internet. Down the block, Nicole Knight offers MP3 downloads in addition to CDs. Hand over your phone and you get five albums for \$19.99.

Sidewalk merchant "Tous" started stocking picture books. "You can't download kids' books," he says. "Kids want to

see the books in their hand."

Tous commands a prime spot on what he calls "the Money Block." It's on Fulton's shady south side, which attracts more pedestrians, and near Macy's, which generates heavy foot traffic.

The free spot is a remarkable asset. Retail space on Fulton Mall attracts about 590,000 visitors a week, according to the Downtown Brooklyn Partnership. Renting space commands \$365 a square foot—the highest rate in Brooklyn, the Real Estate Board of New York says.

Not that the vendors are getting rich. While most price their wares at roughly double their wholesale costs, they typically offer small-ticket items. Mr. Curry estimates his profits at \$20 a day. Bookseller Shawn Williams puts his daily earnings at \$40 to \$50.

But the work often supplements disability pay or veteran's compensation. "It's better than staying home

anne.kadet@wsj.com

GREATER NEW YORK WATCH

NEW JERSEY

Family to Sue School District Over Bullying

The family of a 12-year-old New Jersey girl who killed herself says it will sue her school district for not stepping in to address the problem of cyberbullying.

An attorney for the family of Mallory Grossman said Tuesday that he is filing a notice of intent to sue the Rockaway Township school district for negligence.

Mallory took her own life in June after what her family says was months of bullying by several of her classmates.

Attorney Bruce Nagel said Mallory's parents pleaded with school officials but "nothing was done."

An attorney for the school district said in an email that the district hasn't seen the notice yet but anticipates making a statement once it is reviewed.

—Associated Press

CONNECTICUT

Governor Candidate Defends Contribution

A candidate for governor of Connecticut is defending a \$375 contribution from a felon previously connected to the Mafia.

Middletown Mayor Dan Drew's exploratory committee has received the maximum allowed under the state's clean-elections law from Salvatore "Butch" D'Aquila Jr.

Mr. D'Aquila was sent to

prison for 15 years in 1991 for running an illegal gambling ring for the New England mob.

Mr. Drew, a Democrat, said Mr. D'Aquila has paid his debt to society and is a valued member of the Middletown community and a friend.

Democratic Gov. Dannel Malloy isn't seeking a third term.

—Associated Press

TRENTON

Christie Signs Bill for Shutdown Back Pay

Gov. Chris Christie has signed a bill that gives back pay to New Jersey state workers affected by this summer's three-day government shutdown.

Mr. Christie said in statement Tuesday that the new law "justly reinstates" the pay state workers lost over the shutdown of non-essential government services from July 1 to July 3.

The Republican governor ordered some government services, including state parks, closed after he and the Democratic-led Legislature failed to enact a budget by the deadline. At issue was Mr. Christie's demand to makeover the state's biggest health insurer.

The shutdown ended after lawmakers sent Mr. Christie a budget and photos captured by a news outlet showed the governor lounging on Island Beach State Park, which was closed to the public. Mr. Christie signed the nearly \$35 billion budget by the July Fourth holiday.

—Associated Press

Murder Sentence Caps Old Feud Over Property

By CORINNE RAMEY

Side, harbored a grudge for years.

More than 20 years ago in a Chinese village, two families were embroiled in a property dispute. In Brooklyn on Tuesday, a man convicted of murdering a rival to settle that feud was sentenced to at least 40 years in prison.

A Brooklyn jury in June convicted Wu Long Chen, 46 years old, of murder and criminal possession of a weapon.

On Tuesday, Justice Neil Fireog sentenced Mr. Chen to from 40 years to life behind bars.

Before he handed down the sentence, an interpreter read a letter from the family of the victim, 68-year-old Ying Guan Chen. (The families aren't related.)

Calling Wu Long Chen "a very dangerous person," the family asked the judge to impose a stiff sentence.

"If he were ever to get out of jail he would most definitely threaten our family, including the relatives in China," the letter said. "We ask that your honor protect our family."

Asked if he wanted to speak, Wu Long Chen said, through an interpreter, "I have nothing to do with this case." Mr. Chen maintained his innocence, his attorney added.

The feud began two decades ago in a village in China where Wu Long Chen was involved in heated arguments with Ying Guan Chen's sons.

Among their disputes: Wu Long Chen's family adding a floor to a structure that was on top of Ying Guan Chen's family's home, prosecutors said.

They noted that Wu Long Chen, who eventually moved to Manhattan's Lower East

Side, harbored a grudge for years. On Dec. 7, 2015, Wu Long Chen and Ying Guan Chen attended the same wedding reception at a Chinese restaurant in Brooklyn's Sunset Park neighborhood.

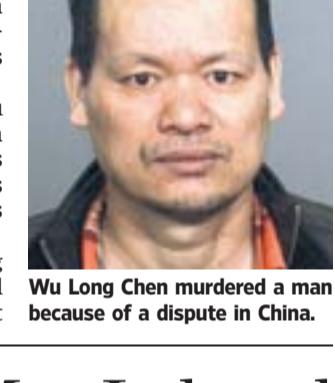
When Ying Guan Chen left the wedding, Wu Long Chen followed him and shot him in the head, chest and arm, prosecutors said.

Ying Guan Chen stumbled into a fried chicken restaurant, collapsed, and subsequently died in a hospital.

Wu Long Chen fled New York City and headed for Mexico, officials said. He was captured in Laredo, Texas, on Dec. 31, 2015, according to prosecutors.

Eric Gonzalez, acting Brooklyn district attorney, said surveillance video showed Mr. Chen following and shooting his victim.

"This was a particularly egregious and senseless murder—an elderly man who had done nothing wrong was shot in cold blood over an old dispute oceans away of which he had no part," Mr. Gonzalez said in a statement on Tuesday.

Wu Long Chen murdered a man because of a dispute in China.

Colorado Man Indicted In Big Fentanyl Seizure

By CORINNE RAMEY

A Colorado man was indicted in connection with the seizure of 40 pounds of fentanyl in what the Drug Enforcement Administration's New York division said was its largest bust involving the deadly opioid to date, prosecutors said Tuesday.

That quantity of fentanyl, a potent synthetic opioid, could have resulted in seven million lethal doses of the drug, according to the city's Office of the Special Narcotics Prosecutor.

Carlos Ramirez, 25 years old, was charged with criminal possession of a controlled substance, prosecutors said. He pleaded not guilty at his arraignment Tuesday in state Supreme Court in Manhattan.

Howard Greenberg, an attorney for Mr. Ramirez, called the charges "a bunch of bullshit."

Law-enforcement officials

conducting surveillance in the Melrose neighborhood of the Bronx on June 19 saw Mr. Ramirez open a car door and put a cylindrical package inside, prosecutors said.

Mr. Ramirez told the

agents he was staying in the Umbrella Hotel across the street, they said.

When authorities ap-

proached Mr. Ramirez's hotel room they spotted a black bag on top of a vending machine, prosecutors said. The bag also contained taped packages that appeared to have a powder inside that looked like heroin, they said.

DEA officials tested the drug and discovered it was fentanyl. Fentanyl, which is 50 times more potent than heroin, has caused a recent record number of overdoses in New York City.

7M

Lethal doses possible with amount of fentanyl seized in Bronx raid

The New York Police Department found fentanyl in 1,383 narcotics cases in 2016, the same year the city recorded more than 1,300 fatal drug overdoses.

About 2 milligrams of fentanyl can be deadly, according to law-enforcement officials. When sold on the street, fentanyl is often mixed into heroin or other drugs, including cocaine.

—Zolan Kanno-Youngs contributed to this article.



Law-enforcement officials seized 40 pounds of fentanyl in the Bronx in June.

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LIFE & ARTS



BY RAY A. SMITH

IN THE SUMMER, Reed Chapman wears an undershirt so he can avoid a Rorschach test of sweat marks from forming on his dress shirts.

"I sweat down my back a lot, so that's a lot of surface area to be embarrassed about on a button-down," says the 26-year-old New Yorker, who works in finance and is grateful for the undershirt anytime he's waiting for a train in the city's steamy subways.

Dominic Trombino, a marketing professional and writer in Chicago, isn't a fan. "I understand it protects the sweat but I always feel it's more uncomfortable because when I sweat, they stick to me more and it makes me feel hotter," says the 27-year-old. "I'd rather be comfortable." He wears button-down shirts "in very dark colors so sweat doesn't show as much."

Call it the sweat wars.

When summer temperatures soar, some men swear by undershirts while others swear off them. Heated debates between men on the topic have spilled out on **Twitter**.

Now, underwear makers from **Fruit of the Loom** and Hanes to upscale brands like Sunspel, of England, and Zimmerli, of Switzerland, are locked in an arms race to provide undershirt options that address men's common pet peeves about comfort and style. Some have added more slim-fit undershirts to keep up with the slimmer-shirt silhouette that has been popular in menswear for years.

Some versions are made with lighter cotton, or fabric-cooling and moisture-wicking properties.

Jockey's Staycool+ Essential Fit undershirts have a tailored fit so they won't bunch up under dress shirts, says Rob Styles, Jockey VP of Merchandising and Design.

Fruit of the Loom's "stay-tucked" V-neck undershirt, made with a softer cotton than its other

FASHION

The Stickiest Debate for Men

When do you wear a T-shirt under a dress shirt? Does it protect against sweat stains? New fabrics and cuts help and complicate the issue

undershirts, has reshaped sleeves to prevent "unwanted peeking from underneath your shirt," the company said. It also made them longer, to ensure they won't pop out of pants when the wearer is doing things like sitting or bending.

Hanes last year began adding odor-protection to its lightweight undershirts. It embeds them with a technology the company said is designed to adapt to the wearer's body temperature to keep him cool.

At the more upscale end, Zimmerli, markets a line of undershirts (\$99 a piece) made with a light, slightly transparent cotton to make it more imperceptible under a dress shirt. Sunspel's "Superfine Cotton" V-neck undershirts, at \$75 a piece, are made from a lightweight jersey fabric specially-developed by the company, are "close without being tight," it says. They feature "an ultra low V-neck," a help to men who want to wear their dress shirts with the top buttons undone without fear of an undershirt peekaboo.

A visible undershirt is considered a fashion faux paux. "It's an undergarment," said Tim Gunn, the fastidiously dressed "Project Runway" co-host and mentor. "You look a little more polished if we don't see it," says Mr. Gunn.

Brad Lavoie, 37, of Seattle is "evangelical" about the V-neck. "One of the tackiest things is when I see people with their dress shirt collars open and you can see 6 inches of white under a dress shirt" because they're wearing a crew-neck undershirt, he says. The reverse is also true. When Mr. Lavoie, who works in health-care finance, wears a tie and buttons

"That one layer is a kindness to ourselves and the people around you," says Tim Gunn.

the top shirt button, he'll wear a crew-neck undershirt. "If I'm wearing a V-neck under that, you can see where my shirt ends and my chest begins," he says.

Uniqlo recommends customers choose its AIRism Seamless V-necks, which feature quick-drying technology and self-deodorizing properties. Uniqlo says the color beige is best if customers plan on wearing a white dress shirt because a white undershirt would be

too visible underneath. The neck and cuffs are constructed without seams, which Uniqlo says keeps lines from showing through a dress shirt. They have a deep-v neck too, to hide the undershirt from view under an open collar.

Undershirts have come a long way from their days as an offshoot of the one-piece union suits men wore as undergarments in the late 19th and early 20th century to protect precious clothes. In 1901, Hanes, then known as the P.H. Hanes Knitting Co. introduced two-piece underwear, a variation on the union suit, according to the company. By 1913, the U.S. Navy made the T-shirt part of its standard issue uniform, replacing one-piece underwear.

They eventually became a work-wear staple for men with blue-collar jobs. The undershirts offered a way for men to beat the heat while on duty without going shirtless. Veterans returning from war would wear the undershirts as casual wear, inspiring civilian men to do the same.

In the 1950s, the white T-shirt was popularized in Hollywood by James Dean in "Rebel Without a Cause" and, especially, Marlon Brando in "A Streetcar Named Desire" and "The Wild One," even as

the tees they wore were technically underwear. Around that time, men with white-collar jobs would also wear undershirts under their suits and ties for warmth in winter and to fight sweat in the summer.

"It's a great protector," says Mr. Gunn, who is also an author and educator. "It keeps all the bodily fluids away from the shirt. That one layer is a kindness to ourselves and the people around you."

Tim Pickert, a 29-year-old Chicago-based lawyer, puts an undershirt on "pretty much every day." That includes off-the-clock, when he's wearing a polo shirt or T-shirt and plans to be outdoors for a long time, "to avoid backsweat" from showing. For work, where he often dresses in a business-casual style, he prefers the slim-fit V-neck undershirts Nordstrom makes. "You can unbutton two buttons and it won't show," he says. Another plus: "They have [6%] spandex, so they're not as bulky."

For men concerned an undershirt will mess with the sleek profile of the slim-fit shirts they are wearing, Mr. Gunn shared his secret to making it work: "One thing I do every day, all the time, I tuck the T-shirt into the waistband of my underpants," he said. "It helps keep it down and secured. If you don't, [the undershirt] can rise up and create a little bulk" in the waistband area.

Sometimes even a great lightweight, slim-fit, deep-v neck will be no match for really hot weather, as Kevin Hupp recently learned. The 23-year-old Los Angeles-based actor and writer, was on a set in a building with no air conditioning on a hot day and managed to sweat through the underarms of both his undershirt and oxford shirt. "Someone on set said 'you really sweat through your entire button down,' which was embarrassing." He posted a five-second video clip of himself on Twitter, zooming in on his sweat-soaked shirt's armpit.

CELEBRITY

BOOMER STARS WHO CAN'T RETIRE

Garry Kasparov, Steven Soderbergh, Cher and others can't resist coming out of retirement

BY DON STEINBERG

OSCAR-WINNING director Steven Soderbergh said he quit making feature films in 2013, but his new movie "Logan Lucky" opens in theaters on Aug. 18. Chess grandmaster Garry Kasparov retired from professional play in 2005, but he's back in a tournament on Aug. 14. Cher staged an elaborate farewell tour in 2014, but lately she's been adding dates to a new concert series in Las Vegas.

For Baby Boomers, retirement planning sometimes isn't perfect, especially since they don't want to stay retired.

Prodigies like Messrs. Kasparov and Soderbergh and Cher may not be your typical 401k retirees. But their decisions to return to their passions are instructive for the whole generation: They're going

back to deal with unfinished business, restless creativity, and simply because they miss the rush.

"Retirement really should be called a sabbatical," says Chris Farrell, author of "Unretirement: How Baby Boomers Are Changing the Way We Think About Work, Community and the Good Life." For many boomers, "retirement is just, 'I'm taking a break.' It's a time for introspection. What do I want to do next? It's hard to find time for that when you're on the job."

Anyone can do that, Mr. Farrell suggests: "Maybe you've been an accountant in a large organization. You say 'I'm gonna take a break, then be an accountant for a nonprofit. Or for an entrepreneur who's starting a company.' You're using the same skills, but you're re-energized with a new mission."

The latest crop of unretirees:



Director Steven Soderbergh, left, came out of retirement to direct "Logan Lucky" starring Daniel Craig.

Steven Soderbergh, 54 // FILM PRODUCER

The Retirement:

The director of "Erin Brockovich," the "Ocean's Eleven" movies, and many quirky independent films said in 2013 he was finished trying to create feature films in a Hollywood studio system that favored globally marketable action movies over vision-driven cinema. "You've got people who don't know movies and don't watch movies for pleasure deciding what movie you're going to be allowed to make," he griped in a keynote speech at that year's San Francisco International Film Festival.

The Unretirement:

Mr. Soderbergh's "Logan Lucky" opens Aug. 18. Channing Tatum, Adam Driver, Daniel Craig, and Hilary Swank star in the NASCAR-track heist comedy that puts a redneck twist on his "Ocean's" caper films. The director found new energy for feature films by devising a new model for releasing films that bypasses the big studios. "Announcing my retirement from movies was a cry for help. 'Logan Lucky' has been a crucial part of my healing process," he said in an interview.

Please see UNRETIRE page A13

LIFE & ARTS



MY RIDE | By A.J. Baime

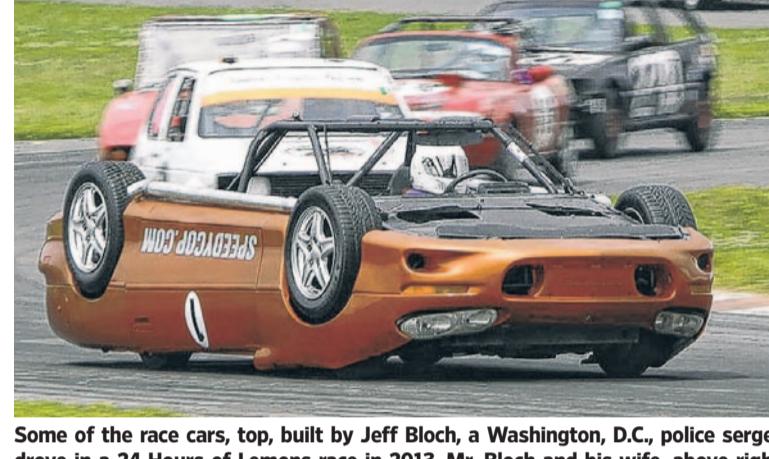
The Most Absurd Racing Cars and a Driver

Jeff Bloch, a Washington, D.C., police sergeant, on his Lemons racing cars, as told to A.J. Baime.

I have been a police officer for 22 years, and I have been racing cars longer than that. I first heard about 24 Hours of Lemons racing in 2009 (Lemons, which recently changed its name from LeMons, is a pun on a bad car and the 24 Hours of Le Mans, regarded as the world's most important sports car race). It's a nationwide endurance racing series, and at the same time, a contest for who can make the coolest, most absurd racing car. I am overly competitive, but I'm also 44 going on 8. This was for me.

I put together a team called Speedycop & the Gang of Outlaws. My wife Jaime is outlaw #1 and the rest is an eclectic mix. I do the design and engineering. We build the vehicles in my garage, and we race them. In Lemons racing, it does not matter as much who is fastest but who wins the prize for coolest fast car—the Index of Effluency prize. We have won nine times.

Our latest is the Trippy Tippy Hippy Van. We took the body a



Some of the race cars, top, built by Jeff Bloch, a Washington, D.C., police sergeant. One of Mr. Bloch's creations, above left, is an upside down Camaro which he drove in a 24 Hours of Lemons race in 2013. Mr. Bloch and his wife, above right, in tie die with their van which has a 1988 VW Rabbit hidden inside.

1976 Volkswagen bus, flipped it on its side, slid a 1988 Volkswagen Rabbit into it, and built it into a race car, so you cannot see the Rabbit, only the sideways van. Lemons cars have to cost no more than \$500; after you have the base vehicle you can spend as much as you want making it cool. I found a Rabbit in Texas for \$500, and the

build took five intense weeks. We raced in Kentucky last month (the vehicle can hit about 100 mph), winning the Index of Effluency award.

Other cars include Speedy's Weenies—a hot dog stand welded onto a Suzuki SUV. (At a race earlier this year in New Jersey, we came in 48th out of 124, which means we

beat over 75 cars—in a hot dog stand.) There's the Spirit of LeMons (an abandoned 1956 airplane body mounted onto a 1987 Toyota), and the Upside Down Camaro (the name says it all). The SpeedyCopter is a Vietnam-era attack helicopter body mounted on a 1986 Toyota. We built this vehicle to be amphibious, so after I raced it, I drove it on a

lake on propeller power.

My wife is a saint. We have two incomes and no kids, and we scratch by because everything goes into racing. On the track, we drive these cars hard, and we have an absolute blast.

Contact A.J. Baime at Facebook.com/ajbaime.

CLOCKWISE FROM TOP: APRIL GREER FOR THE WALL STREET JOURNAL (2); 24 HOURS OF LEMONS

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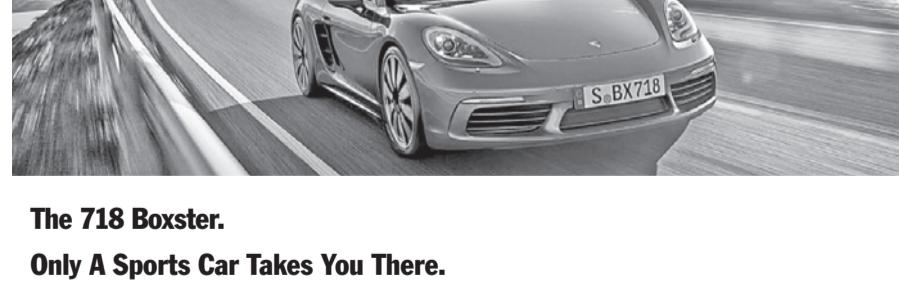
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LIFE & ARTS

MUSIC REVIEW | By Jim Fusilli

Folk Full of Comedy and Sorrow

The album, with a sound at home on a mountainside, reflects the artist's slow-developing but increasing comfort in the limelight

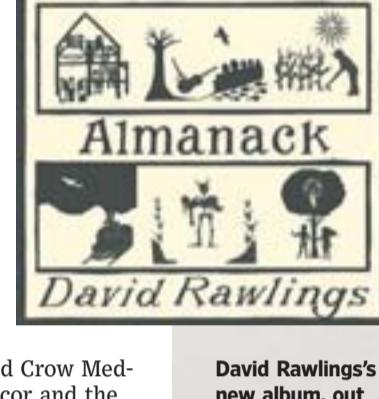
Washington
WITH ITS SWAY and moments of breezy virtuosity, David Rawlings's "Poor David's Almanack" (Acony), out next Friday, has the feel of music made on a mountainside back porch for no other reason than the joy of doing so. Recorded on tape during freewheeling sessions at Woodland Sound Studios in east Nashville, many of its 10 songs are reminiscent of old-time folk tunes passed down across generations. But they were written by Mr. Rawlings, alone or with his longtime partner, Gillian Welch.

An extraordinary folk guitarist with a sympathetic ear and a bell-like tone, Mr. Rawlings has released five albums with Ms. Welch, with whom he's been playing since they met at the Berklee College of Music in Boston in the early 1990s. He's issued two albums as the Dave Rawlings Machine that featured, in addition to Ms.

Welch, Willie Watson, Brittany Haas, Old Crow Medicine Show's Ketch Secor and the Punch Brothers' Paul Kowert—all of whom appear on "Poor David's Almanack." They're joined here by Dawes' Griffin and Taylor Goldsmith on a collection that doesn't veer very far from the band's mostly folk songs of wry comedy and heartfelt sorrow. Dropping "Machine" from the group's name reflects Mr. Rawlings's slow-developing but increasing comfort in the limelight.

Prior to soundcheck on Monday afternoon at the John F. Kennedy Center for the Performing Arts, where he and Ms. Welch would perform that evening, the agreeable Mr. Rawlings relaxed outside the venue, laughed easily and talked of his influences: the guitarists Norman Blake and Johnny Marr; jazz trumpeter and singer Chet Baker; and mandolinist Bill Monroe, whose cowboy hat Mr. Rawlings wore as protection against a bright mid-Atlantic sun. (He bought it years ago on eBay.) An incongruous foursome, but a reflection of Mr. Rawlings's sound and intent—the purity of traditional acoustic music as conveyed by Mr. Blake and the legendary Monroe; Mr. Marr's commitment to supporting the singer and song with subtle shadings; and Baker's ability to communicate emotion by sliding from consonance to dissonance and back again. Mr. Rawlings said that more than anything he seeks to deliver the listener into the song's landscape and atmosphere.

For fans of Mr. Rawlings, there can never be too much of the warm, fluid sound he generates from his 1935 Epiphone Olympia archtop guitar. In concert and on disc, he tends to favor thoughtful single-note or arpeggiated solos



David Rawlings's new album, out Aug. 11, is 'Poor David's Almanack.'

that follow their own logic and aren't locked into cliché. At times, it can seem like he's played himself into a dead end. In 1998, at a workshop at Case University in Cleveland, I witnessed a soft, deliberate solo by Mr. Rawlings during which he headed down a path from which I was sure there was no return to the tonic. But with a humble flourish, he resolved it as deftly as a seasoned magician ending an illusion. Startled, I sat in wide-eyed wonder.

On "Poor David's Almanack," Mr. Rawlings's guitar is most often an essential building block rather than the focal point. The gentle folk ballad "Airplane" fea-

tures characteristic ringing solos even as a string section soars. A droll twist on a country ballad about the devil, "Yup" finds Mr. Rawlings playing twisty filigrees between verses as Mr. Kowert pumps the upright bass and Ms. Haas's fiddle drifts sweetly along. Featuring the full band and Ms. Welch on vocals, "Cumberland Gap" mines Neil Young's folk-rock terrain and Mr. Rawlings plays a delicious solo. (Mr. Young's "Heart of Gold" was the first song Mr. Rawlings learned on guitar.) With Griffin Goldsmith on drums, "Guitar Man" is a rare number featuring Mr. Rawlings on electric guitar; here, his technique doesn't

fully translate, but the track works as a change-up, even if the song fades out just as Mr. Rawlings gets going.

At the Kennedy Center, he and Ms. Welch were celebrating the vinyl release of their 2011 album, "The Harrow & The Harvest," and they played that Grammy-nominated disc from top to bottom. With his conversational solos in "Tennessee" and "Down Along the Dixie Line" he extended the somber lyrical narrative. In "Dark Turn of Mind," a fragile ballad that draws from the blues, he issued an mournful solo that slid perfectly under Ms. Welch's voice as she resumed the tale. After intermission,

the duo explored the Welch catalog, and in "Revelator" Mr. Rawlings played with a ferocious attack throughout an extended solo to the song's end. "David Rawlings!" Ms. Welch exclaimed as the audience gave him a standing ovation. Soon, though, Mr. Rawlings returned to his customary cunning approach on a down-tempo reading of the standard "Make a Pallet on the Floor." As they have for so many years, his spry, delicate notes landed right where they needed to be.

Mr. Fusilli is the Journal's rock and pop music critic. Email him at jfusilli@wsj.com and follow him on Twitter @wsjrock.



business, politics and writing.

The Unretirement: Mr. Kasparov will return to professional chess 12 years later, at a tournament starting Aug. 14 in St. Louis. In July, he tweeted: "Ready to see if I remember how to move the pieces! Will I be able to announce my re-retirement afterward if not?!"

Cher, 71 // SINGER AND ACTRESS ▶

The retirement: Cher had a farewell concert



tour (not her first) in 2014 that was cut short by health issues. The Oscar-winning actress's last on-screen role was in "Burlesque" in 2010.

The Unretirement: Her Classic Cher concert series in Las Vegas began this February and currently runs through November. "I planned to retire when I did the farewell tour, because I was old and because it seemed appropriate," she said in a TV interview. On her continued performing: "There will come a time when I can't do it. And that scares me into doing it."

Jack Nicholson, 80 // ACTOR ▶

The Retirement: The Oscar-winning actor never officially quit, though his last film role was seven years ago, after averaging more than a film per year since the early 1960s. He turned down roles including baseball executive Branch Rickey in "42" (2013) and Robert Downey Jr.'s father in "The Judge" (2014), according to Variety. "I think he is basically retired," his friend Peter Fonda told the New York Post during an event earlier this year.

The Unretirement: Mr. Nicholson this year

signed up to return to the screen. He'll co-star with Kristen Wiig in an English-language remake of the German film "Toni Erdmann," currently in development.

Floyd Mayweather, Jr., 40 // BOXING CHAMPION

The Retirement:

Boxing champ Floyd Mayweather is too young to be a Baby Boomer. But he's following their example. He

said he was done with

boxing after a lackluster

2015 win over

Andre Berto. "You

have to know

when to hang it

up. It's my time,"

he said. "Nothing

else for me to

prove in the sport

of boxing." He had

an unblemished 49-0

record, had held multi-

ple championships, and

was considered one of the great-

est defensive boxers of all time.

The Unretirement:

Mr. Mayweather will have

a boxing match against

former mixed-martial-

arts champion Conor

McGregor on Aug. 26

in Las Vegas. He says

this new challenge is

just one more fight—

then he's really done.

Mr. Mayweather, favored

to win despite his ad-

vanced age, has a chance to

reach a 50-0 record, surpassing Rocky Marciano's career mark. But an anticipated purse of \$100 million or more is plenty of incentive.

Hayao Miyazaki, 76 // FILM ANIMATOR AND DIRECTOR ▶

The Retirement:

Japan's legendary creator of anime films including "Spirited Away" and "Princess Mononoke" retired at age 72 in 2013. "I feel that my days in

feature film are done," he said at a 2013 press conference in Tokyo. He

felt he no longer had the stamina to

direct the hundreds of animators involved in a feature film, and he closed

his studio. "I'm a retired old geezer," he said in 2015, in a Japanese TV

documentary released last year that showed him puttering at home.

The Unretirement:

The chance to work on a short film about a baby caterpillar, using computer animation tools for the first

time, reignited his passion, according

to the documentary, and the studio reopened. The project led to Mr. Miyazaki's work on a new

feature-length film to be ready in time for the 2020 Tokyo Olympics. "I'm prepared to die before it's finished," he says later in the documentary.

"I'd rather die that way than die doing nothing."

UNRETIRE

Continued from page A11

Garry Kasparov, 54 // CHESS CHAMPION ▶

The Retirement:

"Today I played my last professional game," Mr. Kasparov announced in 2005 after winning the Linares tournament in Spain, but losing his final game. He admitted to feeling less competitive than he wanted to be. In a 30-year career, he reached the highest rating of any player in history at the time. He moved on to pursue



SPORTS



THE COUNT DEADLINE DEALS RARELY PAY OFF

The Dodgers are on a 114-win pace but they still made one of the biggest deals of the trade deadline, acquiring pitcher Yu Darvish for a package of prospects. Darvish's 2.5 wins over a replacement player (WAR) while starting for the Rangers, according to Stats LLC's calculations, was topped by just six of the 84 players traded mid-season since 2012. The Yankees also beat the deadline by landing A's pitcher Sonny Gray and his 2.3 WAR to date.

Although adding an ace like Darvish or Gray appears to be a boost, it turns out that deals consummated from the All-Star break through July 31 rarely have a significant impact. The average return to playoff teams during the last two months of the pennant race has been less than one win. Nonetheless, since 2012, 41 of 50 playoff teams made a deadline deal trading prospects for big-league players.

All teams hope their big moves pay off like the Mets trade in 2015 for Yoenis Cespedes, when he earned a period-best 31 wins. But just 16 of the traded players (19%) during this span generated the equivalent of at least one win for their new team. Exactly as many ended up with negative value compared with a player a team could have just called up from the minors. Last year, the acquisition of outfielder Melvin Upton Jr. actually cost the Blue Jays an estimated 0.80 wins.

—Michael Salfino

Buyer Beware

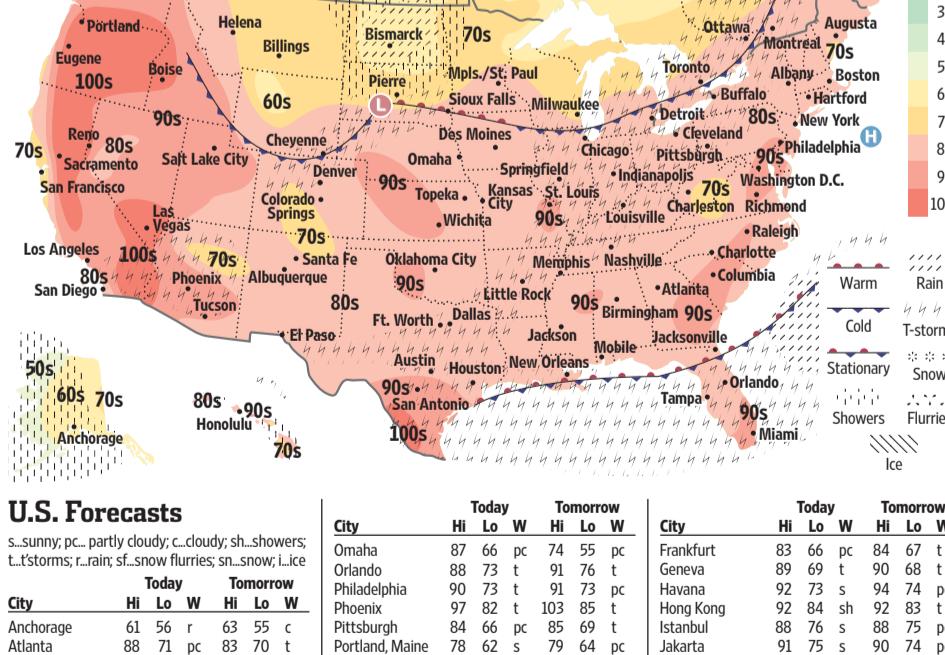
How Yu Darvish and Sonny Gray compare with other players landed by eventual playoff teams since 2012, along with their post-trade performance measured by estimated wins above replacement player (WAR).

PLAYER	PRE-TRADE TEAM	NEW WAR	POST-TRADE TEAM	WAR
Jon Lester 2014	OAK	3.8	1.3	
David Price 2015	TOR	3.7	2.6	
Yoenis Cespedes 2015	NYM	3.6	3.1	
David Price 2014	DET	3.4	2.0	
Johnny Cueto 2014	KC	2.9	1.0	
Drew Pomeranz 2016	BOS	2.5	0.5	
Yu Darvish 2017	LAD	2.5	?	
Ben Revere 2015	TOR	2.4	0.3	
Sonny Gray 2017	NYY	2.3	?	
Scott Kazmir 2015	HOU	2.2	0.0	

Note: Deadline trades are defined as occurring between the All-Star break and the July 31.

Source: Stats LLC; WSJ

Weather



U.S. Forecasts

s...sunny; pc...partly cloudy; c...cloudy; sh...showers; t...storms; r...rain; sf...snow flurries; sn...snow; l...ice

Today Tomorrow

Hi Lo W Hi Lo W

Anchorage 61 56 r 63 55 c

Atlanta 88 71 pc 83 70 t

Austin 89 71 t 94 74 t

Baltimore 89 69 pc 89 71 pc

Boise 102 67 s 100 68 s

Boston 83 67 s 83 67 pc

Burlington 87 67 pc 86 68 t

Charlotte 88 67 pc 90 69 pc

Cleveland 82 67 pc 82 58 t

Dallas 87 73 pc 93 75 pc

Denver 88 56 t 72 53 c

Detroit 86 68 t 85 64 t

Honolulu 88 75 s 89 76 pc

Indianapolis 81 67 t 83 63 c

Kansas City 87 67 pc 78 56 pc

Las Vegas 102 84 t 102 86 pc

Little Rock 86 68 pc 88 71 pc

Los Angeles 90 73 pc 90 72 pc

Miami 92 81 t 94 84 pc

Milwaukee 79 67 pc 78 57 t

Minneapolis 84 60 pc 63 58 r

Nashville 88 69 c 90 71 pc

New Orleans 87 74 t 84 75 t

New York City 88 71 t 84 72 pc

Oklahoma City 89 67 pc 91 65 pc

International

Today Tomorrow

Hi Lo W Hi Lo W

Amsterdam 72 61 pc 72 62 pc

Athens 91 78 s 93 79 s

Baghdad 123 88 s 121 89 s

Bangkok 96 82 pc 93 80 t

Beijing 83 75 t 92 77 t

Berlin 77 65 pc 83 64 t

Brussels 74 62 pc 76 59 pc

Buenos Aires 60 42 pc 61 43 pc

Cairo 113 96 s 114 95 s

Dubai 70 55 r 67 52 sh

Dublin 70 55 r 67 52 sh

Zurich 63 54 r 66 52 sh

PRO FOOTBALL

NFL Weighs Deal With Jones & Co.

A tie-up would create a giant in ticketing and sports hospitality; league owners could balk

BY MATTHEW FUTTERMAN
AND SHALINI RAMACHANDRAN

THE NATIONAL FOOTBALL LEAGUE is considering joining forces with one of its most powerful owners, Jerry Jones of the Dallas Cowboys, to create a hospitality company that would provide travel and ticketing services for the league's games and potentially many of the world's top sporting events, according to people familiar with the matter.

The proposed deal would combine Legends Hospitality Management, a company that Jones founded along with the New York Yankees, with the NFL's business called NFL On Location.

People involved with the discussions say a deal is not imminent and won't be completed until the fall, if it goes through at all. Terms are still being negotiated, but could value the combined company at between \$1 billion and \$1.5 billion, the people said.

One potential snag is that NFL owners must approve the deal, and some may be wary of Jones's increasingly central role in the league's business affairs. As a founding investor in Legends, Jones would also have a much larger stake in a combined firm than his fellow owners.

Still, the talks reflect the NFL's growing appetite to increase revenue by investing in and growing businesses rather than simply selling tickets, media rights and sponsorships. The league recently purchased a 3% stake in the online retailer Fanatics, which sells its merchandise.

An NFL spokesman declined to comment. A Cowboys spokesman said any proposed deal is "something that doesn't appear to be anything serious, and that Jerry has not been a part of any discussions on the subject."

The proposed tie-up is complicated, but Jones, the Yankees-led by the Steinbrenner family—and the NFL would be the largest stakeholders in the combined company, the people said. Other financial partners, including New Mountain Capital LLC, a New York private equity firm that recently purchased roughly a one-third stake in Legends valuing the company at around \$700 million, would also be involved.

Any deal would have to gain the support of Commissioner Roger Goodell and 24 of the NFL's 32 owners, who each own a share in NFL On Location through the league.

Jones, who will be inducted into the Pro Football Hall of Fame on Saturday, is considered a visionary owner who revitalized the franchise long-known as "America's Team" but also at times rubs some owners the wrong way as he aggressively pursues his business interests.

Legends, which he co-founded in 2008, has recently been in the middle of those deals. In January 2016, Jones's support was critical to Rams owner Stan Kroenke getting league approval to move the team from St. Louis and build a new stadium at the site of the Hollywood Park racetrack in Inglewood, Calif. After the Rams' plan won the day, Legends secured contracts to sell suites and sponsorships for the \$2.6 billion stadium now under construction.

Earlier this year Chargers' owner Dean Spanos announced he will move his team to the Los Angeles stadium as well. The stadium is scheduled to open in 2020.

Jones also pushed for NFL owners to ap-



Dallas Cowboys owner Jerry Jones during the NFL's annual meeting in March.

prove Raiders owner Mark Davis' plan to move his franchise to Las Vegas. Though nothing formal has been announced, Legends may have the inside track on a deal to sell suites and market a naming-rights deal at that stadium, according to people involved with the deal. Some industry experts have speculated that the naming-rights deal in such a tourist hotspot could be among the largest in history.

In those cases, Legends sought work with individual NFL teams. A tie-up with On Location would change the business model, since the company would handle the business of the league itself. The fact that Jones would be in line to collect a larger share of the profits would potentially conflict with the league's long-held one-for-all and all-for-one approach to sharing revenues, which dates to the early 1960s when the New York Giants agreed to receive an equal share of the league's television rights fees.

The selling point for the other owners would be that the combined company could expand its operations by securing licenses to sell hospitality and naming rights for other major sports and entertainment organizations that might include the Los Angeles Olympics, Formula 1 auto racing, and soccer's World Cup.

People involved with the talks say Major League Baseball Advanced Media is something of a model for a proposed combination of Legends and On Location. MLB's owners launched MLBAM, and later its spin-off BAM-Tech, to jointly exploit baseball's digital rights starting with the web site mlb.com. In recent years, the company has expanded by becoming one of the leading digital platforms and service providers for the sports industry. The Walt Disney Co. last year bought a 33% stake in BAMTech for \$1 billion.

The NFL in 2015 partnered with Bruin Sports Capital and RedBird Capital Partners to grow the On Location business. Under that deal, Bruin, a sports and entertainment-focused private equity firm launched by former IMG President George Pyne, essentially owns the NFL On Location license and shares profits with the league.

League officials and other parties involved in the deal talk say they expect the proposal initially to ruffle some feathers within the league's ownership ranks. However, they argue, it would be no different than a club owner holding a minority stake in a company that owned a license to produce NFL merchandise and that owners will likely find it hard to resist gaining ownership in a \$1.5 billion company essentially for free.

The WSJ Daily Crossword | Edited by Mike Shenk



TAKE SOME TIME | By Daniel Hamm

- Across**
- 1 Ball-bearing entertainers
 - 6 Poetry contest
 - 10 Fellow
 - 14 "What's new, Buenos Aires? I'm new..." singer
 - 15 Bit
 - 16 Give a new look to
 - 17 Melanie Griffith decision of 1996?
 - 20 NYC-to-Rio bearing
 - 21 Request to a prompter
 - 22 "Heavens!"
 - 23 Queen's mate
 - 25 Delivery vehicles
- Down**
- 1 Makes muuumus, say
 - 2 Times for some holiday parties
 - 3 General's right-hand man
 - 4 Old Ford model
 - 5 They're often on top of the deck
 - 6 Official impression
 - 7 Brain part
 - 8 Words with premium or discount
 - 9 Formal orders
 - 10 Folder's creation
 - 11 Munich Mr.
 - 12 He "gave names to all cattle, and to the fowl of the air"
 - 13 Take a stance
 - 18 Nickname of Columbus's Santa Clara
 - 19 Body shop challenges
 - 24 Bona fide
 - 25 Conjugation target
 - 26 Enrique Iglesias's dad
- Previous Puzzle's Solution**
- | | | |
|----------|--------|--------|
| BUS | SLAP | TULSA |
| ORE | PHILLO | RENOIR |
| ADA | HAPPY | ENDING |
| RUMP | ROSEN | ESSO |
| ORAL | LEER | |
| MINORITY | LEADER | |
| LIVS | TARA | TIGAS |
| NATL | REHAB | GORE |
| KNEED | OREO | MEN |
| ARTIC | CHOKE | HEART |
| LASE | OLIVE | ESPY |
| ARCTIC | FRONT | AIM |
| DEARM | ATOM | GNIC |
| SANYO | SEM | ETA |

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

OPINION

Nukes Won't Save North Korea



BUSINESS WORLD
By Holman W. Jenkins, Jr.

In 2012, the commander of U.S. allied forces in South Korea explained the nature of the thousands of North Korean artillery and conventional rocket systems aimed at Seoul, a city of 24 million.

"These systems are capable of ranging Seoul without moving, and can deliver both high-explosive and chemical munitions with little or no warning."

This would seem a pretty good deterrent given the improbable scenario, as North Korea surely understands, of a U.S. and South Korean attack on the North. Then why nukes? Penetrating North Korean rationalizations is never a sure thing, but a likely answer is to be found in the recent joint Chinese-Russian proposal of a freeze in North

Korea's missile and bomb testing in exchange for an end to U.S.-South Korean annual military exercises.

When North Korea is already spending 22% of gross domestic product to maintain its military, the cost of mobilizing in response to near-constant U.S. and South Korean maneuvers is a killing burden. Washington's and Seoul's war games are their most effective sanction and always have been.

North Korea upped the tempo of its training flights

sixfold, to 700 a day, on the first day of the 2013 U.S. and South Korean "Key Resolve" annual maneuvers. That naturally sent Seoul's analysts to their calculators, concluding triumphantly that the North was either draining its war reserve or starving its civilian economy of fuel.

The North especially goes ape over carrier deployments. When President Obama dispatched the USS George Washington, the North denounced "imperialist aggression" and promised "unpredictable disasters." When President Trump sent the USS Carl Vinson, the North raged about "maniacal military provocations."

When the U.S. and Japanese navies are operating in nearby waters, the North must keep its jets in the air and defenses mobilized. When U.S. and South Korean and (recently) Chinese troops are on the move near its border, it must activate troops in response.

Blood-curdling threats are the norm, possibly because they are cheaper than jet fuel. The North's deputy United Nations ambassador warned earlier this year amid various Trump deployments that "thermonuclear war may break out at any moment."

Or not. Both sides have been playing this game for a long time. Miscalculation is always possible, but much less so than in 1950.

Adm. Harry Harris, chief of the U.S. Pacific Command, said before Congress in April

that the goal is to "bring Kim Jong Un to his senses, not his knees." Tellingly, the admiral noted North Korean "shortfalls in training and equipment."

In 2013, when Gen. Mike Flynn headed the Defense Intelligence Agency, he testified that "the North's military suffers from logistics shortages, largely outdated equipment, and inadequate training."

The U.S. and South Korea's constant war games are their best sanction.

The U.S. and its allies can maintain their mobilization virtually indefinitely. North Korea can't. Motor fuel is a sore point, but so are food, equipment, and sanitation and health care for troops in the field.

Ultimately, the Kim family regime remains in power by distributing resources to its loyalists, which actually shows every sign of being the growing priority today. In April, foreign reporters were invited to witness a ribbon cutting on a sumptuous new apartment block in Pyongyang for Kim favorites. The Chosun Ilbo, a South Korean paper, recounted the scene:

Premier Pak Pong-ju then delivered a speech in which he claimed the opening of the street is more powerful than 'hundreds of nuclear bombs.'

A Los Angeles Times correspondent tweeted that the street is 'impressive' and the skyscrapers lining it as 'very modern' but pointed out that the thousands of soldiers massing in the capital 'looked severely stunted. A reminder of widespread malnutrition outside of Pyongyang.'

In theory, what North Korea wants is a peace treaty ending the Korean War of 1950-53 and removal of U.S. forces from the region. Unfortunately, the North can't afford the treaty it claims to want, because it can't do without a U.S. threat to justify its socio-political dictatorship.

In the end, the irresolvable dilemma is North Korea's, not the West's. The Kim regime doesn't have a realistic solution for itself except to make sure the standoff goes on forever. The answer to North Korea's nukes is a deep breath and to invest in missile defense, which the world needs anyway. The upside is likely to be a marked deterioration in its conventional forces.

In the meantime, the U.S. and South Korea maintain their long-term watching brief on the Northern regime's effort to hold itself together. Keep up the pressure through the annual war games variously known over the years as "Team Spirit," "Key Resolve," "Foal Eagle" and "Ulchi-Freedom Guardian." No regime is forever. And North Korea's is more mercenary than most—suggesting an endgame in which the Kim family essentially sells out one day.

BOOKSHELF | By Adam Rubenstein

From Negotiator To Autocrat

The Last Palestinian

By Grant Rumley and Amir Tibon
(Prometheus, 274 pages, \$24)

On Sept. 30, 2016, Palestinian leader Mahmoud Abbas attended the funeral of Shimon Peres, the last of Israel's founding fathers and his counterpart in the peace negotiations of the 1990s. Some observers saw his presence there as purely political, a maneuver to ingratiate himself with the world leaders also attending. Others, including many of his fellow Palestinians, found it in bad taste, even incendiary. But political calculations aside, Mr. Abbas was there to mourn the passing of an old friend, who months before his death had called Mr. Abbas "an outstanding man who really does want to commit to peace." Peres's daughter had phoned him to say that she thought her father would have wanted him there. "He should be recognized for coming," she told the Jerusalem Post. "He took a risk and made a very courageous decision. We are very appreciative of that."

Grant Rumley and Amir

Tibon, the authors of "The Last Palestinian: The Rise and Reign of Mahmoud Abbas," say that Mr. Abbas's attendance at Peres's funeral made him "more popular in Washington than in Ramallah, Gaza, or Jerusalem." This tension between support in the West (which Mr. Abbas has needed for negotiations to take place) and support at home (which he has needed for negotiations to succeed) turns out to be the central struggle of the 82-year-old's now 12-year tenure as leader of the Palestinian Authority.

Mr. Rumley, of the Washington-based Foundation for Defense of Democracies, and Mr. Tibon, of the Israeli newspaper Haaretz, open their book with a treatment of the first 58 years of Mr. Abbas's life, from his birth through the beginning of the Oslo peace process in the early 1990s. Their assessment spares little detail in its account of his personal and political story. Mr. Abbas was born in Safed in 1935 and fled with his family during Israel's 1948 War of Independence. They went to Damascus, where he became a teacher and a husband and got his start in politics. In the 1950s, after Mr. Abbas had taught for a few years in Syria, he moved to Qatar, where he joined the country's Ministry of Education. By the early 1960s, he began his rise within Fatah, Yasser Arafat's newly created Palestinian nationalist movement.

The authors' portrait of Mr. Abbas stands or falls by its assessment of his disposition toward nonviolence and by the seriousness of his support for the concept of a two-state solution. The authors contrast their view of him, that he is peacefully disposed, with that of his predecessor, Arafat, who openly embraced terror attacks against civilians. In the West, Mr. Abbas's relative peacefulness made him a welcome alternative to the bellicose Arafat—if not necessarily at home.

Mahmoud Abbas is nothing if not a shrewd politician. One does not enter the 12th year of a four-year term by being a political neophyte.

Mr. Abbas has always been weaker than Arafat, the authors explain, offering that he, unlike Arafat, "is not the charismatic leader of Palestinians.... He does not appeal to the Palestinian street." Arafat, they argue, had the power to make peace with Israel but not the courage or the will. Mr. Abbas suffers from the contrary ailment: He appears to have had the will to make peace but not the strength. In addition to interparty disputes with the likes of the terrorist group Hamas, Mr. Abbas currently faces sharp political divisions within Fatah, the party he inherited from Arafat, with increasing public support for his rivals Mohammed Dahlan and Marwan Barghouthi. Mr. Abbas, though, is nothing if not a shrewd politician. One does not enter the 12th year of what was supposed to be a four-year term by being a political neophyte.

In the closing chapters of their book, Messrs. Rumley and Tibon portray Mr. Abbas as a tragic and corrupt strongman who has overstayed his welcome. By 2009, this much was obvious. The ascendant economist-turned-reformer Salam Fayyad, who had been friends with, and a deputy to, Mr. Abbas, recognized the need to end corruption in the Palestinian Authority. In the authors' telling, the two began to feud.

According to Messrs. Rumley and Tibon, Mr. Abbas "would become so obsessed with [Mr. Fayyad's] challenging his rule that he would attack anyone associated with Fayyad's reform movement. At one point, Abbas ordered Fatah subordinates to protest against Fayyad's economic policies outside his offices." The problem for Mr. Abbas, and for those whom he represents, becomes one of succession. If he is unwilling to cede power to his deputies, or to reform the "corruption and nepotism—which are rampant and deeply ingrained in Ramallah"—he may very well be the last Palestinian leader. Whatever his flaws, the authors suggest, it is hard to imagine a leader with equal historical and domestic legitimacy arising from the fractured politics and rival claims of Palestinian nationalism today.

Messrs. Rumley and Tibon offer a strong analysis of Mr. Abbas's cult-of-personality leadership style and its problematic turn after his disastrous loss to Hamas in the Palestinian legislative elections of 2006. After that loss, they say, Mr. Abbas "was able to focus on the West Bank, and indeed consolidate his grip on politics there.... Survival was now the sole goal of his rule—much more than peace and statehood." The public had shown greater support for Hamas than for Mr. Abbas, and he needed to win them back. His response, to internationalize his conflict with Israel and to capitalize on his diplomatic relationships abroad, boosted his standing at home and pushed peace further away. Mr. Abbas's leadership style, in these, the waning years of his reign, is "a poor match to address the Palestinian public's demands," write the authors.

The success of this book rests in its ability to analyze Mr. Abbas not only as a diplomatic figure but also as a politician with his own domestic concerns. Too often, writing on the Israeli-Palestinian conflict and its key players denies readers insight into domestic Palestinian affairs. Not here. Messrs. Rumley and Tibon treat readers to their combined expertise and understanding of internal Palestinian politics.

Mr. Abbas's story, as they argue, is a tragic one. He appeared to be the man with the greatest political potential on the Palestinian side to make peace with his neighbors. Instead, he has turned into a power-consolidating silencer of dissent who eulogizes some of the more contemptible impulses of Palestinian nationalism.

Mr. Rubenstein is a Robert L. Bartley Fellow at The Wall Street Journal.

Can the 'Problem Solvers' Fix ObamaCare?



POLITICS & IDEAS
By William A. Galston

Last week, a gravely ill senator flew across the country to give the speech of his life. John McCain invoked the spirit of the Senate in better times to highlight our current ills. "Our deliberations today," he said, are "more partisan, more tribal more of the time than at any other time I remember." The polarization of political discourse has practical—negative—consequences, he added: It is not producing much for the American people.

Mr. McCain pleaded for a return to "the old way of legislating the Senate, the way our rules and customs encourage us to act"—a return to the process of carefully crafting policy in committees before bringing bills to the floor for open debate. And he called for a return to an older spirit of legislating as well. "Merely preventing your political opponents from doing what they want isn't the most inspiring work," he said. "There's a greater satisfaction in respecting our differences, but not letting them prevent agreements that don't require abandonment of core principles, agreements made in good faith that help improve lives and protect the American people."

As Mr. McCain spoke, the "Problem Solvers"—a 43-member House caucus split

almost evenly between Democrats and Republicans, and originally launched by No Labels, of which I am a co-founder—were working to meet his challenge. The group's leaders, Reps. Tom Reed (R., N.Y.) and Josh Gottheimer (D., N.J.), announced their results earlier this week. The proposal is aimed at stabilizing the deteriorating individual health-insurance market and creating clarity for consumers as quickly as possible. The deadline for submitting coverage plans and premiums for 2018 comes in two weeks.

To help shore up the individual market, the Problem Solvers recommend resolving the current ambiguity in ObamaCare about the status of payments made to insurance companies to reduce the burden of copayments and deductibles on lower-income beneficiaries. Under the Problem Solvers' plan, these payments would be covered by a guaranteed source of federal funds overseen by the congressional oversight and appropriations process. The plan also calls for a "stability fund" that states could use to reduce individual premiums while limiting insurers' losses for providing coverage, especially for individuals with pre-existing conditions.

The Problem Solvers also put forth ideas for tweaking the requirements ObamaCare established for the individual market. They suggest raising the threshold on the number of

employees at which an employer is required to provide coverage from 50 to 500. To address fears that ObamaCare's definition of full-time employment as 30 hours a week would give employers an incentive to slash hours, they recommend raising the threshold to 40 hours. And their plan would

also require the Department of Health and Human Services to issue the regulations—already legal under ObamaCare—to allow states to enter into compacts in which insurers would be enabled to sell policies across state lines.

Although they left most of the ObamaCare taxes in place, the Problem Solvers advocated repealing the 2.3% medical device tax, the costs of which, they said, are passed on to consumers. At the same time, they insisted that their package not add to the budget deficit. To meet this test, they proposed lowering the costs of drugs (hence of federal subsidies) under Medicare Part D, remedying deficiencies in Medicare and ObamaCare reimbursement protocols, and expanding competitive bidding for Medicare Advantage programs.

The Problem Solvers did not try to cure all the ills of

the U.S. health-care system, or even to tackle ObamaCare's Medicaid expansion. They carved out one major issue, the instability of the insurance market, and agreed on as much as they could within that frame. This style of addressing individual problems with short, simple legislation will not turn the world upside down. But it can change the world for the better in small yet meaningful ways.

Sen. McCain vouched for this approach when he made his case for bipartisanship. "Incremental progress, compromises that each side criticizes but also accepts, just plain muddling through to chip away at problems and keep our enemies from doing their worst, isn't glamorous or exciting. It doesn't feel like a political triumph. But it's usually the most we can expect from our system of government, operating in a country as diverse and quarrelsome and free as ours." James Madison would have saluted these words. They represent the essence of an honorable, progressive conservatism operating in the context of the pluralism that Madison knew would be the fruit of liberty.

"What do we have to lose by trying to work together?" Mr. McCain asked. "We're not getting much done apart." This is the spirit that animates the Problem Solvers. And it is the reason that their bipartisan agreement, modest as it is, may turn out to be an important step on the long journey to renew our politics.

By James Lankford

Since presidential nominations now require only a simple majority to pass, the majority party can confirm nominees without any minority party support. But the minority can force the full 30

Keep the filibuster but change other rules that promote delay.

hours of debate time provided within the rules, which they have repeatedly demanded. At the current rate, it will take 11 years to fill the executive branch.

By the first July 19 of the previous four administrations, on average 190 officials had been confirmed. President Trump had just 50 confirmed by that date. Numerous national security-related officials still await confirmation because the Democrats have "resisted" Mr. Trump by stalling.

Second, we should lower the vote threshold on the "motion to proceed," which begins legislative debate and amendment

consideration, from 60 votes to 51. Almost every bill in the Senate currently requires two votes of 60 senators, one vote to start debate and another to end it. We should change this rule to allow the majority party to open debate, while protecting the minority party by keeping the threshold to end debate at 60.

If we really want to get the Senate working again, First, we should reduce floor debate time for executive nominees from 30 hours to eight or less. The Senate could debate and vote on five or more nominees a week, instead of just one or two. Interestingly, this rule change was adopted for a short time by the Senate in 2013, under Harry Reid, as part of a temporary agreement to fill nominations. It worked then, and it would work now.

Second, we should lower the vote threshold on the "motion to proceed," which begins legislative debate and amendment

consideration, from 60 votes to 51. Almost every bill in the Senate currently requires two votes of 60 senators, one vote to start debate and another to end it. We should change this rule to allow the majority party to open debate, while protecting the minority party by keeping the threshold to end debate at 60.

It's time we put an end to the hyperpartisanship and delay to serve the needs of the American people. We can be deliberative and productive at the same time, but that will require fundamental changes in the rules, not eliminating the filibuster entirely.

Mr. Lankford, a Republican, is a U.S. senator from Oklahoma.

By James Lankford

J ames Madison explained that the Constitution's authors considered the Senate to be the great "anchor" of the government. The upper chamber has become an anchor, but I don't think today's dilatory Senate is what the Founders had in mind.

Many Americans see the main issue in the Senate as the filibuster rule, the 60-vote requirement to move on legislation. The Senate should not go to a 51-vote majority for every vote. Because the Senate is the one entity in the federal government where the minority view is heard and deliberation is protected.

But the Senate isn't working. First, the minority party has for months abused Senate rules to stall the nomination process and therefore the entire Senate calendar. Second, the arcane rules of the Senate always force a painfully slow legislative pace.

OPINION

REVIEW & OUTLOOK

ObamaCare for Congress

President Trump likes to govern by Twitter threat, which often backfires, to put it mildly. But he's onto something with his recent suggestion that Members of Congress should have to live under the health-care law they imposed on Americans.

Over the weekend Mr. Trump tweeted that "If a new HealthCare Bill is not approved quickly, BAILOUTS for Insurance Companies and BAILOUTS for Members of Congress will end very soon!" He later added: "If ObamaCare is hurting people, & it is, why shouldn't it hurt the insurance companies & why should Congress not be paying what public pays?"

Mr. Trump is alluding to a dispensation from ObamaCare for Members of Congress and their staff, and the back story is a tutorial in Washington self-dealing. A 2009 amendment from Chuck Grassley (R., Iowa) forced congressional employees to obtain coverage from the Affordable Care Act exchanges. The Senate Finance Committee adopted it unanimously.

That meant Members and their staff would no longer enjoy coverage from the Federal Employees Health Benefits Program, which subsidizes up to 75% of the cost of a plan. The text of the Affordable Care Act says that staffers may "only" be offered plans created by the law or on the exchanges.

The law did not specify what would happen to the employer contributions, though Democrats claim this was merely a copy-editing mistake. A meltdown ensued as Members feared that staffers would be exposed to thousands of dollars more in annual health-care costs, replete with predictions that junior aides would clean out their desks en masse.

The Body Count at the Border

Every so often comes a dark reminder of the human costs of immigration dysfunction, and last month 10 people suffocated in an 18-wheeler in Texas while trying to move to the United States from Mexico and Central America. Congress could prevent similar tragedies with more legal visas for guest workers, as a new report details.

The National Foundation for American Policy in a report out this week notes that "more than 7,000 men, women and children have died along the Southwest border" over the past two decades. More than 200 people have died so far this year, and last year the count topped 300. This year there have been 7.8 deaths for every 10,000 apprehensions of illegal border crossers.

The number of deaths increased by about 80% between 1999 and 2012, even as apprehensions—a reliable proxy for illegal immigration—plummeted by more than 75%. As a result, a person picking their way across the border is now "5 times more likely to die in the attempt than 18 years ago," the report notes. One reason is that an enforcement crackdown has encouraged people to slip across more treacherous or remote areas of the southwest.

Most immigrants come to the U.S. for work and opportunity, so the solution is to allow them to find jobs legally. The paper notes that the U.S. doesn't have a visa program that permits immigrants to work legally in "year-round industries like construction, hotels and restaur-

Mr. Obama intervened in 2013 and the Office of Personnel Management issued a rule that would allow employer contributions to exchange plans, not that OPM had such legal authority. One hilarious detail is that OPM certified the House and Senate as "small businesses" with fewer than 50 full-time employees, and no doubt the

world would be better if that were true. This invention allowed Members to purchase plans on the District of Columbia exchange for small businesses, where employers can make contributions to premiums. This is a farce and maybe a fraud.

In last week's Senate health-care debate, Wisconsin Republican Ron Johnson circulated an idea to block subsidies for Members, who earn at least \$174,000 a year and would not receive generous taxpayer underwriting on the exchanges. The Johnson amendment would restore staff to the federal benefits program. Alas, the amendment commands almost no support. Not even Democrats want to sign up for their own policy.

But Mr. Trump could direct OPM to scrap the rule for Members, which is reversible because Mr. Obama reworked his own law through regulation that can be undone by a successor. Mr. Obama also refused to pursue a legislative fix for the problem lest Republicans demand something in return.

Revoking the rule would have the political benefit of forcing Members to live under the regime that Democrats rammed into law and Republicans have failed to fix. If Members are pained by higher premiums and fewer insurance choices, perhaps they will be inspired to fix the law for the millions who have had to endure it.

Deaths are rising even as apprehensions are going down.

rants." In the 1940s and '50s the Bracero program allowed workers to enter legally from Mexico, and illegal immigration apprehensions dropped 95% between 1953 and 1959.

Some who make it across the border stay in the U.S. illegally because they can't risk multiple crossings. A visa holder who could travel

home freely might be less likely to venture a dangerous crossing with his entire family. By the way, more work visas would be a fillip for the economy; agriculture, construction and many other industries report labor shortages despite rising wages.

Homeland Security Secretary John Kelly, who has since decamped for the White House, put out a statement that the Texas smugglers "have no regard for human life and seek only profits." But smugglers make money when politicians slap on new restrictions on immigration, and the way to bankrupt them is a system that allows safe, legal entry and exit. Ron Johnson (R., Wis.) has a bill in the Senate to let states experiment with guest-worker programs, which would be a place to start.

The recent deaths are gruesome but hardly unprecedented: The policy brief recalls how a dozen men died in the Arizona desert in the 2000s, one of whom was Lorenzo Ortiz Hernandez, a father of five who took out a loan at 15% interest to underwrite an illegal crossing. He was looking to support his family. Such casualties will continue until Congress finds the political will to reform the broken U.S. immigration system.

A Trump Card in Ukraine

Vladimir Putin has assumed he can seize territory without endangering his grip on power at home, and he's been right. But what if the U.S. changed that calculus by raising the cost of Moscow's aggression in Ukraine?

President Trump will soon have a chance to test that question when he receives an imminent recommendation from the State Department and Pentagon to sell Ukraine lethal, defensive weapons such as anti-tank Javelin missiles. These weapons would help Ukrainians defeat Russian armor and make it harder for Mr. Putin's proxy forces to advance further into Ukraine's eastern provinces, which the Russians invaded in 2014.

Ukrainian President Petro Poroshenko has sought this kind of help for years. But Barack Obama refused on grounds that lethal aid would merely escalate the conflict; he shipped only such non-lethal aid as short-range radar and night-vision goggles. Mr. Putin escalated anyway, violating the Minsk cease-fire accords brokered by John Kerry.

The Russians have declared separatist strongholds in Donetsk and Luhansk and built up forces in the occupied areas. Kurt Volker, the U.S. Special Representative for Ukraine Negotiations, told Radio Free Europe/Radio Liberty last week that "there are more Russian tanks in there than in Western Europe combined." That's in addition to Russia's plans to deploy as many as 100,000 troops for military exercises in Belarus on NATO's front lines this summer.

As President, Mr. Trump hasn't been the patsy for Mr. Putin that his U.S. critics claim. He endorsed NATO's deployment of troops to Poland and the Baltic states. Vice President Mike Pence visited Estonia Monday and affirmed the U.S. will "always" stand with its Bal-

tic allies, and on Tuesday he said in Tbilisi that the United States "strongly condemns Russia's occupation on Georgia's soil."

Lethal aid would raise the cost of Putin's military aggression.

Opponents of lethal aid say Mr. Putin can always trump any Ukrainian effort, but then why hasn't he done so already? Russia could occupy all of Ukraine if it wanted to, at least for a time, but it fears the political and military cost. The point of lethal aid is to raise the price Mr. Putin pays for his imperialism until he withdraws or agrees to peace under the Minsk terms.

Mr. Putin launched his attack when Kiev had no soldiers protecting the eastern border, but his proxy troops were forced to slow down when the Ukrainians organized and started to inflict casualties. The Russian doesn't want dead soldiers arriving home before next year's presidential election.

Bolstering Ukraine's defenses would also send a message to Mr. Putin that Mr. Trump wants to negotiate with Russia from a position of strength. This could help the U.S. position in Syria, where Mr. Trump has been too willing to accept Russian and Iranian dominance after the fall of Islamic State. Mr. Putin took advantage of Mr. Obama after concluding the American was weak and would never push back. Selling lethal weapons to Ukraine would show the Kremlin those days are over.

Trump can change a rule that exempts Members from the law's pain.

LETTERS TO THE EDITOR

Personal Ambition Trumped Party Discipline

Regarding "The Republican ObamaCare Crack Up" (Review & Outlook, July 29): Although it was predictable that Sen. John McCain, the preacher of bipartisan harmony, would self-righteously sabotage Senate Majority Leader Mitch McConnell's last ditch skinny bill, it was impossible to think that after seven years of GOP obloquy against ObamaCare that Senate Minority Leader Chuck Schumer would wind up having "Republicans on the run" on this momentous issue.

In retrospect, it was the Medicaid expansion provision in ObamaCare that proved to be the straw that broke the GOP's back in its tortuous battle to uphold that Big Brother legislation.

What difference does it make to control both chambers of Congress and the White House when party discipline gets pre-empted by personal political mandates?

JAMES HYLAND
Beechhurst, N.Y.

ObamaCare has now survived every political missile fired at it for the last seven years. Its steadfast resilience

against mighty foes proves its success. Winning by one vote is still winning. Barack Obama won again.

REGINALD W. MARSELUS
Lenexa, Kan.

In response to your question, "What next?" It may be time for President Trump to take advice from Heather Higgins who suggested last week that the president should "Force Congress's Hand on Health Care" (oped, July 24) by undoing the Obama administration's special health-care subsidies for members of Congress and designated "official office" staff. Other staffers on Capitol Hill also are exempted from ObamaCare and allowed to keep their old insurance plans.

Members of Congress will howl and the media will accuse Mr. Trump of being petty and vindictive, but he has little to lose. Telling the American people that members of Congress and their staffers will be in the same sinking ObamaCare boat might give his approval rating a sizeable boost.

JOHN KENT
Melbourne, Fla.

The Decline of Human Labor Is Dangerous

Speaking as a robotic-equipment manufacturer, I think there has been progress in the agility of digitally controlled equipment and the range and variety of applications of the machinery leapfrogs the imagination. Concern shouldn't be that artificial intelligence will take away all the jobs—or your job or my job. As Jerry Kaplan notes in "Don't Fear the Robots" (Review, July 22), robots leave lots of room for interesting jobs and even interesting augmentation of humans. What's problematic is that as more and more labor value is eliminated we'll reach a threshold in a race-to-the-bottom cycle that drives the value of labor itself to near zero. This economic and social threat, even if only a possibility, is why we cannot ignore the rapidly changing employment panorama and simply look back to earlier trends, hoping that enhanced robots will thoughtfully innovate new job opportunities for people. We need a focus on robots as enablers of human utility and creativity as we seek alternative economic models that accommodate a declining role of human labor.

TED HALL
Durham, N.Y.

the future. Predicting that everything will be just fine won't put food on the tables of countless American workers who stand to lose not only their jobs but a purpose in life as automation fundamentally changes our economy. We owe it to one another to prepare American workers for the future of work. If we don't, all of the masses in the world won't be able to deal with our pain.

ART BILGER
Los Angeles

Nixon and Carter Should Not Be Lumped With Trump

In the last line of your editorial "Priebus Wasn't the Problem" (July 29) you write that Mr. Trump's "Presidency is careening toward a historic reputation where names like Jimmy Carter and Richard Nixon reside."

Certainly, conservatives did not like Nixon's wage and price controls, and it is proper to be critical of his abuses of power. But at least Nixon knew what he was doing in foreign policy.

PATRICK J. ALLEN
River Forest, Ill.

Reince Priebus was an enthusiastic participant and promoter of both candidate and President Trump. He helped create the monster but was too weak to deal with the untamed beast.

But I take issue with the last line of your editorial. Mr. Carter may have had a less than stellar presidency, but he is a man of integrity with at least one historic achievement, the Camp David Peace Accord. Nixon may be compared to Mr. Trump in the integrity category, but he was an accomplished political force. Neither Nixon or Mr. Carter deserve to be in the same category as Mr. Trump.

DION MAKRIS
Centerville, Ohio

Mr. Priebus joins a long list of hapless public servants bearing blame for the mistakes of others. As he leaves the pinball machine of the Trump White House, he will no longer have to bear the indignity of the man in the Oval Office.

PAUL BLOUSTEIN
Cincinnati

day with a formal dance at dawn, and culminated with a play based on history, tradition and reverence for the cactus. No one fell asleep.

Perhaps Mr. Kimball might suggest fewer presidential trips to Mar-a-Lago as a way to trim government spending: 40 of them will cost taxpayers the equivalent of the 2018 NEA allocation, just approved by the House.

KIMI EISELE

Director, Standing with Saguars
Tucson, Ariz.

Pepper ... And Salt

THE WALL STREET JOURNAL



"If we have to go at least we'll go together."

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OPINION

How to Save Lives With DNA Testing

By Mark Helprin

Three years ago in Albemarle County, Virginia, Jesse Matthew Jr. abducted and murdered a promising 18-year-old University of Virginia student Hannah Graham. Her skeletal remains were found more than a month later in the woods of southern Albemarle. Her grief-stricken father had this to say of his daughter: "She was bright. She was witty. She was beautiful. And she made people happy."

In 2009, Mr. Matthew had murdered Morgan Harrington, another young student, and four years before that had attacked and sexually assaulted a woman in Fairfax, Va.

Most states don't record genetic information of those who commit serious misdemeanors.

leaving DNA beneath her fingernails, which would lead to his conviction after the two murders. But Jesse Matthew had been convicted of misdemeanor criminal trespass in 2010. Had his DNA been recorded at the time, it would have linked him to the 2005 Fairfax attack, and Hannah Graham would be alive today.

The criminal-justice system, legislatures, and, indirectly, all of us have failed these and countless other victims of brutal abductions, rapes, torture, and murder. In Virginia as in most states, no procedure is in place to record DNA following certain serious misdemeanors. Because of the efforts of Sheriff J.E. "Chip" Harding, nine Class 1 misdemeanors have been added to the previous five eligible for DNA collection, but scores of Class 1 offenses are exempt. He proposes to include them.

Last year in the U.S., according to preliminary FBI figures, more than 15,000 people were murdered and 90,000 forcibly raped. Whereas relatively few of those who commit misdemeanors go on to more consequential crimes, most of those who do commit serious crimes have a record of prior misdemeanors. In New York state the average first-time felon has three. Major felons tend to be recidivists. As illustrated by the cases outlined above, many thousands of lives could be protected or saved by solving one crime before a perpetrator has the opportunity to commit others. Police and prosecutors would be freed to work other cases, and, not least, false convictions would decrease and exonerations of the falsely convicted rise.

With the Blue Ridge as the backdrop, the Albemarle County Sheriff's Office is hardly something out of "My Cousin Vinny" or "In the Heat of the Night." True, there are



DAVID GOETHARD

the "No Weapons Beyond This Point" signs, the bulletproof glass, the M4 locker, and 70 sworn officers passing in and out like bees in a hive. But they are a highly qualified, integrated, and ethical force, which, with its unusual reserve division, claims interpreters of half a dozen languages, fixed-wing and helicopter pilots, and military, intelligence, medical, and legal professionals.

At the head is Sheriff Harding, one of the International Chiefs of Police "Top Ten Cops" in America, an FBI Academy graduate with more than 40 years on the job. In his office, he analyzes spreadsheets with thousands of data points relevant to the correlation of major felonies with prior misdemeanors. He has been at it for decades, working with the Innocence Project, testifying before Congress and the state Legislature.

Why such devotion? "If one Nathan Washington had submitted his DNA when convicted of a misdemeanor in 1998," he answers, "he never would have become the notorious Charlottesville serial rapist, who raped at least seven women. His DNA would have returned a 'hit' from a 1997 rape in another town. I wouldn't have had to enter the room where one of his victims' blood was spattered over three walls as he raped and beat her for hours. The six other women would have been spared. Isn't that enough for devotion?"

Sheriff Harding faces two main impediments: that to be maximally effective, the steps he recommends must be implemented

across thousands of jurisdictions, most of which have yet to be introduced to the idea; and, in the era of big data, civil liberties objections arise, despite the Supreme Court's ruling in *Maryland v. King* (2013) affirming police authority to sample DNA after arrests for a broad range of criminal offenses.

The first obstacle requires a good and well-publicized argument. As for the second, requiring DNA from everyone would be egregiously invasive, but what is proposed instead is that a person exists the realm of innocence when (with exceptions such as driving under the influence) he is convicted of a crime subject to arrest and incarceration. Biometric and fingerprint data would be taken as a matter of course, and a cheek swab is less demanding than having fingerprints done or tattoos photographed.

The sheriff's carefully sourced arguments have allies both likely and unlikely. Across the street, in the court complex once frequented by Jefferson, Madison, and Monroe, is the office of Albemarle County Commonwealth's Attorney Robert Tracci, a former federal deputy assistant attorney general and chief legislative counsel and parliamentarian to the House Judiciary Committee. Having assisted passage of the 2004 Justice for All Act and other major federal criminal justice reforms, he has lent the weight of his expertise and experience to this effort. "DNA technology," he says, "advances justice by solving crime and freeing the innocent. With adequate safeguards, it

is neither partisan nor biased, but essential."

Strange bedfellows are Govs. Andrew Cuomo of New York and Scott Walker of Wisconsin, who, at opposite ends of the political spectrum, are on board nonetheless, having subjected all serious misdemeanors in their states to DNA collection. "Blue" New York is exemplary in making the connection between misdemeanors and major crime, despite its similarity in spirit to James Q. Wilson's "broken windows" policing, which liberals hardly embrace, even though—or perhaps because—it works.

Sheriff Harding's and Mr. Tracci's advocacy is neither partisan nor overbearing. It is completely race-neutral. It does not threaten civil liberties. Even as it would make use of the federal DNA clearing center to coordinate state "hits," their initiative arises, consonant with the finest traditions of federalism, from the people and the states, rather than from the top.

Their arguments are detailed and reflective of their training, experience, and judicious consideration. Their passion is informed by the prospect that so much violence, suffering, and death can be avoided if their policy is embraced. Hannah Graham would still be alive today, and her family not perpetually aggrieved. Multiply that by the thousands and tens of thousands.

Mr. Helprin, a senior fellow of the Claremont Institute, is the author of "Winter's Tale," "A Soldier of the Great War" and the forthcoming novel "Paris in the Present Tense."

Tillerson Can End the Qatar Standoff

By Dennis Ross

Deceiving Islamic State is the Trump administration's most important national-security priority. But removing ISIS from Mosul and Raqqa may end up meaning little absent the ability to secure, reconstruct and govern these and other cities. Preventing a dangerous power vacuum from forming in areas liberated from ISIS control requires the urgent involvement of unified Sunni Arab states.

Unfortunately, the Saudis, Emiratis, Bahrainis and Egyptians are currently distracted by a diplomatic imbroglio with Qatar over its support for Hamas and the Muslim Brotherhood.

Secretary of State Rex Tillerson has tried to mediate, but he erred by traveling to the region before negotiating a plan for ending the conflict. Good statecraft

requires making it unacceptable to say "no" to the U.S.

Already there are signs that both sides may be more amenable to a face-saving settlement. The Saudi-led coalition has softened its original 13 demands, which included shutting down Al Jazeera and closing a Turkish military base. Instead they are asking for Qatar to act on a set of principles, including combating terrorism and extremism, denying financing and safe haven to terrorist groups, ending incitement of hatred, and refraining from interfering in the internal affairs of other countries.

These principles are broad enough to create space for both sides to reach understandings, and Qatar's emir, Tamim bin Hamad Al-Thani, has said he is open to dialogue.

The Al-Thani regime allows the U.S. to use Al Udeid Air Base and has invited American universities

such as Northwestern, Texas A&M and Georgetown to open campuses in Qatar. Yet the tiny oil-rich emirate also hosts senior Taliban leaders, supports radical Islamists in

To preserve his credibility as a diplomat, the secretary of state needs to put a win on the board.

Libya and Syria, and finances media platforms for the Muslim Brotherhood to broadcast its message. Any resolution to the conflict must ensure that Qatar gives up this double game.

Assuming that Mr. Tillerson has the support of President Trump, the former Exxon CEO should quietly but bluntly inform all sides how the standoff will end—with Qatar implementing its recently signed memorandum of understanding with the U.S. on terror financing, committing to arresting or expelling all those that the U.S. has designated as supporters or facilitators of terror, and ceasing to provide material support to any group that the U.S. deems a threat to regional stability.

Mr. Tillerson must make clear that if the Qataris balk, the U.S. will withdraw its forces from Al Udeid. This is the type of threat that should concentrate Mr. Al-Thani's thinking. The Qataris view the American military presence as a security guarantee. Preventing a U.S. withdrawal gives them the political cover they need to end the current standoff. The last thing the Qataris want is to be seen giving in to the Saudis.

Effective American intervention now is necessary for several reasons.

A wounded ISIS could exploit the current confusion to regain its strength. Iran and its Shi'ite militias are already positioning themselves to fill any power vacuum in both Iraq and Syria, further destabilizing the region. And, for Mr. Tillerson, his future effectiveness as secretary of state could depend on it.

Mr. Tillerson's reluctance or inability to fill out senior State Department positions and the Trump administration's often contradictory messaging have cast doubt on his ability to speak for the president. This is an untenable position for a secretary of state. Mr. Tillerson needs to demonstrate that he can solve diplomatic problems by exercising leverage and producing results. He needs to put a win on the board, lest America's partners and adversaries begin to question whether it makes sense to work with him.

The most effective secretaries of state were characterized not by their strategic brilliance but their unmistakable authority. No one questioned whether Henry Kissinger or James Baker spoke for the president. The power and authority they exuded made their threats and inducements believable. Without leverage, diplomacy rarely works.

Unlike Messrs. Kissinger and Baker, Mr. Tillerson can't count on the White House's messaging to reinforce his diplomacy. Unless he wants to see his authority slowly erode over time, Mr. Tillerson needs a high-profile diplomatic success—and soon. The standoff with Qatar provides a perfect opportunity.

Mr. Ross has held senior national security positions in several presidential administrations and is counselor at the Washington Institute.

Maine's Two Senators Let Us Down

By Paul R. LePage

When it comes to providing affordable health care to the people of Maine, Sens. Susan Collins and Angus King are worse than out of touch—they are downright dangerous. After Maine expanded Medicaid to childless adults in 2002 under then-Gov. King, the program nearly bankrupted our state. But now Ms. Collins and Mr. King are pushing to do it again by refusing to reform ObamaCare and prevent the future expansion of Medicaid.

Sadly, this is no surprise from senators who are more comfortable cutting deals in the polished marble corridors of Washington than meeting with Mainers struggling to make ends meet in Lewiston, Millinocket or Fort Kent. Ms. Collins is a Republican, but last week, unconsciously, she did not support her party's effort to repeal ObamaCare. Mr. King claims to be an independent, but he votes exclusively with liberal Democrats and found preserving ObamaCare to be a no-brainer.

Mr. King also served as an "independent" governor of Maine, and when he departed in January 2003 he left a \$1 billion structural budget gap for the next governor to deal with. After Mr. King's successor was unable to close it, I took office in 2011 vowing to restore fiscal responsibility—and I did. Washing away the years of red ink meant getting the state's Medicaid spending under control.

Medicaid expansion nearly broke our state budget, yet Sens. Collins and King refuse to reform it.

When it comes to expanding Medicaid, we have been there and done that. The results 15 years ago were disastrous. The state doubled the size of its Medicaid program, but this failed to reduce the uninsured rate, emergency-room visits or uncompensated care by hospitals. We were saddled with \$750 million of Medicaid debt, and I spent my first two years as governor working to repay it.

By reforming Maine's Medicaid and welfare programs, we directed resources toward the truly needy: elderly, disabled and extremely low-income Mainers. The Medicaid expansion now supported by Sens. Collins and King would open the program mostly to able-bodied people without children. These are not Maine's most needy residents; providing them "free" health care is tantamount to giving them another welfare entitlement.

Maine's Public Law 90, a state health-reform plan that I helped implement before it was voided by ObamaCare in 2012, can be a model for the nation. The law aimed to reduce costs by allowing Mainers to purchase health insurance across state lines and created a risk pool to cover people with pre-existing conditions.

Ms. Collins and Mr. King have ignored these ideas, since they are more interested in preening for the cameras than in making real progress. But I've repeatedly advised our congressional leaders about the key components of a successful health-care reform. First, any further Medicaid expansion under ObamaCare should be prohibited for the states that have declined it so far. Expansion would cost Maine \$400 million to \$500 million over the next five years, putting the state back into fiscal crisis.

Second, states should be given flexibility. The block grants outlined in the Senate's original proposal would have moved Medicaid in the right direction, but still not far enough. Each state should have the autonomy to tailor its Medicaid program to suit the needs of its enrollees and taxpayers.

Third, states should be allowed to add work requirements, increase the frequency of eligibility determinations, and reduce retroactive eligibility from 90 days to 30. This would create greater accountability for Medicaid enrollees and ensure that recipients are invested in their own health care.

Given the opportunity last month to replace America's failing health-care system with a more cost-effective plan, Sens. Collins and King instead chose to preserve the status quo while pushing an irresponsible Medicaid expansion here in Maine. Though they seem unwilling to deliver on their promises of better care, at least they have given Mainers a clear sense of their priorities.

Mr. LePage, a Republican, is governor of Maine.

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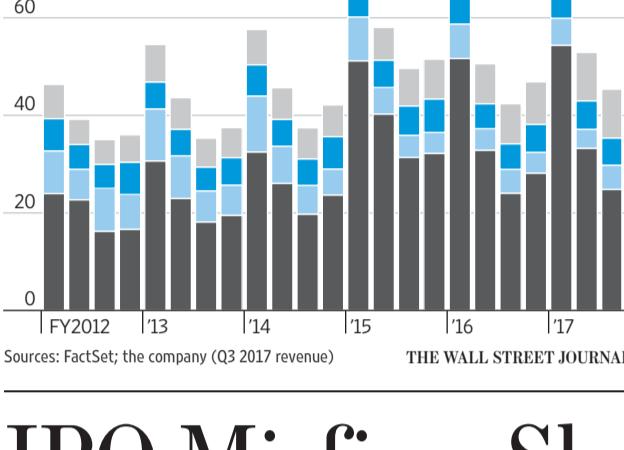
Apple Powers Up on Mac and iPad Sales

Rosy Report

Apple posted fiscal third-quarter revenue of \$45.4 billion, a 7.2% increase over last year.

Revenue by product ■ iPhone ■ iPad ■ Mac ■ Other

\$80 billion



Sources: FactSet; the company (Q3 2017 revenue)

Strength of tablets provides big surprise; iPhone is steady even as new versions near

By TRIPP MICKLE

Apple Inc. delivered strong revenue in its latest quarter, typically its weakest period, by re-energizing iPad and Mac sales and keeping purchases of iPhones steady as consumers anticipate a new phone this fall.

The company's revenue jumped 7.2% from a year earlier to \$45.4 billion, its best growth since the fall of 2015.

The biggest surprise was a revival of the iPad tablet business, and the momentum of the Mac, which both had waned in recent years as consumers

shifted more money into smartphones. Shipments of iPads increased for the first time in 3½ years, rising 15% to 11.42 million units amid strong sales to schools and businesses and pushing tablet revenue up 1.9%.

"We've got some momentum," Chief Executive Tim Cook said. "A lot of things we've been working on a long time are beginning to show in the results."

Profit rose 12% to \$8.72 billion, beating Wall Street's expectations. It is the company's second consecutive increase in earnings after a yearlong downturn.

The results highlight Apple's position of strength for the months ahead. Investors expect a new iPhone to bring record sales, but the company's outlook is also bolstered by stabilized

computer sales, a fast-growing services operation and a resurgent tablet business. China, however, remains a weak spot.

Apple shares jumped 6.1% in after-hours trading, building on the 30% gain notched year to date.

The results came during what is historically Apple's softest quarter—a time when consumers often hold off buying iPhones ahead of an autumn release of a new device.

Mr. Cook said media and analyst chatter about future iPhones was more frenzied than usual and affected sales, particularly of its highest-priced devices, the iPhone 7 and iPhone 7 Plus. "We believe there is a pause, but that probably bodes well for the future," he said. Shipments of iPhones rose 1.6% to 41.03 million.

The iPad benefited from a refresh, including the introduction in March of an upgraded, basic iPad and in June a new iPad Pro, Mr. Cook said. He said he expects the introduction of a new mobile operating system this fall, iOS 11, to strengthen sales as it introduces features such as file storage and drag-and-drop.

Mac sales increased despite a 4% contraction in PC sales worldwide, Mr. Cook said.

Apple projected a wide revenue range of \$49 billion to \$52 billion for the current quarter, mostly eclipsing analysts' consensus estimate of \$49.2 billion in sales, according to Thomson Reuters. Had the company's estimates fallen short of analysts' expectations it would have indicated the company may be run-

Please see **APPLE** page B4

IPO Misfires Shake Silicon Valley Startups

BY CORRIE DRIEBUSCH
AND MAUREEN FARRELL

Snap Inc. and Blue Apron Holdings Inc. were supposed to herald a return of the great technology IPO. They have instead become vehicles of market dismay.

Both companies now trade well below their initial public offering prices. More disturbingly for venture-capital investors, those prices are below what some paid for their pre-IPO stakes.

The result is renewed doubt about valuations across Silicon Valley's private companies, whose worth has been climbing for a decade.

On Monday, Snap shares touched a fresh low in volatile trading after some early shareholders in the messaging-app owner were allowed to sell their holdings for the first time.

In another ominous sign, yoga-studio owner YogaWorks Inc. in mid-July postponed its IPO on the eve of its debut, citing market conditions.

AppNexus Inc., an advertising-technology company that was planning to go public as early as this fall, is now more likely to wait until next year, people familiar with the matter said.

Analysts and underwriters say that the weak performance of Snap, the largest tech IPO in more than two years, is stoking doubts among late-stage private investors.

Such doubts could interrupt the cycle of ever-increasing funding rounds that has underpinned the lofty valuations of many tech startups.

The relationship between



Snap owns the Snapchat app and Spectacles smart sunglasses. Snap shares have struggled since the May quarterly earnings report.

private and public markets has never been so lopsided. Currently, nearly 170 private companies are valued by their owners at \$1 billion or more, according to Dow Jones VentureSource.

That is up from about 60 just three years ago. Thirteen private companies now fetch a valuation of \$10 billion or more.

Before the financial crisis, no venture-backed company

had ever achieved a billion-dollar valuation before going public, according to McKinsey & Co.

Funding dedicated to private startups is robust. North American venture firms as of July 2017 had nearly \$96 billion in uninvested capital, the most on record, Prequin estimates.

Apart from that, SoftBank Group Corp. recently launched a \$100 billion vehicle to invest

in private tech firms, the largest such fund ever.

The IPO market, meanwhile, is on shaky ground. While the roughly \$30 billion raised in 105 offerings in the U.S. through July is nearly triple the comparable amount from last year, it is an easy comparison: Last year was the slowest for IPOs in more than a decade, according to Dealogic.

Furthermore, IPOs, usually

Valuation Snapshot

Shares of Snap and Blue Apron have fallen below what investors paid while the companies were private.

SNAP

Last pre-IPO price*	\$15.36
IPO price	\$17
Aug. 1 close	\$13.10

BLUE APRON

Last pre-IPO price	\$13.33
IPO price	\$10
Aug. 1 close	\$6.37

*Price adjusted for pre-IPO stock split
Sources: FactSet; SEC filings

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S&P 500 Blocks Multiple Classes

The keepers of the S&P 500 took a stand against public companies with multiple classes of shares, saying they would bar newcomers with such setups from their flagship index.

The policy change, announced by S&P Dow Jones Indices, rejects potential eligibility for Snap Inc. as well as Blue Apron Holdings Inc., both of which went public this year.

By Chris Dieterich,
Maureen Farrell
and Sarah Krouse

The move comes as other major index companies, including FTSE Russell and MSCI Inc., are evaluating similar index changes to assuage concerns about investors getting limited or no voting rights. The issue is that increasingly popular index funds are otherwise forced to buy stakes in companies that leave investors with little say in corporate decisions.

Critics of S&P's move say that by barring such companies, the index—and the funds that track it—might not provide an accurate gauge of the overall market. Others say the change also might discourage companies from going public altogether by pushing them to choose between maintaining corporate control and tapping into the large shareholder base that indexing generates.

In a memo to clients, law firm Davis Polk & Wardwell LLP said such moves "seem likely to reduce opportunities for retail investors to access mutual funds that reflect the broader U.S. market."

The ruling effectively pits two trends against each other—the move toward multiple-class voting in corporate governance and the increased popularity of index investing.

Technology companies have been increasingly using multiple classes of shares to give founders and early investors voting control when they go public.

About 15% of the tech companies that went public in the U.S. between 2012 and 2016, including Facebook Inc., Fitbit Inc. and Twilio Inc., did so with at least two classes of stock, up from 8% between 2007 and 2011, according to data compiled by University of Florida finance professor Jay Ritter.

Snap took the trend to an extreme in March, when the disappearing-photo app company sold Class A shares in its initial public offering that carry no voting rights. The company's co-founders, Evan Spiegel and Robert Murphy, are the only owners of Class C shares, which control about 90% of the voting rights.

Barring index entrance
Please see **S&P page B2**

HEARD ON THE STREET | By Nathaniel Taplin

Producers Are Adjusting To Lower Oil Prices

Major oil companies seem to have moved through the stages of grief about low prices, finally arriving at acceptance.

During the latest round of sector earnings delivered in recent days, Royal Dutch Shell's boss, Ben van Beurden, even said oil could be "lower forever." BP said Tuesday that it is targeting a future break-even oil price of \$35 to \$40 a barrel. The question for investors is whether they and their global peers can protect their dividend payouts in this brave new world.

Shell's own results offer some hope, largely because it has become less reliant on crude production itself. Its push into natural gas in recent years and big refining operations are paying off: Second-quarter earnings rose sevenfold to \$1.9 billion, beating expectations.

U.S. companies Exxon

Mobil and Chevron also saw

profits rise sharply but cash generation lagged behind, in part due to expensive upstream U.S. oil operations.

If oil demand peaks as soon as 2030, as Shell predicts, its shift into natural gas will be validated. Although most of the majors have shifted toward gas and Exxon remains a larger gas producer overall, Shell's bet has been especially obvious. Following its expensive 2015 acquisition of BG Group, it could be the world's largest liquefied natural-gas marketer by the 2020s, and it now produces more gas than oil. Still, if peak oil demand comes later, Exxon's and Chevron's investments in shale oil will probably look smart. The problem with producing shale oil is that it burns up cash. Shell generated \$35 billion in cash flow from operations in the

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TIPS FOR OUTSIDERS AT FAMILY FIRMS

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Slump in Auto Sales Extends to 7th Month

BY CHRISTINA ROGERS
AND MIKE COLIAS

Auto sales sharply declined in July, the seventh month of a slowdown punctuated by manufacturers' reluctance to sell discounted cars through leases and car-rental chains that have driven sales in recent years.

Sales fell 7% last month, compared with a year earlier, according to Autodata Corp. Research firm J.D. Power said manufacturers typically pull back on sales incentives after the July Fourth holiday, "but this year elevated inventory levels coupled with the sales slowdown have compelled them to maintain aggressive discounts throughout July."

Detroit's car companies felt the brunt of the decline, with General Motors Co. reporting a 15% sales drop in July from a year earlier. Sales at Ford Motor Co. and Fiat Chrysler Automobiles NV slid 7.4% and 10%, respectively. All three were below analysts' expectations.

Despite falling sales, the three companies aimed to protect their bottom lines by

trimming incentives for car leases. Auto makers have banked on such discounts to keep consumers' monthly payments low as sticker prices soared because of a market shift to heavier trucks and sport-utility vehicles, and technology aimed at making cars smarter, safer and more efficient.

Manufacturers in July also edged away from discounted, less-profitable rental-car sales to companies such as Hertz and Enterprise.

The moves reinforce a newfound discipline for domestic manufacturers that have ridden a seven-year growth streak since GM and Chrysler sought bankruptcy protection in 2009. The Detroit 3 reported tens of billions in profits during that span, bolstered by falling gasoline prices and strong demand for profit-rich trucks and SUVs.

Overall industry demand softened over the first seven months of 2017, falling about 3% in June, according to Autodata.

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Barring index entrance
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BUSINESS NEWS

Engineers Close In On Pact To Merge

By DANA MATTIOLI

Jacobs Engineering Group Inc. is nearing a deal to buy **CH2M Hill** Cos. for \$2.85 billion, in an effort to capture more lucrative infrastructure and government-services business.

A cash-and-stock deal for the engineering-services firm was expected to be announced Wednesday, people familiar with the matter said.

CH2M, based in Englewood, Colo., is one of the largest employee-controlled companies in the U.S., according to its website.

While **CH2M** has a share price, it isn't publicly traded on a stock exchange. The company's board determines its stock price each quarter based on the performance of the business. Shares of **CH2M** currently have a price of \$50.69.

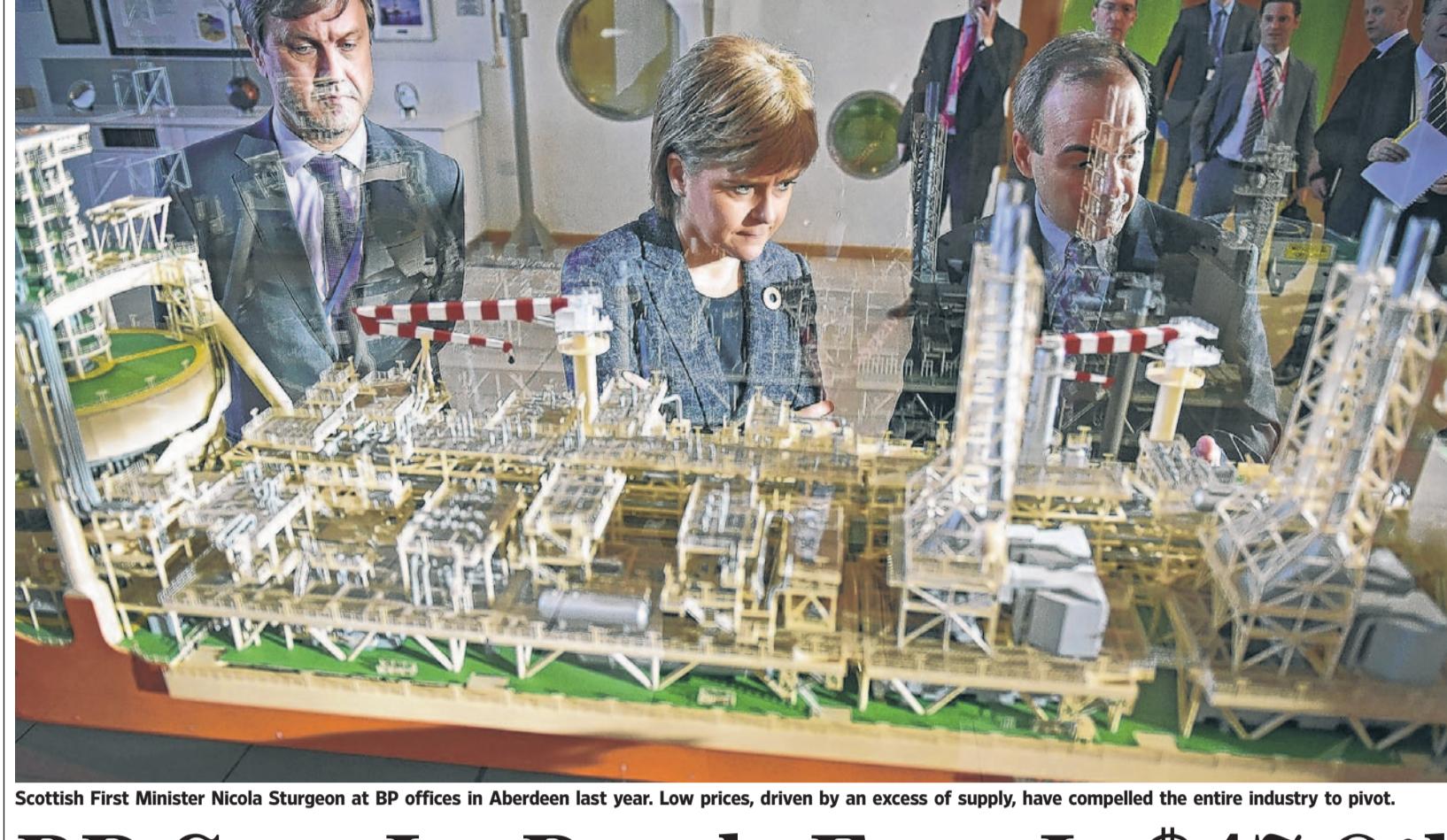
The deal is expected to value **CH2M** at \$88.08 a share and will be structured using 60% cash and 40% in Jacobs stock, one of the people said.

CH2M was founded in 1946 and works on projects such as the expansion of the Panama Canal and a 15.5-mile tunnel designed to improve London's sewage system. It has around 20,000 employees and in 2016 logged revenue of \$5.2 billion. A year ago, private-equity firm Apollo Global Management LLC bought a minority stake in **CH2M** in a deal that valued the company at roughly \$2 billion.

Jacobs is based in Dallas. It serves the aerospace, infrastructure, industrial and energy sectors, building space-systems facilities for NASA and designing plans for highways, bridges, tunnels and airports, among other projects. It had \$10.9 billion in revenue in 2016.

Engineering and construction companies are expected to get a lift from President Donald Trump's promised \$1 trillion infrastructure-spending package. As a result, investors have plowed money into stocks of companies in the sector. Jacobs stock has nearly doubled this year, giving it a market value of about \$6.3 billion.

CH2M has exposure to fast-growing and profitable segments of the infrastructure and government-services sector that are attractive to Jacobs.



ZUMA PRESS

Scottish First Minister Nicola Sturgeon at BP offices in Aberdeen last year. Low prices, driven by an excess of supply, have compelled the entire industry to pivot.

BP Says Its Break-Even Is \$47 Oil

By MICHAEL AMON

LONDON—**BP** PLC is once again raking in billions of dollars in cash.

The British oil giant, which on Tuesday was the last of the world's biggest Western oil companies to report quarterly earnings, said it can now break even when oil is at \$47 a barrel, cushioning it against an extended period of low prices.

Though BP's equivalent to second-quarter net profit was, by oil-industry standards, a relatively modest \$553 million, that compared with a loss of \$2.2 billion a year earlier. And that was despite oil prices stuck at \$50 a barrel or less for much of the year and further

costs associated with the Deepwater Horizon oil spill in 2010.

Low oil prices, driven by an excess of supply, have compelled the entire industry to pivot, cutting costs and seeking new avenues for growth. Like its peers **Exxon Mobil** Corp. and **Royal Dutch Shell** PLC, BP has moved to increase production through relatively low-cost projects that make money at depressed crude prices.

BP also eliminated \$7 billion in costs last year, the effects of which are beginning to bear fruit, Chief Financial Officer Brian Gilvary said in an interview. Mr. Gilvary said the company is targeting a break-even oil price of \$35 to \$40 by next year. Just a few months

ago, BP disappointed investors by saying it needed \$60 a barrel to cover its costs.

Other companies haven't disclosed as much about their break-even price as BP. Shell Chief Executive Ben van Beurden said last week the company had reduced costs and was getting "fit for the \$40s," referring to oil prices.

Mr. van Beurden said Shell was prepared for oil prices to remain "lower forever." That was a riff on a phrase BP Chief Executive Bob Dudley coined about prices back in 2015, when he said they would be "lower for longer" and later amended to "lower for longer but not forever."

On Tuesday, Mr. Dudley

said oil prices still presented a "tough environment," but sounded a rare note of optimism, calling \$50 a barrel "a pretty good fairway for us going forward."

BP says it is girding for oil prices of \$45 to \$55 a barrel for the next five years.

The company said it was girding for oil prices of \$45 to \$55 a barrel for the next five years, a recovery from last year's low of \$27 but well be-

low the consistently high levels around \$100 from 2011 to 2014.

Brent crude, the international benchmark, has been rising in recent weeks and was trading at \$52.32 a barrel on Tuesday afternoon in London—up about 13% in the past three weeks.

Mr. Gilvary said the only thing holding back BP's profit in the quarter was more than \$4 billion in payments related to the 2010 blowout on the Deepwater Horizon oil rig in the Gulf of Mexico. The explosion killed 11 workers, spilled millions of barrels of oil into the Gulf and forced BP into a long period of retrenchment, with costs estimated at more than \$60 billion.

John Flannery Assumes Command at GE

By THOMAS GRYTA

John Flannery started his first day as **General Electric** Co.'s chief executive with a letter to employees, highlighting the company's transformation under its previous leader but saying "now we need an intense focus on running the company well."

GE is coming off a 16-year run of Jeff Immelt, who moved

the company away from struggling and lower-margin businesses toward industrial machines and related technology and services. The company's stock faltered during his tenure, but he navigated challenges such as the 9/11 terrorist attacks and the financial crisis while pushing into software development.

In his letter Tuesday, Mr. Flannery said he met with 100

investors over the past month and hears them "loud and clear" on their concerns.

"They understand the importance of GE in the world, but they think we are underperforming," he wrote. Investors want improvement on cash flow, margins and cutting costs, he added, and asked GE to simplify the financial metrics it discloses. He is reviewing GE's portfolio and will un-

veil his plans in November.

"They understand how massive the portfolio transformation has been since 2001, but now we need an intense focus on running the company well," said Mr. Flannery. Mr. Immelt took the reins in 2001 from Jack Welch.

Mr. Flannery conceded he was still getting used to the idea of being the CEO, saying it seems "a bit surreal" and

telling workers about his start at "a small part" of GE Capital in New York City in the 1980s.

On Monday, Mr. Immelt posted his own letter to employees, also offering lessons he learned over the years. He said that "every job or decision looks easy until you are the one on the line."

He called Mr. Flannery "the right person to lead GE into the future."

Sprint Nears Decision on Pursuing Deal

By RYAN KNUTSON

Sprint Corp. said it would decide soon on whether to pursue a merger with either **T-Mobile US** Inc. or **Charter Communications** Inc., with an announcement coming "in the near future," according to the U.S.-based wireless carrier's chief executive.

"We've had sufficient conversations with several parties and soon we're going to start making decisions," Sprint CEO Marcelo Claure said on a call Tuesday after the company reported results for the three months ended June 30.

While Mr. Claure didn't mention either company directly, The Wall Street Journal has reported on its talks with both.

Sprint and its parent, **SoftBank**

Group Corp. of Japan, are considering a formal offer to acquire Charter, according to people familiar with the matter.

Mr. Claure said a deal with T-Mobile might be the preferred option, but it would be tougher to get past antitrust regulators.

T-Mobile and Charter declined to comment.

Were Sprint to go it alone, the results it reported Tuesday show it has a tough road ahead. It drew praise from analysts for posting its first quarterly profit in three years—\$206 million compared with a loss of \$302 million a year ago—but revenue fell 4.5% to \$8.2 billion and it added fewer customers than rivals.

—Ezequiel Minaya contributed to this article.

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INTERNATIONAL NOTICES

IN THE HIGH COURT OF THE HONG KONG SPECIAL ADMINISTRATIVE REGION COURT OF FIRST INSTANCE ACTION NO. 2189 OF 2016

BETWEEN SECURITIES AND FUTURES COMMISSION AND Plaintiff

DFRF ENTERPRISES LLC

DFRF ENTERPRISES, LLC

DANIEL FERNANDES ROJO FILHO

HERIBERTO C. PEREZ VALDES

SEALAND TRADING (HONG KONG) LIMITED

To: DFRF ENTERPRISES LLC

DFRF ENTERPRISES, LLC

DANIEL FERNANDES ROJO FILHO

HERIBERTO C. PEREZ VALDES

1st Defendant2nd Defendant3rd Defendant4th Defendant5th Defendant

TAKE NOTICE that an action (HCA No. 2189 of 2016) has been commenced against you, the 1st, 2nd, 3rd and 4th Defendants, in the Court of First Instance of the Hong Kong Special Administrative Region by the Plaintiff, **Securities and Futures Commission**, in which the Plaintiff claims, *inter alia*, for declarations that the 1st, 2nd and 3rd Defendants have contravened sections 103(1), 107(1), 109(1), 114(1)(a) and (b) of the Securities and Futures Ordinance (Cap. 571) ("Ordinance"), for declarations that the 4th Defendant has aided, abetted or otherwise assisted, counseled or procured the aforementioned contraventions or was directly or indirectly in any way knowingly involved in or a party to the aforementioned contraventions, for injunctions, orders and interim orders as the Court considers appropriate to be made against you under section 213(2)(a), section 213(2)(b), section 213(2)(c), section 213(2)(d), section 213(2)(f), section 213(2)(g) and/or 213(6) of the Ordinance and further, or in the alternative, for an order for damages pursuant to section 213(8) of the Ordinance.

FURTHER TAKE NOTICE that the Court has on 28 June 2017 ordered, *inter alia*, that service by:

i. inserting an advertisement of an English notice once in the New England Edition of The Wall Street Journal ("WSJ"), an English newspaper published and circulating in the New England region of the United States of America ("USA") and once in the Florida Edition of WSJ, an English newspaper published and circulating in the State of Florida, USA of the following documents:

- a. in the case of the 1st, 2nd and 3rd Defendants, a copy of the 5th Affirmation of Tam Yiu Cheong Raymond dated 6 December 2016 ("Tam's 5th Affirmation"), a sealed copy of the Order made by the Honourable Mr Justice Anthony Chan dated 13 December 2016 ("December Order"), a copy of the 7th Affirmation of Tam Yiu Cheong Raymond dated 15 March 2017 ("Tam's 7th Affirmation"), a sealed copy of the Order made by the Honourable Mr Justice Anthony Chan dated 22 March 2017 ("March Order"), a copy of the Order made by Master M Wong dated 28 June 2017 ("June Order"); and
- b. in the case of the 4th Defendant, a copy of Tam's 5th Affirmation, a sealed copy of the December Order, a copy of Tam's 7th Affirmation and a sealed copy of the June Order

shall be deemed to be good and sufficient service on you and that service shall be deemed to have been effected on the day of the publication of the advertisement; and sending a copy of Tam's 5th Affirmation, a sealed copy of the December Order, a copy of Tam's 7th Affirmation and a sealed copy of the June Order by email addressed to the 4th Defendant at the email address being used by him, shall be deemed to be good and sufficient service on the 4th Defendant and that service shall be deemed to have been effected on the day of the sending of the email.

Copies of the abovementioned documents may be obtained from the High Court Registry and the Legal Services Division of the Securities and Futures Commission of which the office is at 35th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.

Dated the 2nd day of August 2017

Registrar
Securities and Futures Commission
The Plaintiff
35/F, Cheung Kong Center,
2 Queen's Road Central, Hong Kong.
Ref: 122/LG/0500/0145



JOE RAEDLE/GETTY IMAGES

A Sprint store in Miami. The carrier's earnings drew praise.

Theranos Low on Cash After Settlement

By CHRISTOPHER WEAVER AND MICHAEL SICONOLFI

A settlement between **Theranos** Inc. and the Walgreens drugstore chain leaves the blood-testing lab firm with little money left in its coffers.

Theranos said Tuesday it settled a lawsuit by the Walgreen Co. unit of **Walgreens Boots Alliance** that claimed the blood-testing firm breached their contract and misled the drugstore chain about its capabilities.

Neither Theranos nor Walgreens would disclose terms of the settlement, though people familiar with the matter said the amount was more than \$25 million. The Wall Street Journal reported in June that a tentative settlement had been reached, calling for Ther-

anos to pay Walgreens less than \$30 million.

The embattled Silicon Valley firm told investors in June that it had about \$54 million left on hand at that time. It was spending about \$10 million a month then, but anticipated further reducing its burn rate.

Theranos in June was seeking to raise about \$50 million from existing investors. The company declined to comment on whether it had succeeded in doing so, or on its current cash position. It isn't clear when Theranos will make the payment to Walgreens.

Theranos also maintains insurance policies that could cover certain settlement and legal costs, according to court records.

Walgreens sued Theranos in November, seeking to reclaim

the \$140 million it spent on the partnership, including a \$40 million loan that was convertible into equity and a \$100 million "innovation payment" meant to help fast-track the blood tester's rollout at Walgreens stores around the country.

The Theranos statement said the settlement resolves "all claims among those parties," and that Walgreens would drop the lawsuit "with no finding or implication of liability."

The settlement caps a series of agreements Theranos has cut with its adversaries in litigation and regulatory disputes in recent months. The company has settled with the main U.S. lab regulator, which found it didn't meet basic U.S. blood-testing standards, and the Arizona attorney general,

which alleged it defrauded residents of that state. It resolved litigation with a major investor, Partner Fund Management, in May.

Theranos says it has changed its ways. In the statement, the blood tester said that over 16 months it "has built a new senior management team, changed the composition and structure of its board of directors, installed an expert technology and scientific advisory board, and implemented a new quality and compliance program."

The Walgreens settlement

represents roughly one-fifth of its total investment in the botched partnership. In a statement, Walgreens spokesman Michael Polzin said only: "The matter has been resolved on mutually acceptable terms."

TECHNOLOGY

WSJ.com/Tech

Etsy Confronts an Identity Crisis

Online retailer under pressure to stop spending like a tech startup; 'trying to find the right balance'

BY KHADEEJA SAFDAR

Two years after its much-hyped IPO, Etsy Inc. finds itself in a predicament familiar to the rest of the retail industry: Sales are slowing and investors are frustrated.

The online marketplace for handmade and vintage goods, which calls itself a "sophisticated technology platform" and says it treats "code as craft," is now under pressure to stop spending like a tech startup and start acting like a retailer.

"We're trying to find the right balance between a tech company and an e-commerce company," Fred Wilson, a venture capitalist and chairman of Etsy's board, said in an interview. "Engineering is still critically important, but we don't need to build technology for technology's sake."

Etsy's new CEO, Josh Silverman, who took over in May, has slashed spending and is focusing on reviving the company's core marketplace, in which revenue growth has slowed in each of the past four years. "We have invested too much in building our version of things that already exist in the market," Mr. Silverman said.

Last year, Etsy booked a \$30 million loss as higher costs offset a 33% jump in revenue to \$365 million. In the first quarter, operating expenses rose 36% from a year ago, or twice as rapidly as revenue. The company reports its latest results on Thursday.

Several people familiar



An Etsy promotion in London last fall. Shares of the online marketplace have been trading below their \$16 IPO price for about two years.

with Etsy's thinking say the company has grappled with the expectations of public markets and failed to prioritize its marketplace, which now accounts for less than half of its revenue. Since 2015, Etsy generates most of its money from providing add-on services to merchants, such as shipping labels and advertising. Shares shot above \$30 in their first day of trading in April 2015 but soon crumbled and have been trading below the \$16 IPO price for about the past

two years.

Hedge fund **Black-and-White Capital LP** publicly criticized the company in May, citing issues from Etsy's "horrendous search functionality" to a "historical pattern of ill-advised spending." The firm, along with buyout giant TPG and others, have encouraged Etsy to explore a sale of the company.

Asked if the company was for sale, Mr. Silverman said he would have to consider any offers that may surface but he is focused on revamp-

ing the business. "Step one is to have a plan and confidence in the plan and only then could we weigh any offers," he said.

Etsy, according to former and current executives, long prided itself on building its own technology—even touting the number of times it deployed code daily—but many of the homegrown products, such as the site's email system and search engine, had limited capabilities.

The site's technology frus-

trated Amy Stringer-Mowat, who has been selling cutting boards on the marketplace since 2010.

When her items seemed to stop showing up in search results as frequently and her revenue declined, she shifted more of her business, American Heirloom, to her own e-commerce site.

"Everything felt like an experiment on Etsy," she said. "I realized I could make better use of my time figuring out my own analytics rather than figuring out Etsy's algo-

Retail Reality

Etsy's expenses and revenue, change from a year earlier



Source: company filings

THE WALL STREET JOURNAL.

rithms."

Growth in Etsy's core marketplace business—derived from charging transaction and listing fees—began decelerating a few years before its IPO.

In search of growth, Etsy's previous CEO, Chad Dickerson, invested in business tools for merchants and an overseas expansion.

In May, the company announced plans to cut 8% of its workforce and said Mr. Dickerson, who had run the Brooklyn, N.Y., company since 2011, was being succeeded by Mr. Silverman, a former Skype and eBay executive.

Mr. Silverman is centralizing marketing in international markets and deploying more outside technology, a shift from the company's guerrilla-type marketing approach and do-it-all-yourself engineering culture.

Sony Profit Shoots Up, Boosted by Strong Sales

BY TAKASHI MOCHIZUKI

TOKYO—Strong sales of image sensors for cameras in iPhones and other smartphones helped Sony Corp. post sharply higher profit in the three months through June.

Sony's operating profit in the fiscal first quarter rose to ¥158 billion (\$1.43 billion), nearly triple the figure in the same quarter a year earlier and the highest on record for Sony in the April-June period.

The figure was boosted by one-time factors, including income from insurance payments for earthquake damage that a Sony factory in southern Japan suffered a year ago. Even without those factors, Sony said its operating profit

for the quarter was on par with the previous record set in April-June 2007.

Net profit for the quarter was ¥81 billion on sales of nearly ¥1.9 trillion.

For the full fiscal year ending in March 2018, analysts expect the 71-year-old electronics maker to break its operating-profit record of ¥526 billion set in the year ended in March 1998.

"The first-quarter outcome is good because this figure suggests Sony could even post a full-year operating profit of more than ¥600 billion," said Hideki Yasuda, an analyst at Ace Research Institute.

Sony on Tuesday stuck to its more cautious operating-profit forecast of ¥500 billion for the full year.

APPLE

Continued from page B1

ning into production problems with the next iPhone, said Brian White, an analyst with Drexel Hamilton. But the estimates suggest at least some of the product will be delivered on time in late September, rather than slipping entirely into the holiday quarter.

The company is widely expected to release three phones in September instead of the usual two—updated versions of the iPhone 7 and 7 Plus as well as a 10th-anniversary iPhone with a different display and new features such as wireless charging.

The number of iPhone owners due for an upgrade is at peak levels and the new iPhone is expected to cost as much as \$1,000, a total that would likely lift average selling prices and boost profits.

The complexities of the new hardware led several analysts to predict the iPhone would run into production challenges and supply constraints. "That could be a marketing tool for them—a way to flame more excitement around the iPhone 8, because anything you can't get you want more," Mr. White said.

Apple showed some improvement in Greater China. Sales there fell 9.5% to \$8 billion in the quarter, marking the first time in five quarters the company hasn't reported a double-digit sales decline in the region.

The company has run into challenges in China as many Chinese consumers hold on to their iPhones longer and others switch to lower-priced devices from rivals like Huawei Technologies Co. and BBK Electronics Corp. The market, which accounts for about 20% of total sales, is critical to the success of the next iPhone.

"One of the things we like about Apple is once you be-

come an Apple customer you stay for the long haul, but that seems more difficult in China because there's more competition," said Jeff Dillon, chief executive of Dillon & Associates, a Jackson, Mich.-based investment firm and Apple investor with \$300 million in assets. He said he was encouraged to see

Apple has run into challenges in China as many consumers keep iPhones longer.

Apple "stabilizing that business and starting to right the ship."

Apple has run into pressure in the U.S. market where President Donald Trump renewed his push for the company to start manufacturing more products. Mr. Trump last week said Mr. Cook promised to build

three plants in the U.S., something the company hasn't done in more than a decade.

Mr. Cook declined to comment on Mr. Trump's remarks. A White House aide referred requests for clarification on Mr. Trump's remarks to the company.

In May, Apple announced a \$1 billion investment fund for advanced manufacturing in the U.S. and injected \$200 million of that into a Corning Inc. plant.

"There will be more—a lot more than three," Mr. Cook said, speaking to future investments in U.S. manufacturing. "There will be many."

Apple's cash reserves continued to swell during the quarter to \$261.5 billion, compared with \$237.6 billion at year-end. About 94% of that cash is held overseas, and investor hopes have been rising that the Trump administration's plan for a tax holiday would allow Apple to bring the cash home without paying steep taxes.

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CAREERS

Vice President

BUSINESS NEWS

Boeing Jets to Be Next Air Force One

By DOUG CAMERON

The U.S. will buy two 747 jumbo jets from **Boeing** Co. for use as the next Air Force One fleet, converting planes previously ordered by a bankrupt Russian airline.

Boeing suggested selling the planes as part of an effort to cut the cost of an Air Force One replacement program that

President Donald Trump criticized as too expensive before taking office.

"We're working through the final stages of coordination to purchase two commercial 747-8 aircraft and expect to award a contract soon," Air Force spokeswoman Ann Stefanek said on Tuesday.

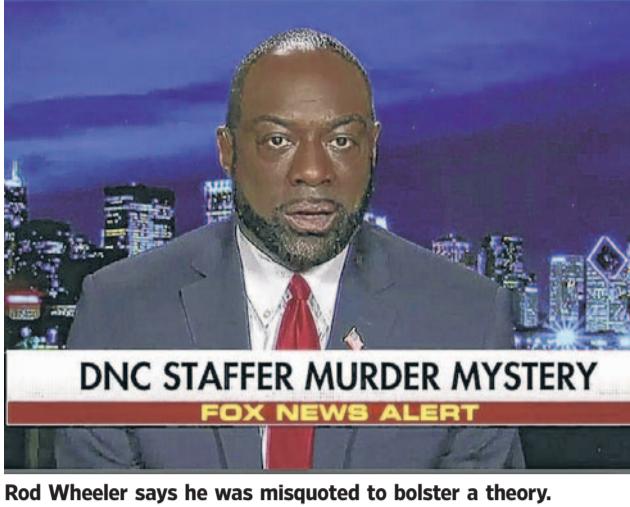
The two planes were once destined for sale to Transaero,

a Russian carrier that collapsed in 2015. Most of that company has been absorbed into **Aeroflot Russian International Airlines**, the country's state-owned flag carrier.

Boeing offered the Air Force a substantial undisclosed discount on the \$387 million list price of each plane, according to a person familiar with the negotiations. Converting the

planes to meet the enhanced security and communications needs of the presidential fleet is expected to be cheaper than building two new aircraft.

Work was due to start in 2019, with the planes entering service in the fall of 2023. Acquiring the two 747s would allow this timetable to be accelerated, said the person familiar with the discussions.



Rod Wheeler says he was misquoted to bolster a theory.

Fox News Contributor Sues the Network

BY JOE FLINT

A Fox News contributor and former homicide detective sued the network and its parent company, **21st Century Fox** Inc., over a retracted news article about the murder of a Democratic National Committee staffer, alleging that it falsely quoted and defamed him.

Rod Wheeler, who on Tuesday filed the suit in New York federal court, alleged that he was misquoted to bolster a conspiracy theory that the staffer, Seth Rich, was murdered in retaliation for leaking sensitive emails to **WikiLeaks** regarding Hillary Clinton's presidential bid.

The article, published in May on the Fox News site, provided an alternative narrative for those disputing that Russia hacked the DNC email systems and interfered with the U.S. presidential election, thereby advancing "a political agenda for the Trump administration," according to Mr. Wheeler's complaint.

The U.S. intelligence com-

hadn't been aware of the Fox News story before it was published and that the White House had no involvement.

Mr. Butowsky had introduced Mr. Wheeler to the Rich family and collaborated on research for the article with its author, Fox News investigative journalist Malia Zimmerman, according to the complaint. Mr. Butowsky, the suit said, wanted Mr. Wheeler to suggest the Federal Bureau of Investigation and the Washington, D.C., police were in possession of information showing a link between Mr. Rich and the leaks.

Mr. Butowsky and Ms. Zimmerman are also named as defendants.

"The accusation that FoxNews.com published Malia Zimmerman's story to help detract from coverage of the Russia collusion issue is completely erroneous," said Jay Wallace, president of news at Fox News. "The retraction of this story is still being investigated internally and we have no evidence that Rod Wheeler was misquoted by Zimmerman."

A 21st Century Fox spokesman referred requests for comment to Fox News.

Mr. Butowsky didn't immediately respond to a request for comment. Ms. Zimmerman couldn't be reached for comment.

21st Century Fox and Wall Street Journal-parent News Corp share common ownership.

munity has said that Russia interfered with the 2016 presidential election. Russia has denied meddling.

Fox News retracted the article after a backlash over its veracity, saying it didn't receive proper "editorial scrutiny." Mr. Rich was killed last July in Washington, and the working theory by law enforcement is that it was a botched robbery.

Mr. Wheeler, who was retained by the Rich family as a private investigator, alleged in the complaint that the Fox News article made up two quotations and attributed them to him. He is seeking unspecified damages in his suit. His investigation had not come to the conclusion that Mr. Rich had leaked emails, the suit said.

The suit also alleges that White House officials were kept in the loop as the article was being prepared, and that President Donald Trump saw a prepublication version and urged that it be published.

The complaint cites messages Mr. Wheeler received from fellow Fox News contributor Ed Butowsky. "The president just read the article. He wants the article out immediately. It's now all up to you. But don't feel the pressure," read one text message from Mr. Butowsky, according to the complaint.

White House press secretary Sarah Huckabee Sanders said Tuesday the president

The NPR report notes that Mr. Butowsky says he never shared drafts of the story with Mr. Trump or his aides, and that he was joking with a friend about the president's desire to have the article published.

In the suit, Mr. Wheeler also alleges he was discriminated against because he is black, by being deprived of the airtime and associated compensation that white colleagues have received.

Fox News has denied the claim.

Fox News vehemently denies the race discrimination claims in the lawsuit—the dispute between Zimmerman and Rod Wheeler has nothing to do with race," Mr. Wallace said.

The suit was filed by attorney Douglas Wigdor, who has filed several discrimination lawsuits on clients' behalf against Fox News in the past year.

—Ted Mann contributed to this article.

BUSINESS WATCH

ROYAL DUTCH SHELL

Refinery Closure Fuels Higher Prices

The largest crude-oil refinery in Europe may not reopen until later this month after being knocked offline by a fire over the weekend, causing gasoline and other fuel prices to rise globally, according to **Royal Dutch Shell** PLC, its operator. The Pernis refinery in the Netherlands was shut after a fire caused a power outage on Saturday, said Shell.

—Neanda Salvaterra

sportswear market. The company posted a \$12 million loss, while revenue rose 9% to \$1.1 billion.

—Michelle Ma and Sara Germano

PFIZER

Deals Are Put Off Pending a Tax Plan

Pfizer Inc. says it wants to wait to see what happens with tax overhaul in Washington before deciding on any big acquisitions.

"It would be imprudent not to wait" to see what happens and how it would affect the values of any companies Pfizer would be interested in acquiring, Chief Executive Ian Read said in an interview.

Pfizer earned \$3.07 billion, or 51 cents a share, up from \$2.05 billion, or 33 cents per share, a year earlier. Excluding certain items, earnings rose by 3 cents to 67 cents a share.

—Jonathan D. Rockoff

UNDER ARMOUR

Sportswear Maker To Cut 280 Jobs

Under Armour Inc. said it would cut 2% of its global workforce, or about 280 jobs, as it adjusts to slowing sales and a contracting

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INTERNATIONAL PROPERTY REPORT

Spain

In a Twist, Real Estate Proves a Haven

Demand for Spanish commercial property is pushing down the expected yields

By ART PATNAUDE

Spanish real estate is back. Nearly a decade after a property bust sent Spain into a deep and enduring recession, commercial real-estate investment is picking up, even among risk-averse investors. Investment volumes in the first half of 2017 topped €5 billion (\$5.9 billion), up from €2.9 billion in the same period last year, according to property broker Savills.

The demand has pushed expected returns to record lows. In Madrid, prime office yields, a measure of return based on rental income, are at 3.25%, the same as offices in London's expensive West End, Savills data show. Before the financial crisis, yields in Madrid bottomed at 4% in 2007.

Despite historically low returns in commercial-property markets around the world, investors have piled into real estate, in which yields tend to be higher than other asset classes such as bonds.

Also driving demand in Spain is a wager that an economic recovery is on a solid footing. Spain's gross domestic product increased at an annualized 3.2% in the first quarter, the same pace as in the past two years and better than the 1.8% eurozone average, according to European Union data. Confidence in a recovery has helped make the country "a focus of investment for foreign investors," said Marta Cladera de Codina, head of Iberia at TH Real Estate, a London-based asset manager. Most of the foreign investment is from Europe and the U.S.



Spanish retail assets have been sought after by investors. TH Real Estate bought a 50% stake in the Xanadu Shopping Centre near Madrid this year.

The road to recovery was long. In 2008, the bust in Spain's debt-fueled property market became central to a financial and political crisis that soon swept across Europe. Investors steered clear as property values plummeted in Spain, Ireland, Portugal and Greece.

Spain's property market showed signs of a recovery in 2014 when bargain hunters returned. But even then, investors sought out only what they perceived to be relatively safe assets in Madrid and Barcelona.

Now, with Spain's economy among the fastest-expanding in Europe, investors "are willing to look at a wider range of assets," said Alejandro San-

chez-Marco, a capital markets director at Savills. This includes hotels and student housing, as well as dominant shopping centers across the country, he said.

The economic recovery also has attracted institutions, such as pension and insurance funds, that tend to prefer less-risky real estate. These types of investors "want to invest only when the [economic] recovery is clear," said Borja Ortega, head of capital markets at property broker JLL.

Retail assets have been in high demand. In May, TH Real Estate bought a 50% stake in the Xanadu Shopping Centre just outside Madrid for €264 million.

Vukile Property Fund, a

South African retail specialist, bought a portfolio of nine shopping centers for €193 million this month.

Overall, commercial-property investment across Europe has slipped in the past year, hampered by a lack of supply and political uncertainty. But while property for sale in Spain is limited, it remains a relatively cheap option on the Continent.

Even though yields are at record lows, property values in Spain haven't yet returned to their precrisis peaks. That is because the price of real estate includes how much a landlord earns from rent payments. And in Spain, rents are still low.

In Madrid, office rents aver-

aged €345 a square meter (10.8 square feet) a year in the first half of 2017. In 2008, they were €504 a square meter a year, Savills data show.

"Compared to elsewhere in Europe, Spain is still very cheap," Mr. Ortega at JLL said.

Still, the limited amount of property for sale is a big problem for investors.

"There is a real lack of product," said Ms. Cladera de Codina. "If you have €500 million to invest in commercial real estate in Spain right now, that's a great idea. But it won't be so easy to do."

The surging demand has spurred warnings the market is at risk of overheating. Even though the economy is expanding, Spain's unemploy-

ment rate is over 18%, still the second highest in the euro-zone after Greece.

But one big difference from the last property boom is the lower level of debt in the market.

"Banks are being more selective," said Mr. Sanchez-Marco at Savills. "They are very competitive in their rates for the high-quality stuff. But financing for riskier assets, or for development, is much harder to get nowadays."

If strong demand continues in the second half of the year, 2017 investment volumes could be the highest in any year since 2007, brokers and investors said. "Historically, we're close to the peak," said Mr. Sanchez-Marco.

REIT's Resort Bet Pays Off

By PETER GRANT

About three years ago, when turmoil from the Arab Spring was spreading throughout the Mediterranean region, a fledgling Spanish real-estate investment trust backed by U.S. investors George Soros, John Paulson and others made a big bet the unrest would benefit the resort sector in Spain.

The wager was that tourists would eschew countries such as Egypt, Tunisia and Turkey in favor of the relative calm of the Canary Islands, Balearic Islands and other Spanish vacation spots.

"We saw that the political situation wasn't going to get better anytime soon," said Cristina García-Peri, general manager of the REIT, known as Hispania Activos Inmobiliarios SA.

They were right. Shares of Hispania, which were first sold to the public in 2014 at €10 (\$11.84) apiece, closed at €15.39 on Tuesday, thanks mainly to the performance of the company's portfolio of 39

hotels. The company also owns office buildings in Madrid and Barcelona, which have been doing well.

Shareholders of Hispania, now one of Spain's largest resort owners, will be cashing out in the next few years as the company moves forward

The wager: Tourists would avoid places like Egypt and Turkey in favor of Spain.

with plans to liquidate its assets.

The private-equity firm that founded and is managing Hispania, Azora Gestión Inmobiliaria SL, promised to move in and out of the market relatively quickly when it first went public.

The question now is whether the buyers of Hispania's assets will enjoy the same good fortune as its current owners.

PLOTS & PLOYS

REDFIN

Real-Estate Broker's Shares Keep Up Pace

A strong debut as a public company by Redfin Corp. signals that investors appear to believe the real-estate brokerage industry is ripe for disruption.

The company's share price hit nearly \$22 at the end of its first day of trading on Friday, up 45% from its initial public offering price. Shares continued climbing higher this week, closing at \$26.48 on Tuesday, up 9.7% on the day.

Redfin's growth has been moderate compared with many venture-backed startups because the real-estate industry proved resistant to disruption and the company expanded slowly since it started in 2004. But it has heated up recently as the housing market has sprung back to life. Still, it has a long way to go, with only a 0.58% U.S. market share.

—Laura Kusisto

MARRIOTT

Developer to Build Disney World Hotel

A developer who founded one of the largest U.S. home builders has secured construction financing to build a \$282 million JW Marriott hotel in Walt Disney World in Orlando, Fla., that is scheduled to open about the same time as a new Star Wars attraction.

Dwight Schar, founder of home builder NVR Inc., of Reston, Va., has borrowed \$218 million for the hotel and resort project scheduled to open in 2019.

About \$147 million of that came in the form of a first loan from Arkansas-based Bank of the Ozarks Inc.

The hotel, managed by Marriott International Inc., is expected to open the same year that Walt Disney Co. plans to open a 14-acre attraction at Disney World named Star Wars: Galaxy's Edge.

—Peter Grant

ATLANTA

REIT Buys Large Apartment Complex

Atlanta's real-estate market is getting more attention from investors hunting for better yields in more affordable markets.

JLL Income Property Trust Inc. on Tuesday became the latest, acquiring a 210-unit apartment complex called the Reserve in an affluent suburb of Atlanta for about \$47 million.

The project fits with JLL's strategy of picking suburban locations in highly rated school districts with attractive demographics and significant barriers to entry, said Allan Swaringen, president and CEO of the REIT.

Investment funds prefer Atlanta's 6.5% capitalization rate, a measure of yield, to New York's 5.5%, said Brad Watkins, executive vice president and managing director of Commercial Finance Group at State Bank & Trust.

—Esther Fung

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INTERNATIONAL PROPERTY REPORT: SPAIN

Barcelona Bans Cars In a Bid to Boost Tech

BY EMILY NONKO

Planners in cities throughout the world have been wracking their brains to come up with ways to tap into the new technology economy to add jobs, spark economic development and boost real-estate values.

Barcelona has come up with an unusual solution: ban cars.

One year ago, Barcelona ordered most automobiles out of a 40-acre portion of a once-dilapidated industrial area where the Spanish city has been trying to attract technology companies. The move has helped turn the area—named the 22@ District—into one of Barcelona's hottest office markets.

Today, office rents in some of 22@ District's buildings are as high as €20 a square meter a month—or \$23.46 for 10 square feet—surpassing rents of some office buildings in Barcelona's main city center, according to CBRE Group Inc. Five years ago, rents were about 25% lower in the area, named after the traditional industrial designation previously assigned to it, 22a.

Tenants include Amazon.com Inc.'s European headquarters and co-working company WeWork Cos. In 2014, Cisco Systems Inc. announced an investment of \$30 million for an innovation center here. More than 180 restaurants, 50 bars and 20 hotels have opened in the area, according to the city. The district's waterfront locale means "you can go have lunch by the sea," said Anna Esteban, the office director of CBRE Barcelona.

"Most large corporations—not just in Barcelona but everywhere—use their offices as a tool to attract talent," she added.

To be sure, the district owes its success partly to

70%

Barcelona office development taking place in one city district

destrian space by 40%.

Mr. Vives, who is now chief executive of the City Transformation Agency, noted that Barcelona isn't the only city thinking about pedestrian-friendly initiatives. In Istanbul, he is advising the city government on how to "humanize the city" through similar policies he initiated in Barcelona.

"The argument [in Barcelona] is that you create a more innovative city with a city of walkers, because people are calmer, contemplating, and coming up with fresh ideas," said Vishwan Chakrabarti, founder of the New York-based architecture firm PAU.

Roughly 70% of Barcelona's new office development is concentrated in the 22@ District, said Ms. Esteban.

The development boom has been triggered by the biggest

MANAGEMENT

This Job Is Like ‘Kissing a Porcupine’

Thriving in a high-level role at a family business can be tricky for outsiders. Here are some tips for success

BY JOANN S. LUBLIN

Three words of advice for anyone taking a top management role at a family-owned business: Success is relative.

Thriving in a high-level role can be tricky for leaders without family ties. Family members may resist executives' efforts to break with tradition by changing strategy, and

YOUR EXECUTIVE CAREER

may oppose calls to fire their poor-performing kin or to professionalize operations, experts say. Yet the arrangement can succeed when longtime staffers identify strongly with the founding family or recruits bring a keen grasp of relatives' roles in the business.

John Priest, a veteran manager at **Crossland Construction Co.**, says he initially worried about accepting a promotion to its presidency. No one from outside the Crossland family had ever served in senior management of the Columbus, Kan., midsize firm, which was founded in 1977.

"The first nonfamily guy usually does not make it," Mr. Priest recalls telling colleagues.

Mr. Priest had numerous chats with Crossland's two highest leaders—sons of the commercial builder's founder—before he moved up in late 2015. The brothers spelled out "what they wanted my job role and the presidency to consist of," he says. That prepared him to work better with other Crossland family executives.

Family firms, which are typically smaller than major corporations, can be attractive for outside leaders.

"Often they can have greater impact," says Andrew Keyt, clinical professor of family business at Loyola University in Chicago.

"There's less bureaucracy."

Between 20% and 25% of family businesses employ unrelated executives, Mr.



Benco Dental Supply executive Kari Taylor with Chuck Cohen, co-head of his family's firm, at a company warehouse in Pittston, Pa.

Keyt estimates. That is up from 11% in a 1996 study that he co-wrote.

For outsiders, becoming a family-company executive "is like kissing a porcupine," observes Wayne Rivers, president of the Family Business Institute. "You have to do it carefully." He urges executives to insist on a written job description and employment contract.

Executives must do their homework to avoid a mismatch at a family-owned concern. Prospects should ask whether prior nonfamily senior managers flourished.

Did those alumni enjoy clear operating authority and does the firm's board include independent members? "You want evidence that the family listens to outside influence," Mr. Keyt suggests.

Management candidates

also glean a sense of family dynamics through chats with relatives heading the business and former executives from outside the family, adds Gail Golden, a Chicago leadership coach.

Kari Taylor did extensive due diligence before the W.W. Grainger Inc. executive joined a family-owned business for the first time in 2016. Benco Dental Supply Co., with about \$770 million in annual revenue, is run by brothers Chuck and Richard Cohen, grandsons of the founder.

While vying to be vice president of sales and branch operations, Ms. Taylor says she asked Chuck Cohen about how she could effectively raise opposing views within the family firm. Mr. Cohen confirms he welcomed being challenged with facts.

Ms. Taylor also met with

six Benco executives unrelated to the Cohens. She learned the firm's owners prefer collective decision-making but reserve veto rights.

The company provided an executive coach who advised her on meshing with the Cohen family's core values.

For example, she put greater emphasis on customer benefits than financial metrics during her internal pitch to revamp the sales operation. "I've seen Chuck often choose an improved customer experience at the cost of the bottom line," she says. "That has taken some real adjusting for me."

With Mr. Cohen's approval, Ms. Taylor says she changed the sales operation in ways that helped generate more new customers.

Deep digging didn't pay off for Ellen Rozelle Turner.

She spent several months probing the founding family of a management and information-technology consultancy before taking its presidency in late 2008. She was the sole senior executive without family ties to the 70-something founder.

The founder moved Ms. Turner into his office and stopped coming to work, only to return part-time six months later. Some staffers soon created confusion over who was in charge by raising issues with the founder rather than coming to her, she says.

She left in early 2010. As an outsider, Ms. Turner says she didn't then understand "the depth and complexity of being in a family dynamic."

She does now. Ms. Turner started her own management consultancy—and employs two of her adult children.

Insecure Workers Face Risk Of Illness

BY LAUREN WEBER

Fear of getting laid off or fired naturally makes workers worry about their finances. A lack of job security may put people at risk for numerous health problems, too, according to a new study.

Researchers at Ball State University and the University of Toledo analyzed data from more than 17,000 working adults who took part in the government's 2010 National Health Interview Survey and found that workers feeling insecure are more likely to report lifetime histories of ulcers, diabetes, hypertension and coronary heart disease.

Men, African-Americans and hourly workers had higher rates of job insecurity than their counterparts, meaning they agreed that the statement "I am/was worried about being unemployed," applied to them in the prior year.

High-school dropouts and workers with household incomes under \$35,000 were more than twice as likely as other groups to report anxiety about potential job loss. High-school dropouts have fewer job prospects and a higher unemployment rate than better-educated workers.

People who worry about unemployment are far more likely to report serious health conditions, the authors found. For example, their chances of having experienced symptoms of mental illness during the prior 30 days were almost five times higher than those of workers who felt secure in their jobs.

The government conducts its survey annually but doesn't always ask the job-security question.

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Explanatory Notes

Data provided by LIPPER

Top 250 mutual-funds listings for Nasdaq-published share classes with net assets of at least \$500 million each. NAV is net asset value. Percentage performance figures are total returns, assuming reinvestment of all distributions and after subtracting annual expenses. Figures don't reflect sales charges ("loads") or redemption fees. NET CHG is change in NAV from previous trading day. YTD%RET is year-to-date return. 3-YR%RET is trailing three-year annualized.

e—Ex-distribution; f—Previous day's quotation; g—Footnotes x and s apply; j—Footnotes e and s apply; k—Recalculated by Lipper, using updated data; p—Distribution costs apply; 12b-1 r—Redemption charge may apply; s—Stock split or dividend; t—Footnotes p and r apply; v—Footnotes x and e apply; x—Ex-dividend; z—Footnote x, e and s apply; NA—Not available due to incomplete price, performance or cost data. NE—Not released by Lipper; data under review. NN—Fund not tracked. NS—Fund didn't exist at start of period.

Tuesday, August 1, 2017

Fund NAV Net YTD Chg % Ret Fund NAV Net YTD Chg % Ret Fund NAV Net YTD Chg % Ret

American Century Inv. TotRetBdN ... NA ... NA Fed TF A p ... NA ... NA

Ultra TotRetBdN ... NA ... NA IncomeA p ... NA ... NA

Amcap Fds Instl EdgewoodGrowth Instituti ... NA ... NA InvCapG ...

AmcapA p 30.07 +0.05 12.1 FedwGrindr ... 28.62 +0.22 9.8 InstlCapG

AmputA p 39.69 +0.06 8.8 StraiDivDv ... 57.28 +0.01 9.3 InstlStk

BalaF p 26.71 +0.05 7.9 StraiDivFinstl ... 27.28 +0.01 9.3 InstlTemp/ Franklin C

BondA p 12.99 +0.03 3.2 StraiDivInxst ... 86.68 +0.21 11.8 Growth

CaplBaP ... 62.31 +0.15 9.9 StraiDivInxst ... 86.68 +0.21 11.8

CapWgrA p 50.62 +0.17 16.8 StraiDivInxst ... 86.68 +0.21 11.8

EupaCpA p 54.40 +0.20 23.1 StraiDivInxst ... 86.68 +0.21 11.8

FolivNa p 60.65 +0.15 13.2 StraiDivInxst ... 86.68 +0.21 11.8

GwthA p 48.88 +0.08 16.3 StraiDivInxst ... 86.68 +0.21 11.8

Ht Tra p 10.51 ... 5.7 StraiDivInxst ... 86.68 +0.21 11.8

IcaaA p 39.64 +0.07 10.3 StraiDivInxst ... 86.68 +0.21 11.8

IncoA p 22.92 +0.05 7.3 StraiDivInxst ... 86.68 +0.21 11.8

InPerA p 42.71 +0.05 20.9 StraiDivInxst ... 86.68 +0.21 11.8

NecOa p 43.55 +0.02 21.1 StraiDivInxst ... 86.68 +0.21 11.8

NlvRvdA p 62.58 +0.01 21.6 StraiDivInxst ... 86.68 +0.21 11.8

SmCpA p 53.67 ... 16.7 StraiDivInxst ... 86.68 +0.21 11.8

TxExA p 12.99 +0.01 3.8 StraiDivInxst ... 86.68 +0.21 11.8

WshA p 43.49 +0.11 9.9 StraiDivInxst ... 86.68 +0.21 11.8

Baird Funds AggBdInstl 10.92 +0.03 3.5 StraiDivInxst ... 86.68 +0.21 11.8

CorBdInstl 11.27 +0.02 3.8 StraiDivInxst ... 86.68 +0.21 11.8

BlackRock Funds A 19.70 ... 9.7 StraiDivInxst ... 86.68 +0.21 11.8

BlackRock Funds Instl 19.94 ... 9.7 StraiDivInxst ... 86.68 +0.21 11.8

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MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

21963.92 ▲ 72.80, or 0.33%
High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open

Apr. May June July 20000

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2476.35 ▲ 6.05, or 0.24%
High, low, open and close for each trading day of the past three months.



Apr. May June July 2300

65-day moving average

Nasdaq Composite Index

6362.94 ▲ 14.82, or 0.23%
High, low, open and close for each trading day of the past three months.



Apr. May June July 5660

65-day moving average

Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
Dow Jones										
Industrial Average	21990.96	21940.81	21963.92	72.80	0.33	21963.92	17888.28	19.9	11.1	10.0
Transportation Avg	9242.80	9124.55	9145.75	-37.03	-0.40	9742.76	7648.44	19.6	1.1	4.0
Utility Average	730.58	726.44	728.85	2.37	0.33	737.51	625.44	3.1	10.5	10.5
Total Stock Market	25662.48	25578.58	25633.03	60.89	0.24	25692.25	21514.15	15.2	10.1	8.5
Barron's 400	656.06	652.78	655.86	3.09	0.47	661.93	521.59	21.5	9.0	8.3

Nasdaq Stock Market

Nasdaq Composite	6375.75	6345.75	6362.94	14.82	0.23	6422.75	5046.37	23.8	18.2	13.5
Nasdaq 100	5905.29	5880.45	5895.17	14.84	0.25	5950.73	4660.46	24.9	21.2	15.0

Standard & Poor's

500 Index	2478.51	2471.14	2476.35	6.05	0.24	2477.83	2085.18	14.8	10.6	8.8
MidCap 400	1769.09	1759.02	1764.62	3.94	0.22	1791.93	1476.68	14.8	6.3	8.9
SmallCap 600	867.56	860.96	866.06	2.44	0.28	876.06	703.64	18.2	3.4	10.4

Other Indexes

Russell 2000	1430.66	1420.82	1428.33	3.19	0.22	1450.39	1156.89	18.8	5.2	8.6
NYSE Composite	12012.65	11978.95	12000.02	32.35	0.27	12000.02	10289.35	12.6	8.5	3.9
Value Line	529.29	526.78	528.65	1.07	0.20	533.62	455.65	11.6	4.4	3.1
NYSE Arca Biotech	3946.64	3873.01	3895.26	-36.37	-0.93	4075.95	2834.14	13.0	26.7	12.4
NYSE Arca Pharma	533.28	529.82	530.82	-1.08	-0.20	551.23	463.78	-3.7	10.2	1.4
KBW Bank	96.82	96.26	96.80	0.81	0.84	99.33	66.90	44.7	5.5	11.9
PHLX® Gold/Silver	86.08	84.51	85.50	0.18	0.21	112.86	73.03	-24.2	8.4	-4.9
PHLX® Oil Service	134.03	131.23	133.24	-1.12	-0.84	192.66	126.75	-14.5	-27.5	-22.6
PHLX® Semiconductor	1091.44	1083.01	1091.13	5.98	0.55	1138.25	755.73	44.4	20.4	21.4
CBOE Volatility	10.56	9.95	10.09	-0.17	-1.66	22.51	9.36	-24.5	-28.1	-16.0

\$Philadelphia Stock Exchange

Sources: SIX Financial Information; WSJ Market Data Group

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 5,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	% chg	After Hours High	Low
SPDR S&P 500	SPY	14,517.3	247.45	0.13	0.05	247.52	246.72
Apple	AAPL	10,246.3	159.15	9.10	6.06	159.90	148.80
Cnsmr Staples Sel Sector	XLP	6,795.6	55.26	...	unch.	55.36	55.10
Industrial Select Sector	XLI	5,468.0	68.11	...	unch.	68.27	68.00
Van Eck Vectors Gold Miner	GDX	4,856.9	22.83	...	unch.	22.88	22.82
British Amer Tobacco ADR	BTI	3,165.2	63.59	...	unch.	63.65	62.38
Microsoft	MSFT	2,684.6	72.84	0.26	0.36	72.89	72.48
PwrShrs QQQ Tr Series 1	QQQ	2,434.6	144.39	0.83	0.58	144.54	143.15

Percentage gainers...

Illumina	ILMN	174.9	188.57	16.27	9.44	189.50	171.89
Owens Minor	OMI	25.9	34.99	2.88	8.97	34.99	30.00
Genworth Financial A	GNW	349.4	3.68	0.29	8.55	3.70	3.39
Papa John's Intl	PZZA	38.5	77.17	6.04	8.49	77.17	68.35
FireEye	FEYE	1,973.9	15.66	0.97	6.60	16.00	14.47

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract	Open	High	hi lo	Low	Settle	Chg	Open interest
Copper-High (CMX)	-25,000 lbs.; \$ per lb.	2,8905	2,8905	2,8745	2,8790	-0.090	2,718	
Aug		2,8905	2,9020	2,8660	2,8810	-0.015	152,256	
Sept		2,8895	2,9020	2,8660	2,8810	-0.015	152,256	
Gold (CMX)	-100 troy oz.; \$ per troy oz.	1268.40	1273.30	1262.00	1272.60	6.00	4,262	
Oct		1272.40	1276.90	1265.20	1276.10	6.00	43,097	
Dec		1275.60	1280.30	1268.40	1279.40	6.00	336,682	
Feb'18		1278.80	1283.40	1274.90	1282.90	6.00	18,893	
June		1281.40	1290.40	1279.20	1289.70	5.90	8,205	
Dec		1295.80	1300.40	1295.80	1300.10	5.80	7,331	
Palladium (NYM)	-50 troy oz.; \$ per troy oz.	1268.40	1273.30	1262.00	1272.60	6.00	4,262	
Aug		1272.40	1276.90	1265.20	1276.10	6.00	43,097	
Sept		1275.60	1280.30	1268.40	1279.40	6.00	336,682	
Platinum (NYM)	-50 troy oz.; \$ per troy oz.	1281.40	1290.40	1279.20	1289.70	5.90	8,205	
Aug		1295.80	1300.40	1295.80	1300.10	5.80	7,331	
Silver (CMX)	-5,000 troy oz.; \$ per troy oz.	1268.40	1273.30	1262.00	1272.60	6.00	4,262	
Aug		1272.40	1276.90	1265.20	1276.10	6.00	43,097	
Sept		1275.60	1280.30	1268.40	1279.40	6.00	336,682	
Crude Oil, Light Sweet (NYM)	-1,000 bbls.; \$ per bbl.	1268.40	1273.30	1262.00	1272.60	6.00	4,262	
Sept		1272.40	1276.90	1265.20	1276.10	6.00	43,097	
Oct		1275.60	1280.30	1268.40	1279.40	6.00	336,682	
Nov		1281.40	1290.40	1279.20	1289.70	5.90	8,205	
Dec		1295.80	1300.40	1295.80	1300.10	5.80	7,331	
NY Harbor USD (NYM)	-42,000 gal.; \$ per gal.	1268.40	1273.30	1262.00	1272.60	6.00	4,262	
Sept		1272.40	1276.90	1265.20	1276.10	6.00	43,097	
Oct		1275.60	1280.30	1268.40	1279.40	6.00	336,682	
Gasoline-NY RBOB (NYM)	-42,000 gal.; \$ per gal.	1268.40	1273.30	1262.00	1272.60	6.00	4,262	
Sept		1272.40	1276.90	1265.20	1276.10	6.00	43,097	
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NY Natural Gas (NYM)	-10,000 MMbtu; \$ per MMbtu	1268						

BIGGEST 1,000 STOCKS

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE MKT and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq, OMX BXSM (formerly Boston), Chicago Stock Exchange, CBOE, National Stock Exchange, ISE and BATS.

The list comprises the 1,000 largest companies based on market capitalization.

Underlined mutations are those stocks with large changes in volume compared with the issue's average trading volume.

Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Footnotes:

- i New 52-week high.
- d New 52-week low.
- dd Losses in the most recent four quarters.
- FD First day of trading.
- h Does not meet continued listing standards.
- LT Late filing.
- q Temporary exemption from Nasdaq requirements.
- t NYSE bankruptcy.
- V Trading halted on primary market.
- Vj In bankruptcy or receivership or being reorganized under the Bankruptcy Code, or securities assumed by such companies.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Tuesday, August 1, 2017

		Net		Net				Net		Net		Net		Net			
Stock	Sym	Close	Chg	Stock	Sym	Close	Chg	Stock	Sym	Close	Chg	Stock	Sym	Close	Chg		
NYSE																	
ABB	ABB	23.64	0.14	BURL	88.23	1.20	ExtraSpace	EXR	79.29	-0.77	RogersComm	RCI	52.06	0.06	WesternUnion	WU	
AES	AES	11.20	0.14	CBD	23.41	0.19	ExxonMobil	XOM	80.17	0.13	Rolling	ROL	43.46	0.05	WestStakeChem	WLK	
Aflac	AFL	80.89	0.14	CBRE Group	CBG	17.27	0.27	Federated	FMC	77.35	-0.05	RoperTech	TSCL	236.47	0.01	WestpacBanking	WPS
AGCO	AGCO	71.91	-0.23	CBS A	CBS/A	66.53	-0.43	FirstSet	FDS	145.77	-1.45	RoyalBancanada	RV	74.55	-0.01	WestRock	WRK
AT&T	T	38.88	-0.12	CFI	29.22	-0.13	FederalRealty	FRT	134.40	-0.10	Leidos	LDS	53.32	-0.14	Weyerhaeuser	WT	
AbbottLabs	ABT	49.15	-0.03	CIT	47.90	-0.21	FirstEnergy	FE	108.32	3.13	Lennar A	LEN	53.38	-0.04	RoyalCaribbean	RCL	
AbbVie	ABBV	70.38	0.47	CMS	64.64	0.40	FlatChrysler	FCAU	12.09	-0.07	Lennar B	LEN/B	17.09	1.00	RoyalDutchA	RDSA	
Accenture	ACN	128.86	1.04	CNA	CNA	52.69	-0.74	FiatChrysler	FC	10.97	-0.40	LeucadiaNatl	LUK	26.05	0.02	SAP	SAP
AcuityBrands	AYI	20.05	-1.70	CO	11.40	-0.11	FidelityNatFin	FIN	48.24	-0.74	Level3Comm	LVL	58.95	-0.02	SAP Global	SPG	
Adient	ADNT	63.39	-1.48	CP	66.08	0.05	FidelityNatFin	FIN	145.63	-0.54	Schulumberger	SLB	69.01	-0.41	SPGlobal	SPG	
AdvanceAuto	AAU	110.45	2.04	CRH	34.87	-0.20	FidelityNatFin	FIN	143.13	-0.23	Snap	SNC	67.56	-0.19	Stamps	STX	
AdvSemiEng ASK	ASK	6.63	0.04	CT	11.40	-0.21	FleetCorTech	FTC	154.20	2.14	Snowden	SNO	29.96	-0.18	SunCom	SUN	
Aegon	AEG	5.58	0.01	CPT	18.97	-0.53	FleetCorTech	FTC	10.29	-0.07	Soonecon	SO	11.20	-0.08	Swatch	SW	
AerCap	AER	49.41	0.31	CRC	11.40	-0.21	FidelityNatFin	FIN	10.74	-0.40	Spanair	SPN	20.53	-0.02	TeliaSonera	TSLA	
Aetna	AET	154.54	0.23	CRCB	12.14	-0.21	FidelityNatFin	FIN	17.25	-0.07	Stamps	SNC	67.56	-0.19	Tempo	TEMPO	
AffiliatedMtrs AMG	AMG	185.98	0.15	CNOOC	CNO	12.14	-0.21	FidelityNatFin	FIN	10.74	-0.40	StateGrid	SGA	20.53	-0.02	Time Warner	TW
AgilentTechs	AGL	59.94	0.15	CPFLEnergia	CPL	17.16	-0.11	FidelityNatFin	FIN	10.74	-0.40	Stamps	SNC	67.56	-0.19	T-Mobile US	TMO
Aig	AIG	11.20	0.14	CPL	17.16	-0.11	FidelityNatFin	FIN	10.74	-0.40	StateGrid	SGA	20.53	-0.02	T-Mobile US	TMO	
Alcatel	ALC	11.49	-0.23	CPR	17.16	-0.11	FidelityNatFin	FIN	10.74	-0.40	Stamps	SNC	67.56	-0.19	T-Mobile US	TMO	
Alcatel-Lucent	ALU	81.47	0.23	CRCB	12.14	-0.21	FidelityNatFin	FIN	10.74	-0.40	Stamps	SNC	67.56	-0.19	T-Mobile US	TMO	
Allegion	ALLE	81.47	0.23	CRCB	12.14	-0.21	FidelityNatFin	FIN	10.74	-0.40	Stamps	SNC	67.56	-0.19	T-Mobile US	TMO	
Allegion	ALLE	81.47	0.23	CRCB	12.14	-0.21	FidelityNatFin	FIN	10.74	-0.40	Stamps	SNC	67.56	-0.19	T-Mobile US	TMO	
Allegion	ALLE	81.47	0.23	CRCB	12.14	-0.21	FidelityNatFin	FIN	10.74	-0.40	Stamps	SNC	67.56	-0.19	T-Mobile US	TMO	
Allegion	ALLE	81.47	0.23	CRCB	12.14	-0.21	FidelityNatFin	FIN	10.74	-0.40	Stamps	SNC	67.56	-0.19	T-Mobile US	TMO	
Allegion	ALLE	81.47	0.23	CRCB	12.14	-0.21	FidelityNatFin	FIN	10.74	-0.40	Stamps	SNC	67.56	-0.19	T-Mobile US	TMO	
Allegion	ALLE	81.47	0.23	CRCB	12.14	-0.21	FidelityNatFin	FIN	10.74	-0.40	Stamps	SNC	67.56	-0.19	T-Mobile US	TMO	
Allegion	ALLE	81.47	0.23	CRCB	12.14	-0.21	FidelityNatFin	FIN	10.74	-0.40	Stamps	SNC	67.56	-0.19	T-Mobile US	TMO	
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Allegion	ALLE	81.47	0.23	CRCB	12.14	-0.21	FidelityNatFin	FIN	10.74	-0.40	Stamps	SNC	67.56	-0.19	T-Mobile US	TMO	
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Allegion	ALLE	81.47	0.23	CRCB	12.14	-0.21	FidelityNatFin	FIN	10.74	-0.40	Stamps	SNC	67.56	-0.19	T-Mobile US	TMO	
Allegion	ALLE	81.47	0.23	CRCB	12.14	-0.21	FidelityNatFin	FIN	10.74	-0.40	Stamps	SNC	67.56	-0.19	T-Mobile US	TMO	
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Allegion	ALLE	81.47	0.23	CRCB	12.14	-0.21	FidelityNatFin</td										

BANKING & FINANCE

BOJ Chills Trading in Japanese Bonds

By SURYATAPA BHATTACHARYA

TOKYO—The world's second-biggest government-bond market is close to becoming inactive.

Trading in Japanese government bonds has plummeted this year, with volumes down by nearly one-quarter for the benchmark 10-year note in the first six months of the year, according to data from Quick. Meanwhile, JGB prices have barely budged.

The culprit, according to many participants in the market, is Japan's central bank.

Since 2013, the Bank of Japan has been buying up billions of dollars of Japanese government bonds, flooding the economy with cash in an effort to boost the country's stubbornly low annual inflation rate toward its 2% target. The central bank now owns some 40% of the ¥1.1 trillion (\$9.98 billion) of the JGBs that have been issued.

Compounding its dominant ownership of the market, the BOJ has since September sought to keep the yield on 10-year Japanese government bonds at zero, meaning it buys 10-year JGBs if and when their yields rise. Bond yields rise when their prices fall.

The central bank's "yield-curve control" policy was designed to help increase the profits that Japanese banks could earn from lending money.

The cumulative effect of the central bank's heavy hand in the market means that investors are finding it hard to profit from trading government bonds. Price volatility has sunk to near-record lows this year.

On average, \$900 million of 10-year Japanese government bonds was traded each day last month, according to Quick.

"It's a very tough and strange situation right now for the JGB market," said Kazuaki

Pinned Down

The yield on Japan's 10-year government bonds



Source: Tullett Prebon

THE WALL STREET JOURNAL.

billion of U.S. Treasurys due in seven to 11 years change hands on average each day, according to data from the Securities Industry and Financial Markets Association.

"It's a very tough and strange situation right now for the JGB market," said Kazuaki

Oh'E, head of fixed income at CIBC World Markets Japan in Tokyo. He added that some traders have taken to playing catch in the office on days when there is hardly any trading going on.

"It is kind of a problem for investors that [the BOJ] killed

the secondary market...It's very boring, it's a cold market," he said.

Government-bond markets the world over are a vital cog in the financial system, and not just because of their vast size: Such bonds are seen as "risk free" in countries such as the U.S. and Japan—that is, those highly unlikely to default.

The price and yield at which they trade are used as a benchmark against which other, riskier debt is valued. If a major market like the one for Japanese government bonds is distorted, it could lead to the mispricing of a range of assets across the economy.

The yield on 10-year JGBs is important as it "plays a critical role as a risk-free benchmark for other financial instruments," said Masaki Okazaki, head of corporate planning at Tokyo-based brokerage Japan Bond Trading.

When trading in JGBs fizzles out, "we can't know whether the rate is appropriate or not," he said.

Low trading volumes carry other risks: Any miscommunication by Japan's central bank could roil sleepy markets, causing volatility to surge.

The BOJ's "aggressive buying has sucked up all the oxygen and led to a sharp decline in liquidity," said Frederic Neumann, co-head of Asian economics research at HSBC Holdings in Hong Kong.

Some of the BOJ's own board members have criticized the effect of its policies.

Low market volatility "has led to a decline in market functioning," according to one board member quoted in the minutes of the central bank's June policy meeting.

"It will remain unattractive to invest in JGBs if the yield and volatility continue to be this low for a prolonged period," another member said.

Regulator Revisiting 'Volcker' Regulation

By LIZ HOFFMAN AND RYAN TRACY

The national bank regulator is taking a first step toward changing the "Volcker rule" trading ban, according to people familiar with the matter, as regulators continue behind-the-scenes discussions about revamping the much-criticized regulation.

The Office of the Comptroller of the Currency will ask for public feedback as soon as Wednesday on potential changes to the rule's definition of proprietary trading, metrics calculated to measure banks' compliance, and restricted investment funds known as "covered funds," among other topics, these people said.

The OCC and four other regulatory agencies that enforce the rule—the Federal Reserve, Federal Deposit Insurance Corp., Securities and Exchange Commission, and Commodity Futures Trading Commission—have publicly committed to discuss potential changes in recent weeks, but haven't reached an agreement on specifics, according to people familiar with those discussions.

The Trump administration has said it supports the goal of the Volcker rule, which is designed to ensure that tax-payer-insured banks aren't using customers' money to make speculative bets.

The five agencies would have to jointly agree on any changes to the rule.

The Volcker rule is one of several Obama-era rules in play as the U.S. undertakes a broad review of regulations adopted after the 2008 financial crisis. Others under scrutiny include stress tests for big banks and a Labor Department rule governing retirement advice.



DANIEL LEAL-OLIVAS/AGENCE FRANCE PRESSE/GTY IMAGES

Banks warn about taking a Brexit hit. HSBC says a new hub in Paris could cost \$300 million.

Brexit May Cost the U.K. 17,000 Jobs in Banking

By MAX COLCHESTER

LONDON—As many as 17,000 investment-banking jobs could leave the U.K. soon after Brexit, according to the latest estimates made by the consulting firm Oliver Wyman.

With the U.K. government negotiating an exit from the European Union, there is a chance that banks will lose their rights to sell products to EU clients.

To offset this, banks are putting into place contingency plans to build up their operations in the trade bloc. Based on those initial plans, Oliver Wyman said, 15,000 to 17,000 wholesale banking jobs are set to be relocated to the EU. Over the longer term, that number could rise to 40,000, the firm said.

There are around 560,000 people employed in banking in the U.K., so such a departure is unlikely to mortally

wound the country's reputation as a financial hub. But it could reduce the efficiencies of having Europe's investment-banking services located in one place, the firm added.

"We find uncertainty about the outcome of the Brexit ne-

Banks are making contingency plans to build up operations in the trade bloc.

gotiations means wholesale banks are trying to restrict their initial responses to 'no regrets' moves: actions that increase their options but cost relatively little, such as applying for licenses in EU jurisdictions," the firm said in a report.

However, in the next six to 12 months, banks will have to start making more expensive decisions, such as whether to relocate staff.

Already, banks are warning about taking a Brexit hit.

HSBC Holdings PLC Chief Executive Stuart Gulliver said Monday that creating a new hub in Paris could cost as much as \$300 million.

The reorganization is likely to eat into banks' profits. Oliver Wyman estimates that U.K.-based investment banks would need to find \$30 billion to \$50 billion of extra capital to support new European entities, if the U.K. cuts all ties to the EU. That is equivalent to 15% to 30% of the capital currently parked in the region by investment banks.

This could add as much as a 4% increase in their annual cost base, equivalent to about \$1 billion across the industry.

Bitcoin Rival Falls In First Trade Day

By PAUL VIGNA

Bitcoin Cash, a new version of the digital currency created by one side in an industry rift, fell sharply in its first trading day Tuesday. If it wants to be bitcoin's equal, it is about 10% of the way there.

Most digital-currency exchanges and services at this point aren't supporting Bitcoin Cash. One exchange, China-based ViaBTC, has been allowing trading in the coin even before it went live. On that basis, Bitcoin Cash was trading Tuesday afternoon at about 9.8% of a bitcoin's value, roughly in line with traders' projections in the days leading up to the launch. At its intraday peak, it traded as high as 14% of bitcoin.

With the original bitcoin trading at around \$2,750, Bitcoin Cash was worth around \$270. One virtual-currency tracker, Coinmarket.com, showed Bitcoin Cash falling about 38% to \$247 from a high of more than \$400 in volatile trading.

Depending on where Bitcoin Cash stabilizes, it could have a total market value of several billion dollars, instantly making it one of the most valuable virtual currencies.

Bitcoin's new offspring promises users a currency optimized for fast and cheap transactions, as opposed to bitcoin, which has grown in popularity despite limits on how rapidly it can trade. After rallying sharply in recent weeks, bitcoin declined about 4% Tuesday, according to Coindesk.

It is unclear how successful the new cryptocurrency will be, or how much activity it will generate.

There was some confusion about what symbol the new currency should carry. Many were using BCC, but that code was already employed for a digital currency called BitCon-

nect. Others were using BCH for Bitcoin Cash.

Bitcoin Cash was announced as a project on July 22, a response to a controversial industry compromise settled on a week earlier. That compromise was aimed at resolving a two-year-old impasse over a technical issue: how to best expand network capacity.

The pact remained controversial enough that a splinter group took the extreme step of "forking" bitcoin's software, essentially creating an updated version of the program and running it live.

Launching a new version of bitcoin is technically complicated, and many exchanges were choosing to sit this one out, at least until it is clear whether or not the new currency is stable.

Gemini, the U.S. exchange owned by the Winklevoss twins, suspended bitcoin deposits and withdrawals Monday night, and said the suspension would remain in effect until "after we believe the Bitcoin Network has stabilized, which is anticipated to be sometime Wednesday." Transactions using U.S. dollars or ether, another popular virtual currency, wouldn't be affected, they said.

San Francisco-based Coinbase said it wouldn't support Bitcoin Cash, though should the upstart survive its first days and prove itself stable and secure, Coinbase may revisit the issue.

The future of Bitcoin Cash will be dependent upon how many users it pulls from bitcoin proper. Just like the original, Bitcoin Cash is dependent upon "miners," the groups that run the software and confirm transactions in exchange for newly created bitcoins. It is impossible to say how many miners Bitcoin Cash will attract, but it wasn't expected to be a large amount initially.

New Highs and Lows | WSJ.com/newhighs

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Stock	Sym	52-Wk % Hi/Lo Chg	Stock	Sym	52-Wk % Hi/Lo Chg	Stock	Sym	52-Wk % Hi/Lo Chg	Stock	Sym	52-Wk % Hi/Lo Chg	Stock	Sym	52-Wk % Hi/Lo Chg	Stock	Sym	52-Wk % Hi/Lo Chg
Sunoco	SUN	32.67 -0.2	Snap	SNAP	13.07 -4.2	Guggenheim	GSGV	31.33 0.6	PwC	PRFC	105.49 -0.6	VanguardFTSE	VUGA	42.86 1.5	FirstSouthBancorp	FSBK	17.56 1.5
LatAmDiscv	LDI	11.44 0.9	TAL Education	TAL	159.73 1.0	StewartInfo	STC	38.67 -1.1	GuggChinalCap	YAO	32.46 0.6	PwC	PRFC	43.49 0.7	DECO	MUND	50.78 1.5
LincolnNational	LNC	73.65 0.4	Telus	TU	36.77 0.9	Tidewater	TDW	20.37 1.9	GuggChinaDiv	DIA	42.37 -0.2	VanguardFTSE	VUGA	57.24 0.6	DevInt'l Equity	RNDM	16.55 2.5
LockheedMartin	LMT	294.33 0.2	TempTrnDrgt	TDG	21.66 ...	US Silica	SLCA	16.50 10.4	GuggMktActnCm	CVY	31.18 1.2	PwC	PRFC	57.20 0.6	OrbisFinSrvcs	ORBF	15.8 1.3
Loews	LW	49.27 1.0	UnderArmour	UA	16.15 -10.4	GuggMktActnCm	CVY	21.42 0.4	PwC	PRFC	52.15 0.6	OpreyOpRty	OPRD	13.01 0.5	CorTech	CYTX	4.0 8.5
LumberLiqu	LL	33.75 35.9	TerreneRealty	TRN	34.92 0.1	UnderArmour	UA	18.01 -1.6	GuggMktActnCm	CVY	49.48 0.5	PwC	PRFC	52.15 0.6	DebtMaturity	DEBT	14.5 6.5
MGMGrowthCorp	MGP	30.03 0.2	TexasPecanLand	TPL	357.49 0.4	Verith	VRTV	35.60 -1.3	GuggMktActnCm	CVY	49.48 0.5	PwC	PRFC	52.15 0.6	Specialty	SPAC	13.0 5.6
MSCI	MSCI	11.05 1.4	ThomsonReuters	TR	48.57 0.45	Verti	VRT	35.60 -1.3	GuggMktActnCm	CVY	49.48 0.5	PwC	PRFC	52.15 0.6	BraceDivers	DARE	3.09 5.6
MarathonPetrol	MPC	56.81 1.0	Tidewater	TRU	46.53 0.3	AlpsEqSocWt	EQL	145.86 1.2	GuggMktActnCm	CVY	49.48 0.5	PwC	PRFC	52.15 0.6	Equity	EFQ	1.17 7.6
Market	MKT	106.68 1.4	TransUnion	TREX	82.04 0.2	BarclaysTN F Eh	FEH	156.48 1.3	GuggMktActnCm	CVY	49.48 0.5	PwC	PRFC	52.15 0.6	Energy	EFIN	1.17 7.6
MergeHomes	MTH	44.00 2.3	WGLHoldings	WGL	87.03 0.6	BarclaysTN F Eh	FEH										

MARKETS

ETFs Are On a Roll Yet Again, Pulling In More Cash

By SARAH KROUSE

The fortunes of Wall Street's cheapest and priciest funds are diverging fast.

Exchange-traded funds held \$1 trillion more in investors' money than hedge funds globally for the first time ever at the end of June, according to research from London consulting firm ETFGI LLP.

Assets in ETFs, which trade on exchanges like stocks, first surpassed the amount of money in hedge funds two years ago and have continued to swell.

Funds such as ETFs, which aim to match the returns of indexes or asset classes and are known as passive investments, have been helped by fresh market highs. The Dow Jones Industrial Average closed at a fresh record Tuesday. The S&P 500 as well as major German and U.K. stock indexes are also near records.

Those gains have prodded investors already losing faith in star stock and bond pickers to plow even more money into these ultralow-cost funds.

This year through Monday, research firm HFR Inc.'s index of hedge-fund performance returned 3.7%, compared with a 10% return for the S&P 500. ETFs had \$4.17 trillion in assets at the end of June, while hedge funds had \$3.1 trillion, according to ETFGI and HFR.

The divergence in assets shows how investors are changing the way they put money to work. Advisers are shifting clients' assets into portfolios filled with cheap funds for which they charge a fee. Cost-conscious institutional investors have taken money out of hedge funds and allocated more to funds that match the performance of broad swaths of the market.

Price is an attraction. The asset-weighted average annual cost for exchange-traded funds globally is 0.27%, according to ETFGI. Hedge funds traditionally charged investors 2% of assets and another 20% of profits over a certain threshold. ETFs also come with some tax and trading advantages.

The movement of money has caused a shift in power on Wall Street from money managers that pick investments and promise outsize returns to less flashy passive funds.

In the first half of this year, ETFs around the world attracted a \$347.7 billion in net new assets, according to ETFGI. Hedge funds attracted a net \$1.2 billion, according to HFR. Hedge funds still outnumber ETFs by more than 1,000 globally.

BlackRock Inc. and Vanguard Group, the two largest ETF providers and the world's No. 1 and No. 2 money managers by assets, respectively, have been the main beneficiaries of the shift in assets. Other money managers are now trying to package their passive as well as stock- and bond-picking strategies into ETFs to nab assets.

OIL

Continued from page B1
past four quarters, according to Tudor Pickering, 25% higher than Exxon. That cash-flow generation helped Shell reduce its net debt by 9% from a year earlier, against rises of about 5% for Exxon and Chevron. And despite overall profits sharply higher than a year ago, Exxon's U.S. upstream business lost money for a 10th consecutive quarter.

The danger for Exxon and Chevron is that they will find themselves continually pumping cash into shale to keep production numbers up, even as small independent shale producers—which face less pressure to pay big dividends—do the same.

Shell's big bet on Australian natural gas isn't without risk. If the U.S. is able to muscle in on the Chinese market for liquefied natural gas, prices in Asia could remain depressed. But for this quarter at least, Shell's strategy looks smart.

Blue Chips Make a Run at 22000

Bank stocks, strong earnings reports lift indexes, while shares of auto makers drop

By AKANE OTANI
AND JUSTIN YANG

The Dow Jones Industrial Average logged its sixth consecutive session of gains Tuesday, climbing within striking distance of 22000.

The blue-chip index surged at the market's opening and got within 10 points of the milestone around midday, before paring gains toward the close.

The Dow industrials notched their fifth closing record in a row while the S&P 500 and Nasdaq Composite ended three-session losing streaks.

In a sign that U.S. stocks could be poised for further advances, index heavyweight Apple reported quarterly results that topped analysts' expectations after the market closed. Its shares rose 6.1% in after-hours trading.

U.S. stocks have hit fresh records this summer, buoyed by strong corporate earnings and signs of resurgent global growth.

That should help major indexes continue to climb, investors say, even as many have doubts over the timing and scale of potential policy changes from the Trump administration, such as tax cuts and spending on infrastructure.

"Equities are in an earnings-driven market, surprising to the upside," said Terry Sandven, chief equity strategist at U.S. Bank Wealth Management.

The Dow industrials advanced 72.80 points, or 0.3%, to 21963.92. The S&P 500 rose 6.05 points, or 0.2%, to 2476.35, and the Nasdaq Composite added 14.82 points, or 0.2%, to 6362.94.

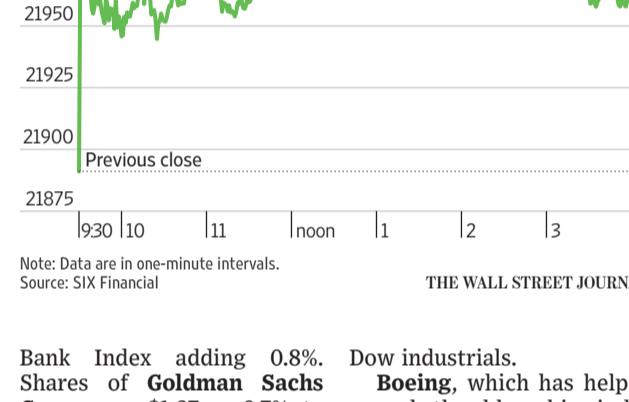
Bank shares lifted U.S. stock indexes, with the KBW Nasdaq



An employee working on a General Motors vehicle. Shares of auto makers fell, with GM down 3.4% and Ford losing 2.4%.

Round-Number Resistant

The Dow Jones Industrial Average came within 10 points of crossing 22000 for the first time ever Tuesday.



Note: Data are in one-minute intervals.

Source: SIX Financial

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Bank Index adding 0.8%. Shares of Goldman Sachs Group rose \$1.67, or 0.7%, to \$227.00 and J.P. Morgan Chase climbed 1.23, or 1.3%, to 93.03, giving a boost to the

Dow industrials.

Boeing, which has helped propel the blue-chip index this year, was one of the stocks standing in the way of the index reaching its latest

thousand-point milestone Tuesday. Boeing shares dropped 3.02, or 1.3%, to 239.44, shaving roughly 21 points off the index.

Although corporate earnings generally have been solid, soft U.S. economic data Tuesday weighed on some corners of the market.

Shares of car companies fell, with General Motors down 1.22, or 3.4%, to 34.76 and Ford Motor losing 27 cents, or 2.4%, to 10.95 after major U.S. auto makers said sales dropped sharply in July.

The two companies' stocks were among the S&P 500's worst performers.

Elsewhere, the Stoxx 600 Europe rose 0.6%, lifted by a raft of upbeat earnings reports. Data also showed that the eurozone's economic growth gathered steam in the second quarter.

Earlier, improvement in a

closely watched private gauge of manufacturing in China fueled Asian shares. A reading from Caixin and IHS Markit rose for a second consecutive month in July and hit its highest level since March.

Early Wednesday, Japan's Nikkei was up 0.4% and Hong Kong's Hang Seng Index was up 0.5%, but Australia's S&P ASX 200 was down 0.6%, after a strong past week as commodities prices took a breather.

AUCTION RESULTS

Here are the results of Tuesday's Treasury auction. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

FOUR-WEEK BILLS

Applications	\$130,557,572,100
Accepted bids	\$45,000,412,100
*noncompetitively	\$367,295,400
^foreign noncompetitively	\$0
Auction price (rate)	99.923000 (0.090%)
Coupon equivalent	1.005%
Bids at clearing yield accepted	18.08%
Cusip number	912796LR8

The bills, dated Aug. 3, 2017, mature on Aug. 31, 2017.

Companies Raise Profits by Spending More

By JON SINDREU

How much money can companies make? In the U.S., it has depended on how much money they have been willing to spend.

U.S. business investment increased at a solid pace for a second consecutive quarter, data released Friday showed. Private nonresidential fixed investment rose to 12.6% of gross domestic product.

That is good news for investors watching second-quarter earnings. From the start of July when companies started reporting earnings, the S&P 500 is up 2.2%.

Economists often point out that stronger profits can lead companies to invest more. But research finds that it also happens in reverse: Companies frequently invest by buying things from other companies—building a new factory, for instance, means buying construction services and many other things. That boosts the profits of the whole sector.

Indeed, over the past four years, profits of U.S. companies have been largely dependent on capital spending by companies themselves, an analysis of national accounts suggests.

The investment-profit relationship has been especially tight in the U.S. since 2013. During this period, households and foreigners have saved a



Sales for Caterpillar, which makes heavy machinery used in oil drilling, fell 30% from 2014 to 2016.

looked unprofitable was probably the right call. But sales for Caterpillar, a manufacturer of heavy machinery used in oil drilling, fell around 30% from 2014 to 2016.

Likewise, "increasing competition can redistribute profits from one industry to another, but aggregate profits won't change," said Srinivas Thiruvadanai, director of research at the Jerome Levy Forecasting Center LLC, which specializes in profit accounting.

To be sure, the dependence of earnings on corporate spending could weaken. The Trump administration could slash taxes and boost infrastructure spending, and there are signs that households are spending more.

A report published Monday by S&P Global expects investment to increase 5.5% this year globally, after four years of declines.

Looking at the longer term, however, there is more cause for concern: Since 2008, investment has been weak across the developed world, and capacity utilization in the U.S. industrial sector keeps going down, suggesting that businesses won't have much need to invest.

"Capital deployment by U.S. companies remains extremely disciplined, extremely cautious," said Yves Bonzon, chief investment officer at Swiss private bank Julius Baer & Co.

Treasurys Strengthen on Soft Economic Indicators

By SAM GOLDFARB

U.S. government bonds strengthened Tuesday as investors responded to a batch of soft economic data.

Traders bought government debt after the Institute for Supply Management said its index of U.S. manufacturing

activity fell to 56.3 in July from 57.8 in June. Reports from U.S. auto makers showed sharply lower sales in July, while the Federal Reserve's

preferred measure of inflation, the price index for personal-consumption expenditures, slipped in June on an annual basis to 1.4% from 1.5% in May, its fourth consecutive month of year-over-year declines.

The yield on the benchmark 10-year Treasury note settled at 2.253%, compared with 2.292% Monday. Yields fall as bond prices rise.

Taken together, the data helped support bonds, which typically thrive in environments of weak economic growth and soft inflation, in

part because inflation erodes the purchasing power of their fixed returns.

Prices of Treasurys had fallen earlier in the trading session, with the 10-year yield rising as high as 2.321%.

Analysts said the Treasury Department's refunding announcement scheduled for Wednesday was one factor initially pushing yields higher.

Some traders are nervous that the agency could announce plans to issue more long-term debt in anticipation of the Fed starting to scale

back its program of reinvesting proceeds from maturing Treasury bonds into new debt, said Gennadiy Goldberg, U.S. rates strategist at TD Securities

in New York.

That would likely pressure outstanding bonds with longer maturities. Still, TD Securities analysts are among those who expect that the Treasury will focus more on borrowing through short-term debt, which would be good for long-term bonds.

Data on core inflation, which excludes food and en-

ergy products, was also something of a bright spot amid the lackluster economic reports, providing some short-lived selling pressure on bonds.

While headline inflation fell on an annual basis, core inflation was 1.5% in June and was revised up to 1.5% in May from the earlier estimate of 1.4%. Though still down from 1.9% in February and below the Fed's 2% target, the two consecutive months at 1.5% could make people "think that we've bottomed here," Mr. Goldberg said.

MARKETS

Oil Futures Are Flashing a Buy Signal

Pricing shift, indicating that bloated supplies may be easing, is bullish for investors

By ALISON SIDER

Patience is paying off for investors who stuck with bullish oil bets this year.

Near-term oil prices are close to rising above longer-term prices—a long-anticipated shift that signals the global glut of crude may be easing.

It is welcome news for oil investors, who already have benefited from the rebound in crude prices in July. U.S. oil prices rose 9% to \$50.17 a barrel in July in response to positive U.S. stockpile data and a renewed commitment from Saudi Arabia to curtail exports.

For most of 2017, the price of oil delivered in the future has been higher than the spot price. That is a sign that there is more than enough oil to meet current demand. And since that price relationship makes it more profitable to put oil in storage rather than sell it right away, it encourages oil stockpiles to become even more bloated.

During such periods, an investor would be “basically forced to sell low and buy high,” said Terence Brennan, portfolio manager at Lazard Asset Management. “Then it’s probably not the best investment.”

Now, the difference between current and longer-term futures prices has shrunk. The gap between prices of the two nearest monthly contracts is nearly the narrowest since December 2014, one month after the Organization of the Petroleum Exporting Countries surprised the market with its decision against production cuts, which sped up a descent in oil prices.

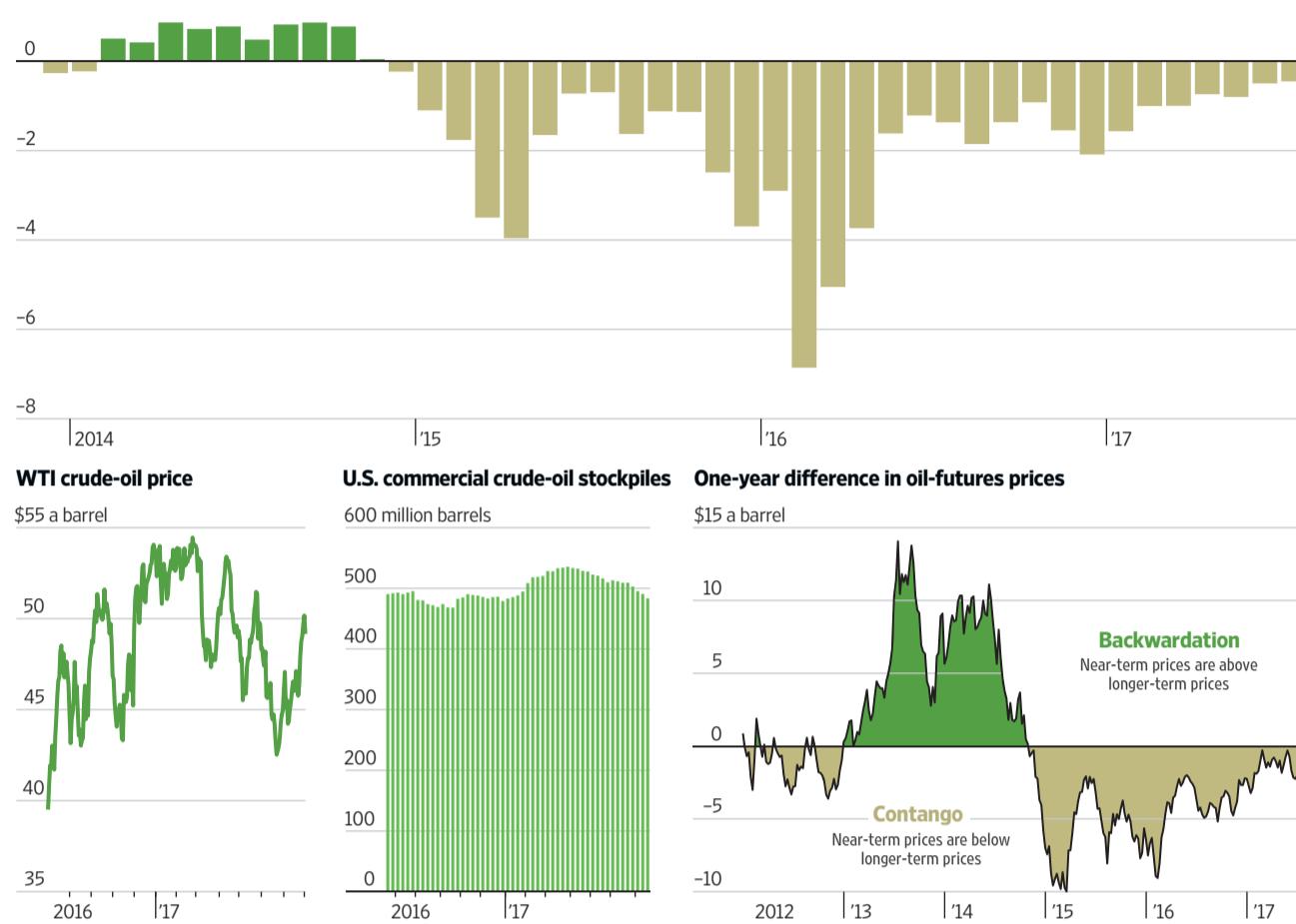
The persistence of lower current prices versus future ones has been painful for investors who hold long-term bullish bets or buy index products that track crude. Typically, investors

Rolling Ahead

Oil prices have started to rebound, while near-term and longer-term futures prices have converged.

That has made it less costly for investors to roll their oil-futures positions from one month to the next, and could be a sign that oil-storage levels will continue to fall.

S&P GSCI Crude Oil index's roll return, which is the gain or loss from rolling futures positions from one month to the next



have to pay the difference in the prices of monthly futures when they roll over positions from one month to the next.

Investors have lost 5.6% in rolling positions from one month to the next in the S&P GSCI Crude Oil index this year through July, according to S&P Dow Jones Indices. Last year, the comparable “roll cost” was 20.8%.

Higher prices further out in

the future “is still costing you, but it’s costing you less. It is getting to the point where it could start to turn around,” Mr. Brennan said.

Big banks had expected the oil-futures curve to pivot quickly, and current prices to rise above future prices in the first half of the year. The thinking was that the temporary output reduction agreed to in December by OPEC and

other major producers, such as Russia, would jolt near-term prices while leaving longer-term futures more depressed, creating a condition known as backwardation. That would encourage oil companies, speculators and traders to sell oil rather than store it, helping flush out the glut that has been built up in storage tanks.

It is a scenario OPEC had hoped to trigger when the car-

tel and other major exporters struck the deal to take some 2% of global daily oil output off the market, analysts said.

It is only recently that the premium for oil available in a few months has shrunk so far that storing oil is becoming a money-losing prospect.

While the market flirted with backwardation this year, getting to that point has been tougher than expected because

U.S. shale producers were able to raise production faster than most observers anticipated. As a result, global oil supplies remain well above OPEC’s target.

“The market isn’t paying you to store,” said John Saucer, vice president of research and analysis at Mobiust Risk Group. “It doesn’t mean the market is tight, but it isn’t sloppy either.”

Already, there are signs of a shift. The amount of oil held in storage tanks in the U.S.—where supplies are closely watched as a barometer of the global glut—has dropped in the past four weeks by more than double the average rate for this time of year.

Some once again are predicting that backwardation could appear soon. Oil economist Philip Verleger said he expects to see it by September.

But that isn’t a clear-cut outcome. There is so much oil locked in U.S. shale formations that can be tapped relatively quickly, said Dimitry Dayen, an analyst at ClearBridge Investments. “Inventories haven’t come down fast enough,” he said. “At this point, inventories would have to come down a lot more—significantly below the five-year average—to see significant backwardation.”

The shift—if it happens—may be fleeting. It “would flood the market at a time when it’s too fragile to absorb those barrels,” said Michael Tran, director of global energy strategy at RBC Capital Markets.

But others say that should the relationship between current and future prices revert, it could be the bullish signal investors have been waiting for to jump back into oil.

“That would be a pretty important indicator to asset allocators and longer-term investors, who are keenly aware of the last decade’s experience of what negative roll yields can do to the return on investment,” said Greg Sharenov, a portfolio manager at Pacific Investment Management Co.

HEARD ON THE STREET

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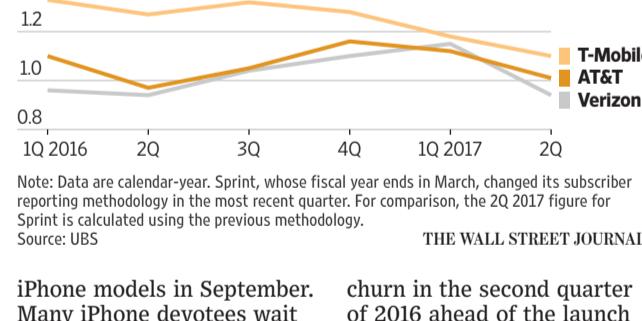
FINANCIAL ANALYSIS & COMMENTARY

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Telecoms Have iPhone to Thank

On Hold for a New iPhone

Postpaid churn rates



Note: Data are calendar-year. Sprint, whose fiscal year ends in March, changed its subscriber reporting methodology in the most recent quarter. For comparison, the 2Q 2017 figure for Sprint is calculated using the previous methodology.

Source: UBS

number of postpaid phone subscribers. But after excluding some less valuable customers it added through a new program, the result wasn’t as impressive as the blowout quarters to which investors have become accustomed. T-Mobile also beat estimates for earnings before interest, taxes, depreciation and amortization, citing spending discipline. That suggests it may be saving its promotional firepower for the second half of the year.

Granted, industry churn has been falling for the past couple of years thanks to new plans that separate the cost of a phone from the cost of service. That could mitigate the effect of the iPhone launch. Verizon’s unlimited offering and AT&T’s bundling wireless with TV packages are also clearly responsible for some of their gains.

The period of low churn may give carriers a respite, but the real test of their strategies will be how they perform when the new iPhone hits the market.

—Miriam Gottfried

OVERHEARD

Second-quarter results from flooring company **Lumber Liquidators Holdings** sent short sellers to the woodshed.

The company reported sales of \$263.5 million and adjusted earnings of 16 cents a share Tuesday. Analyst consensus was for \$256.9 million in sales and an adjusted loss of 6 cents.

These results would be good enough to push any stock higher, but Lumber Liquidators shares rose 36% Tuesday. High short interest added fuel to the rally because nearly one-quarter of available shares were sold short at last count, according to FactSet.

Such a bet had worked well in the past; shares are down 38% over the past three years. Yet the stock had soared by more than 50% so far this year, even before Tuesday’s rally.

Betting on retail stocks has become a dangerous game. Tuesday reminded investors that the danger cuts both ways.

Investors In Apple Can Breathe Easy

It is easy to forget that Apple makes things besides the iPhone. The company’s fiscal third-quarter results Tuesday will be a salient—if short-lived—reminder of that.

The iPhone still accounts for the lion’s share of Apple’s revenue and earnings. But the June quarter saw an unexpected year-over-year jump of 15% in iPad unit sales. That is the best growth Apple’s pioneering tablet has logged in more than four years.

The iPad and stronger-than-expected services revenue helped Apple top Wall Street’s estimates for the June quarter. The company’s forecast also suggested that sales of the new iPhone would start strongly, even with delays on some models.

Apple projected revenue in the range of \$49 billion to \$52 billion for the September quarter. The midpoint of that range represents a sales gain of 11% from the June quarter—which is actually the strongest forecast for this period that Apple has made since it began launching its new iPhones in September five years ago. The forecast, in other words, strongly suggests that at least some new iPhone models are coming in the September quarter.

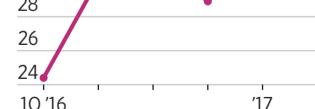
That is good news for investors who have driven Apple’s share price up 30% this year, not including the 6% additional bump the stock got Tuesday after the report. A stronger iPad and services business helps smooth out the iPhone cycle, but the company will remain dependent on the phone for the foreseeable future. And Apple clearly expects its new phones to make the connection.

—Dan Gallagher

This Auto Lender’s Risks Are Larger Than They Appear

Dealer’s Choice

Portion of Credit Acceptance’s loans by value in which it holds the main credit risk



Source: The company

caters more to subprime borrowers, 9.3% of loans were overdue by 31 to 60 days, and 4.7% were overdue by more than that, up from 7.3% and 3.8% the previous quarter, respectively.

The continued rise in delinquencies is worrying, especially because unemployment has been falling and wages rising. This suggests borrowers may have simply taken on too much debt.

“While the consumer remains strong, we are closely monitoring nonmortgage consumer debt trends, which continue to rise,” Santander Consumer Chief Executive Jason Kulas said on an earnings conference call.

For Ally Financial in the second quarter, 2.71% of auto loans were delinquent by more than 30 days, up from 2.36% in the first quarter. At Santander Consumer, which

While Credit Acceptance beat expectations, it was difficult to judge the underlying health of its loan portfolio because, unlike competitors, the company doesn’t give details on net charge-off rates or delinquencies.

Credit Acceptance makes loans through car dealerships, and often the dealers are on the hook for around 80% of the repayment risk, says Credit Suisse analyst Moshe Orenbuch.

These “dealer loans” are safer for Credit Acceptance. The problem is that they are also a shrinking part of the company’s business, Mr. Orenbuch notes. More traditional loans, also made

through dealerships but in which Credit Acceptance retains all of the repayment risk, accounted for 32% of its loans by dollar value in the second quarter, up from 24% in the first quarter of 2016.

As less-protected loans take up more of Credit Acceptance’s balance sheet, the company’s lack of disclosure makes it harder for investors to judge its underlying risks.

With the credit cycle having turned only recently, it is impossible to know how bad things could get for subprime auto loans. Investors would do well to steer clear of the whole sector, particularly Credit Acceptance.

—Aaron Back